



Comprehensive Annual Financial Report

Year Ended December 31, 2016

Macomb County Finance Department
Stephen Smigel, Director

MACOMB COUNTY, MICHIGAN

Comprehensive Annual Financial Report

Year ended December 31, 2016

Prepared by:

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Macomb County, Michigan

Comprehensive Annual Financial Report
Year Ended December 31, 2016

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal.....	1
Certificate of Achievement for Excellence in Financial Reporting.....	15
Organizational Chart.....	16
List of Principal Officials.....	17

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT.....	A-1
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A).....	A-4
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position.....	B-1
Statement of Activities.....	B-2
Fund Financial Statements	
Governmental Funds	
Balance Sheet.....	B-3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	B-4
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	B-5
Reconciliation of the Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	B-6
Proprietary Funds	
Statement of Net Position.....	B-7
Statement of Revenues, Expenses, and Changes in Fund Net Position.....	B-9
Statement of Cash Flows.....	B-11
Fiduciary Funds	
Statement of Fiduciary Net Position.....	B-13
Statement of Changes in Fiduciary Net Position.....	B-14
Component Units	
Combining Statement of Net Position.....	B-15
Combining Statement of Activities.....	B-16
Notes to Basic Financial Statements.....	B-17
Required Supplementary Information (other than MD&A)	
Budgetary Comparison Schedules (GAAP Basis)	
General Fund.....	C-1
Department of Roads Fund.....	C-4
Employees' Retirement System	
Schedule of Changes in Net Pension Liability and Related Ratios.....	C-5
Schedule of Employer Contributions and Schedule of Money Weighted Investment Rate of Return.....	C-6
Retiree Health Care Trust Fund	
Schedules of Funding Progress and Employer Contributions.....	C-7

Macomb County, Michigan

Comprehensive Annual Financial Report
Year Ended December 31, 2016

TABLE OF CONTENTS

FINANCIAL SECTION (CONTINUED)

Required Supplementary Information (other than MD&A) (concluded)

Department of Roads Retiree Health Care Trust Fund

Schedule of Funding Progress and Employer Contributions..... C-8

Notes to the Required Supplementary Information..... C-9

Combining and Individual Fund Statements and Schedules

Nonmajor Governmental Funds

Combining Balance Sheet..... D-1

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances..... D-2

Nonmajor Special Revenue Funds

Fund Descriptions – Nonmajor Special Revenue Funds..... D-3

Combining Balance Sheet – Nonmajor Special Revenue Funds..... D-5

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –

Nonmajor Special Revenue Funds..... D-12

Budgetary Comparison Schedules (GAAP Basis)

Circuit Court Programs..... D-19

Child Care Fund..... D-20

Community Corrections (Year Ended December 31, 2016)..... D-21

Community Corrections (Year Ended September 30, 2016)..... D-22

Community Action Agency (Year Ended December 31, 2016)..... D-23

Community Action Agency (Year Ended September 30, 2016)..... D-24

Concealed Pistol License..... D-25

Emergency Management Grants..... D-26

Friend of the Court..... D-27

Health Grants (Year Ended December 31, 2016)..... D-28

Health Grants (Year Ended September 30, 2016)..... D-29

Macomb / St. Clair Employment and Training..... D-30

MSU Extension (Year Ended December 31, 2016)..... D-31

MSU Extension (Year Ended September 30, 2016)..... D-32

Prosecuting Attorney Grants (Year Ended December 31, 2016)..... D-33

Prosecuting Attorney Grants (Year Ended September 30, 2016)..... D-34

Register of Deeds Remonumentation Fund..... D-35

Register of Deeds Technology Fund..... D-36

Sheriff Grants (Year Ended December 31, 2016)..... D-37

Sheriff Grants (Year Ended September 30, 2016)..... D-38

Social Welfare..... D-39

Urban County Block Grant..... D-40

Veterans' Affairs Fund (Year Ended December 31, 2016)..... D-41

Veterans Trust Fund (Year Ended September 30, 2016)..... D-42

Other Special Revenue..... D-43

Macomb County, Michigan

Comprehensive Annual Financial Report
Year Ended December 31, 2016

TABLE OF CONTENTS

FINANCIAL SECTION (CONCLUDED)

Combining and Individual Fund Statements and Schedules (concluded)

Nonmajor Debt Service Fund

Fund Description – Nonmajor Debt Service Fund..... D-44

Budgetary Comparison Schedule (GAAP Basis)

Debt Service Fund..... D-45

Nonmajor Capital Project Funds

Fund Descriptions – Nonmajor Capital Project Funds..... D-46

Combining Balance Sheet – Nonmajor Capital Projects Funds..... D-48

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –

Nonmajor Capital Projects Funds..... D-52

Internal Service Funds

Fund Descriptions – Internal Service Funds..... D-56

Combining Statement of Net Position..... D-57

Combining Statement of Revenues, Expenses, and Changes in Net Position..... D-59

Combining Statement of Cash Flows..... D-61

Fiduciary and Agency Funds

Fund Descriptions – Fiduciary and Agency Funds..... D-63

Combining Statement of Fiduciary Net Position – Pension and

Other Postemployment Benefit Funds..... D-64

Combining Statement of Changes in Fiduciary Net Position – Pension and Other Postemployment

Benefit Funds..... D-65

Combining Statement of Fiduciary Net Position – Agency Funds..... D-66

Combining Statement of Changes in Fiduciary Net Position – Agency Funds..... D-67

Statement of Changes in Assets and Liabilities

Trust and Agency Fund..... D-68

Payroll & Benefits Agency Fund..... D-68

Utica Ballpark Cleanup Fund..... D-69

Miscellaneous Agency Fund..... D-69

Drainage Districts Component Unit

Fund Description – Governmental Funds – Drainage Districts Component Unit..... D-70

Combining Balance Sheet – Governmental Funds – Drainage Districts Component Unit..... D-71

Reconciliation of the Governmental Funds Balance Sheet to the

Statement of Net Position – Drainage Districts Component Unit..... D-72

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –

Governmental Funds – Drainage Districts Component Unit..... D-73

Reconciliation of the Changes in Fund Balances of Governmental Funds to the

Government-wide Statement of Activities – Drainage Districts Component Unit..... D-74

STATISTICAL SECTION

Table of Contents..... E-1

Macomb County, Michigan

Comprehensive Annual Financial Report
Year Ended December 31, 2016

TABLE OF CONTENTS

STATISTICAL SECTION (CONCLUDED)

Net Position by Component.....	E-3
Changes in Net Position.....	E-4
Fund Balance of Governmental Funds.....	E-6
Changes in Fund Balances of Governmental Funds.....	E-7
Changes in Fund Balances of the General Fund.....	E-8
Assessed Taxable Values (History of Property Values).....	E-9
Property Tax Rates – Direct and Overlapping Governments.....	E-10
Principal Property Taxpayers (Major Taxpayers).....	E-11
Property Tax Levies and Collections.....	E-12
Ratios of Outstanding Debt by Type.....	E-13
Ratios of Net General Bonded Debt Outstanding.....	E-14
Direct and Overlapping Governmental Activities Debt.....	E-15
Current and Historical Legal Debt Margins.....	E-16
Demographic and Economic Statistics.....	E-17
Concentration of Workforce.....	E-18
Full-time Equivalent County Government Employees by Function / Program.....	E-19
Operating Indicators by Function / Program.....	E-20
Capital Asset Statistics by Function.....	E-21
Schedule of Insurance.....	E-22
Tax Abatements – Industrial Facilities Tax (IFT).....	E-24
State Shared Revenues and County Residential Building Permits Issued.....	E-25
Schedule of Labor Force Agreements.....	E-26



Macomb County Executive

Mark A. Hackel

Mark F. Deldin
Deputy County Executive

June 21, 2017

To the citizens of Macomb County,

The Comprehensive Annual Financial Report (CAFR) of Macomb County, Michigan for the fiscal year ended December 31, 2016 is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the County. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

State law requires that all general purpose local governments publish a complete set of financial statements presented in conformity with Generally Accepted Accounting Principles (GAAP) and audited in accordance with Generally Accepted Auditing Standards by a firm of licensed certified public accountants within six months of the close of each fiscal year.

This report consists of management's representations concerning the finances of Macomb County. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these presentations, County management has established a comprehensive internal control framework that is designed to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with GAAP. The cost of internal controls should not outweigh their benefits; therefore, the County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Macomb County's financial statements for the fiscal year ended December 31, 2016 have been audited by Plante Moran, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Plante Moran concluded, based upon the audit, that there was reasonable basis for rendering an unmodified opinion that the County's financial statements for the fiscal year ended December 31, 2016 are fairly presented in conformity with GAAP. Plante Moran's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of Macomb County was part of a broader, federally mandated Single Audit designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on the administration of federal awards. These reports are available in the County's separately issued Single Audit Report.

The 2016 CAFR is issued pursuant to the requirements of Governmental Accounting Standards Board (GASB) Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. Readers of our 2016 CAFR will notice two statements entitled Government-Wide Statement of Net Position and Government-Wide Statement of Activities. These statements will provide readers with the financial position of Macomb County viewed as a single entity. The GASB statements also require that management provide a narrative introduction, overview and analysis

to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Macomb County's MD&A can be found immediately following the report of the independent auditors.

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 a driving force for population growth in the State of Michigan and metropolitan Detroit region. 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 2016, United States Census Bureau estimates placed Macomb County's population at 867,730, an increase of increase of 26,752 residents since 2010. On average, 12 people choose to make Macomb their home each day.

Macomb County is home to three of the 10 most populated communities in Michigan: Warren (#3), Sterling Heights (#4), and Clinton Township (#10). Macomb County is also home to some of the state's fastest growing communities. Since 2010, Macomb Township ranked first in the state for population growth adding 5,799 residents while Shelby Township ranked fifth with an increase of 3,029 individuals. Census 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 offers a full range of housing options. The size and scale of residential development in Macomb County encompasses modern urban areas, picturesque rural settings, historic cities and villages and scenic waterfront living. In 2016, Macomb County had 364,867 housing units, with a median home value of \$126,000 reflecting a 4 percent increase in value over the previous year. Currently more than 94 percent of the County's total housing units are occupied. The vast majority of Macomb's occupied housing units are owner occupied (71 percent), ranking it among the highest in the nation.

The County's robust and diverse housing stock is fortified by a number of pristine natural features. Macomb County's eastern border is shaped by 32 miles of Lake St. Clair coastline, and the County is bisected by the Clinton River. These freshwater assets help showcase the natural beauty of Macomb County, while also providing residents and visitors with a unique environment to live and recreate. These waterways are the staging ground for 60 public and private marinas and more than 50,000 registered boats. Macomb also possesses 17,000 acres of land devoted to parks, recreation and trails. With 180 municipal parks and more than 150 miles of non-motorized trails, the County's recreational assets are diverse and dynamic. These recreational destinations include everything from the regional park network of the Huron-Clinton Metropolitan Authority to world-renowned fisheries.

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 Board of Commissioners serves as the legislative body of Macomb County government and is composed of 13 commissioners elected for two-year terms from 13 districts of nearly equal population. The County Treasurer, Clerk/Register of Deeds, Prosecutor, and Sheriff are offices established by State constitution. In addition, the 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.

Employing the latest technologies in maintaining the safety and welfare of residents and businesses, Macomb County opened its new Communications and Technology Center (COMTEC) in Mount Clemens in 2013. The center integrates Emergency Management and Operations, Information Technology, Department of Roads and Sheriff's Office Dispatch 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 the Sheriff's Department 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 at a cost of \$13.5 million, but more than \$9 million, or about 75 percent of the cost was funded by federal and state grants.

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 of 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 administers 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.

A consideration in preparing the CAFR for the County was the identification of the reporting entity. Various potential component units were evaluated to determine whether they should be reported in the County's CAFR. A component unit is considered to be part of the County's reporting entity when the County is financially accountable for the entity or the nature and significance of the relationship between the County and the entity is such that exclusion would cause the County's financial statements to be misleading or incomplete.

This Comprehensive Annual Financial Report includes all the funds of the County as well as the funds of the Macomb/St. Clair Workforce Development Board (Michigan Works), the Macomb County Public Works Commission, the Martha T. Berry Medical Care Facility, the Macomb County Employees Retirement System, the Macomb County Retiree Health Care Board, the Macomb County Building Authority and the Macomb County Criminal Justice Building Authority. It does not include the funds of Macomb Community College, the Macomb Intermediate School District nor the various cities,

townships, villages and local school districts which have not met the established criteria for inclusion in the reporting entity and accordingly are excluded from this report.

ECONOMIC CONDITION

The assessed value of the taxable property for 2016 was approximately \$31.3 billion, an increase from the prior year of \$2.3 billion, or 7.9% percent.

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 Great Lakes Region, which is among the world's busiest 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 34,600 acres of industrial and institutional land, Macomb County has the capacity to service existing businesses and onboard new facilities and operations.

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 vital infrastructure needed to service emerging industries. A network of thoroughfares, state highways and interstates traverse Macomb County, providing residents 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 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 Great Lakes Water Authority.

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 more than 434,000 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 19 percent in 2016. Macomb County's service and professional sectors, which includes all employment outside of agriculture, mining, construction and manufacturing, now includes approximately 74 percent of the County's labor force. The County also showcases a fruitful agricultural and food

processing heritage, which is most evident in the northern portions of the county where multigenerational farms continue to produce and prosper.

With sound infrastructure and a skilled workforce in place, Macomb County has seen substantial industrial and commercial development over the past 40 years. Some of the County's prime development areas include:

- The Mound/Van Dyke Corridor – This mile-wide industrial corridor is 12 miles in length and is comprised of some of the world's most technologically-advanced production and procurement facilities. The corridor is anchored by these notable facilities:
 - Fiat Chrysler Automobiles
 - Warren Truck Assembly Plant
 - Sterling Heights Stamping Plant
 - Sterling Heights Assembly Plant
 - Ford Motor Company
 - Van Dyke Plant
 - Sterling Plant
 - General Motors
 - Global Technical Center
 - Powertrain Plant
 - Detroit News and Detroit Free Press Sterling Heights Printing Plant;
 - The U.S. Army's TACOM Life Cycle Management Command
 - The U.S. Tank Automotive Research, Development and Engineering Center (TARDEC)
 - General Dynamics Land Systems Headquarters
 - BAE Systems Combat Vehicles
- Gratiot Avenue (M-3) – Gratiot Avenue is one of Macomb County's strategic regional thoroughfares. Extending from the heart of the City of Detroit this major transportation arterial traverses nine Macomb County communities, and has been a major destination for large scale commercial and institutional developments. Some of the corridors chief anchors include:
 - Downtown Development Authorities – Eastpointe, Roseville, Clinton Township, Mt. Clemens, and Richmond all possess core downtown areas. These hubs of commerce and creativity provide the County with a unique sense of place and nurture the entrepreneurial spirit. These districts operate under state-enabling legislation which incentivizes capital investments and economic development services.
 - Macomb Mall – A Macomb County institution for more than 50 years Macomb Mall recently underwent a \$40 million redevelopment. This 921,000-square-foot transformation began with the addition of a 50,000-square-foot Dick's Sporting Goods, demolishing and retrofitting underutilized retail spaces, and acquiring surrounding properties for future build-out. In addition, the mall owners have spruced up the interior with new amenities and comfort areas. The mall, and its surrounding properties are home to new retailers including H&M, Ulta, Potbelly, Chipotle, Champs Sports, and AT&T.
- M-59/Hall Road – M-59 is a major commercial destination. This regional thoroughfare stretches from the coast of Lake St. Clair to the core of the City of Utica's historic downtown and borders seven communities. The corridor is the epicenter of more than 12,000 establishments and 23,000 jobs. Some of the corridors key retail destinations include:
 - Cabela's - Cabela's is a national retailer offering hunting, fishing and camping merchandise. Later this summer, Cabela's will 90,000 square-foot store in Chesterfield Township, its fourth location in Michigan. The new store will employ 175 full and part time workers.
 - The Mall at Partridge Creek – 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.

- Lakeside Mall – 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 150 other stores, specialty shops, restaurants and miscellaneous retail spaces in the mall.
- Jimmy John’s Field, home to the United Shore Professional Baseball League, opened last year with great success. The newly-constructed field and stadium represents an investment of more than \$15 million. The inaugural season saw an average of 3,200 people per game and more than 200,000 patrons over the four-month season. The facility boasts private suites, executive seating, grandstands, pavilion/picnic areas, a video board, and play areas for children. The hometown teams are Birmingham Bloomfield Beavers, Eastside Diamond Hoppers, Utica Unicorns, and added for 2017, Westside Woolly Mammoths.

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.

Michigan has 15 public universities with a strong focus on educating a high tech workforce from engineering talent to highly skilled manufacturing labor. Many are working on the next advancements in alternative energy, life science, advanced manufacturing and other 21st century opportunities.

MCC’s University Center offers access to six of them including the Michigan State University College of Osteopathic Medicine. In addition, there are satellite campuses of six public colleges located throughout the County. In fact, Macomb has more opportunities to complete coursework from one of Michigan’s public colleges within the County than any other in Michigan. This widely recognized program provides area residents with access to nearly 60 bachelor and master degree programs.

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 five years MCC has managed multiple grants addressing employers’ needs for skilled workers in the defense, aerospace, advanced automotive, manufacturing and health care industries. In its two largest grants, those targeting displaced and dislocated workers, as well as veterans, the college has reached its goals: A total of 1,600 individuals were placed into full-time employment at no cost to either the individual or the employer. These program graduates have been hired by 922 companies in Southeast Michigan.

MCC has recently gained national attention with two innovative programs. The first is the newly established Innovation Fund Macomb Community College. In partnership with JP Morgan Chase, MCC created a \$2.7 million innovation fund to provide valuable capital to entrepreneurs through loans and grants. This economic development and job creation effort is linking promising small businesses to the institutional support networks of MCC and JP Morgan Chase allowing them to advance the progress of their emerging ideas.

The second, the Michigan Apprenticeship Program Plus, received \$3.9 million in federal grants to expand apprenticeship opportunities throughout the state. MCC, along with Grand Rapids Community College (GRCC), were selected as host sites for the Michigan Apprenticeship Program Plus. With this new program MCC will produce 300 new apprentices in manufacturing while GRCC will focus on information technology.

Beyond MCC, other higher educational institutions have established 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.
- Macomb-Oakland University INCubator is a business acceleration center which supports economic development in Southeast Michigan by cultivating high-tech businesses, nurturing academic innovation and encouraging research and development. The incubator is also home to the Velocity Hub of the Michigan Cyber Range. This cyber security hub allows local companies with the capabilities to test their connected products and offers cyber security certification courses.
- Wayne State University recently invested in the Advanced Technology Education Center (ATEC) in Macomb County. ATEC is located in Warren, adjacent to MCC and will offer students in Macomb County the opportunity to attain four-year degrees in marketable academic programs while providing collaborative opportunities with the business community in the area. In January 2017, the new Cyber Range Hub, part of the Michigan Cyber Range, opened to experienced professionals who want to expand their knowledge or cybersecurity newcomers who need to master basic skills. The program provides certification courses, cybersecurity training exercises and product/software testing.
- Other stand-alone satellite campuses in Macomb County include Central Michigan University, Davenport University, Ferris State 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 more than 130,000 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.

Coordinated by the MISD, the County also has a strong system of “Career and Technical Education” (CTE) for high school students. Designed to equip students for careers in high-demand fields, there are more than 200 programs offered at 32 facilities throughout the County. Approximately 18,000 students enroll in programs ranging from emergency medical services, automotive technology, law enforcement, culinary arts, manufacturing and more each year. This focus on CTE has provided a platform for the County to become a national leader in Manufacturing Day (MFG Day). The Macomb County Department of Planning & Economic Development partners with MISD and dozens of area manufacturers to host one of the nation’s largest coordinated celebrations of national MFG Day. Held on the first Friday in October, more than 5,500 students have learned about careers in the industry through tours of area plants since 2014.

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. McLaren recently opened a corporate services office in Macomb County. This 57,000 square foot facility consolidates 13 centers from around the state and will improve insurance billing effectiveness that could increase revenue by as much as \$30 million annually for the health care system.

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 and Homeland Security

Defense-related business is one of the bright spots in the region's economy, especially for Macomb County firms that are securing billions of dollars in defense contracts. The County is home to the Selfridge Air National Guard Base. With National Guard and/or Reserve personnel from every branch of the U.S. Armed Forces, Selfridge (ANGB) provides a broad range of services and capabilities to Michigan and to the United States. The 127th Wing of the Michigan Air National Guard is the host unit at the base. The base is located on the shores of Lake St. Clair in Harrison Township. 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. The base recently announced a new \$32.6 million jet fuel storage and delivery system.

Selfridge is one of five locations throughout the United States currently being considered to house the new F-35 Lightning II Fighter Jets. A decision from the U.S. Air Force is expected to be announced in August, 2017.

Macomb County is also home to the U.S. Army's TACOM LCMC, serving as the U.S. Army's contracting arm, and Tank Automotive Research, Development and Engineering Center (TARDEC), which is the U.S. Army's single-largest facility engaged in R&D, engineering and delivery of armored vehicles, weapons systems and other equipment. For more than 70 years, TACOM LCMC has 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.

The command, headquartered in the Detroit Arsenal, in Warren, has grown over the years comprising several distinct parts and functions. The U.S. Army Garrison supports the infrastructure of the Detroit Arsenal; the engineering and design group is TARDEC; contracting is conducted by the Army Contracting Command-Warren; logistics support is managed by

the Integrated Logistic Support Center; and the Program Executive Offices -- Ground Combat Systems and Combat Support and Combat Service Support with their Program Managers develop and field the army's fleet of combat and service vehicles.

Today, TACOM LCMC is one of the army's largest weapon systems research, development, and sustainment organizations, providing our soldiers of all services and our allies with cutting-edge ground combat, automotive, marine and armaments technologies. TACOM LCMC employs over 22,000 people globally with 8,000 working in Macomb County who are committed to excellence.

In recognition of Macomb County's prominence as the state's center for defense industry activity, the Michigan Economic Development Corporation moved its Michigan Defense Center (MDC) from Lansing to the heart of Macomb County. The MDC is staffed by a team of specialists experienced in the contracting practices of the U.S. Department of Defense. Center staff will 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.

The presence of the MDC has provided Macomb County with the ability to target major grants. One of the most recent and pronounced grant awards was for the Advance Michigan Defense Collaborative. In August 2015, the Department of Defense Office of Economic Adjustment awarded a \$5.9 million grant to support the Advance Michigan Defense Collaborative in Southeast Michigan. The Collaborative will provide immediate and sustained assistance to firms and workers in a 13-county region in Southeast Michigan affected by reduced Department of Defense procurement. The coalition coordinates assistance to organizations that promote research, industrial development, and talent development relevant to the defense industry. An application for \$2 million to fund Phase II of the project has been submitted and is currently under review.

The Macomb/St. Clair Workforce Investment Board (M/SCWB), working on behalf of Macomb County government, will manage and administer the initiative with assistance from the Workforce Intelligence Network (WIN) for Southeast Michigan. The grant will support 15 projects intended to identify and diversify Michigan's defense portfolio, expand educational and workforce training for emerging markets, and provide opportunities for Michigan companies engaged in the defense economy.

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 is seeing a wealth of defense-related work and investment. In Macomb County alone, more than 600 companies have been engaged in some variety of defense-related work and have secured more than \$30 billion in defense contracts from 2000 to 2015. In 2016 alone, Macomb County defense contracts were awarded 3,022 contracts totaling more than \$2 billion.

All this activity in the defense sector has elevated Macomb County, and the state of Michigan, to a leader in this major industry. In fact, Michigan has been a leader in the defense sector for decades and the industry is a major contributor to our local economy. Recognizing that these assets are important to economy, the Michigan Economic Development Corporation and the U.S. Army TARDEC leadership took the first step in implementing the plan by signing a cooperative research and development agreement.

The announced plan aligns with federal Department of Defense (DOD) spending planned over the next decade and the state's existing defense industry infrastructure and resources, which has historically played a significant role in U.S. military operations. Michigan's defense industry supports 105,000 jobs and represents an \$8 billion economic impact on the state's economy.

"Protect and Grow" includes 17 recommendations to preserve current defense assets, missions and jobs and foster innovation:

- Promote and safeguard acquisition, technology and logistics capabilities at the Detroit Arsenal
 - Invest state resources to enhance military installations and defense and homeland security missions
-

- Expand training ranges and opportunities
- Maximize the Michigan congressional delegation's deferral influence and support for military installations
- Strengthen and promote the link between defense and domestic auto and establish an autonomous vehicle corridor on I-69
- Leverage partnership opportunities between academia, industry, local government and DOD/DHS entities within the state
- Lead the nation in DOD/state cyber operations integration
- Secure East Coast missile defense ground-based interceptor site at the Fort Custer Training Center;
- Publicize the importance of the Soo Locks to national security and advocate for funding
- Establish an innovation center at the Detroit Arsenal
- Promote and expand economic gardening tools for Michigan companies
- Target and invest resources in growth areas including aerospace, advanced manufacturing, 3-D printing and autonomous systems
- Pursue opportunities and branding to lead the nation in DOD and state-sponsored renewable energy solutions
- Build and promote an asset database to leverage in-state testing and evaluation capabilities
- Study impacts and military research and development tax incentives and best practices in other states
- Connect veteran talent to Michigan industries
- Create new branding for the defense industry in Michigan

Next Generation Mobility

The automobile industry in Macomb County is a diverse network of companies involved in the R&D, production, wholesaling, retailing and maintenance of motor vehicles. This industry has been a driving force of our economy, and is instrumental to the viability of Macomb County's future.

Our steadfast commitment to the manufacturing/automotive base is fueling sustainable economic growth in Macomb County. Here, the automotive industry is made up of nearly 500 companies, employing more than 45,000 individuals. Since 2010, more than \$8.2 billion have been invested in Macomb County facilities. These investments signal the commitment our companies make to turning out the best product possible in a highly competitive global marketplace. Annually, manufacturing-based entities in Macomb County add more than \$13 billion to our economy, exporting more than \$39.7 billion worth of products and importing more than \$18 billion in goods.

Some of Macomb County's major investments in the automotive industry include:

- General Motors Global Technical Center: 2,600 jobs; \$1 billion investment – The GM Global Technical Center is a General Motors facility in Warren, Michigan. The Tech Center is a 710-acre campus that currently houses 19,000 employees. The project includes plans for a new design studio, the renovation of the R&D facilities, a new IT building, additional testing facilities at the Advanced Energy Center, and the renovation of existing offices as well as the construction of additional parking. All this is in addition to the \$139.5 million investment GM previously announced for the body shop and stamping facility located at their Warren Pre-Production Operations.
- Sodecia North America, Inc: 298 jobs; \$84 million – Sodecia North America, Inc., founded in Porto, Portugal in 1980, is a global supplier of chassis, powertrain and “body in white” commodities to the automotive industry. Today, it employs more than 4,600 workers at 32 locations throughout Europe, South America, North America and Asia Pacific. The company plans to demolish all existing facilities in Center Line, Michigan and redevelop the entire plant including their North American Headquarters and Engineering Center. Renovations will include a 66,000-square-foot, state-of-the-art manufacturing facility along with a three-story tower to accommodate 27,600 square feet of administrative office. The new facility once completed will be more than 210,000 square feet.
- Grupo Antolin of Spain: 430 jobs; \$61.2 million – Antolin Shelby – has broken ground on a plant that will produce, assemble and sequence door panels for the Ram pick-up. This is the largest program and investment the Spanish auto interior parts supplier has ever carried out in its 25-year history in North America. Grupo has approximately

27,795 employees, 167 facilities and 29 offices. Upon completion Antolin Shelby will be the largest manufacturer and employer in Shelby Township.

Macomb County is witnessing the continued evolution of this great industry. From leading edge assembly plants to specialty manufacturing shops, the strength and stability of our automotive legacy is not only intact, but heading in new directions. This industry is no longer focused exclusively on the automobile, it is developing products and systems which are developing the next generation of mobility.

Macomb County is perfectly positioned to be the epicenter of next generation mobility because of the incredible cluster of assets the County possess. The County is home to some of the industry's most advanced facilities. A number of these world-class facilities are owned by the "Big Three." The presence of General Motors, Fiat Chrysler Automobiles and Ford within the county includes:

- General Motors – Nearly 20,000 employees
 - GM Tech Center – 19,000 employees
 - Warren Transmission – 581 employees
- Fiat Chrysler Automobiles – 11,000+ employees
 - Sterling Heights Assembly – Chrysler 200 – 3,260 employees
 - Warren Truck – Dodge RAM – 3,843 employees
 - Sterling Stamping – 2,275 employees
 - Warren Stamping – 1,973 employees
- Ford – 4,000+ employees
 - Sterling Axel – 1,800 employees
 - Van Dyke Transmission Plants – 1,200 employees
 - Romeo Proving Grounds – R&D and vehicle testing
 - Romeo Engine Plant – 1,074 employees

Advanced Manufacturing

The cornerstone of Macomb County's economy is manufacturing. In Macomb County there are more than 1,600 manufacturing firms, which employ nearly 65,000 individuals. The size and scope of Macomb County's production-based operations are impressive. From state-of-the-art engineering centers to one-of-a-kind machining facilities, Macomb County is a place where innovation leads to real-world application. This past year Macomb County ranked third in the nation in manufacturing growth. This ranking is a testament to the opportunity still associated with production-based operations in Macomb County. It is important to note that this resurgence is being spurred by advanced manufacturing.

Advanced manufacturing is where technology and innovation come together to redefine production. Across Macomb County, the way we make things is being driven by knowledge and expertise that are breaking down the barriers of manufacturing. This industry is no longer viewed as dirty, dull and dangerous. It is using the incredible cluster of talent and facilities we possess here in Macomb County to build better products and grow our economy. The advanced manufacturing industry cluster in Macomb County is comprised of 427 establishments, which employ more than 11,800 individuals. The skills and capabilities of these establishments have allowed Macomb County to be a competitive force in emerging industries including aerospace and robotics. Major investments in advanced manufacturing include:

- Lipari Foods: 330 jobs; \$29 million Lipari Foods is redeveloping two salvage yards into a 252,000 square-foot facility. This will included one of the largest freezers in metro Detroit, a truck terminal building and food processing and manufacturing. With 28 depots within their 12 state distribution area, Warren, MI is their central distribution center and headquarters.
- KUKA Systems North America LLC: 100 jobs; \$10 million –KUKA Systems North America LLC is a subsidiary of KUKA AG and manufactures automated production systems and assemblies for the automotive, aerospace and alternative energy industries. The company plans to expand its plant in Clinton Township, Michigan to support its aerospace business, investing over \$10 million and creating over 100 new jobs.

- Global Tooling Systems LLC: 70 jobs; \$3.6 million – Global Tooling Systems, LLC, established in 1995, is a key supplier of aerospace assembly tools for the manufacture of aerospace structures and also supplies the automotive industry with complex automation tooling designs. The company is owned by AIP Aerospace, which has locations across the United States and Europe. The company plans to build-out its 42,000-square-foot office and manufacturing facility in Macomb Township, Michigan, investing more than \$3.6 million and creating 70 jobs.

Michigan Automotive and Defense Cyber Assurance Team (MADCAT)

Cyber security is an emerging sector in Macomb County. Currently there are 367 establishments employing more than 8,100 individuals who are engaged in cyber-related activities. Since 2010, Macomb County has seen an 85 percent increase in cyber operations, while the national average is just above 9 percent. With such an increase in our digital footprint Macomb County understood the need to support this emerging cluster.

The Michigan Automotive and Defense Cyber Assurance Team (MADCAT) was established in 2014 to promote Macomb County as a world leader in developing and supporting a cyber ecosystem. MADCAT leverages unique regional assets in the defense and automotive industries to drive technology innovation, encourage economic development, and create a talented workforce for Macomb County and the state of Michigan.

Spearheaded by the Macomb County Department of Planning & Economic Development, MADCAT is an organization comprised of representatives from government, business and academia who all have the same concern – how to guard against cyber threats. Through this collaborative partnership, MADCAT aims to advance cybersecurity technology as well as to stimulate related economic development in Southeast Michigan.

Another objective of MADCAT is to work with local colleges, universities and the Macomb Intermediate School District to cultivate talent in this growing industry. This means reaching out to students and educators to introduce them to careers in the field.

Blue Economy Initiative

Macomb County is fortunate to rest on 32 miles of Lake St. Clair shoreline and to have the Clinton River and its many tributaries within its borders. Access to freshwater provides Macomb County with unique opportunities for economic development and enhanced quality of life. The lake supports more than 60 active marinas, a world-class recreational boating and fishing industry, and numerous opportunities for private and public investment. Combined, the impact on the County is profound: There are 53,000 registered boats in Macomb County and more than 500,000 launches were made from public ramps. The ability to recreate on our waterways sustains more than 5,700 direct blue economy jobs. In 2014, the region had 200 businesses selling or servicing boats.

County Executive Mark A. Hackel launched the “Blue Economy Initiative” shortly after he was elected in 2010. The program is administered by the county’s Department of Planning and Economic Development and is based on three core principles:

1. Increase access to the lake and its tributaries for residents and visitors
2. Develop short-term and long-term economic investment
3. Build and sustain environmental stewardship of this precious freshwater resource

FINANCIAL INFORMATION

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

Budgeting Controls. The County maintains budgetary controls that are designed to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Macomb County Board of Commissioners. Activities of the general fund, special revenue funds, debt service fund and certain enterprise funds are included in the annual county budget. Project length financial plans are adopted for the capital project funds. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by department within an individual fund. The County also maintains an encumbrance accounting system as one technique of accomplishing budgetary control on a line item basis.

Pension Trust Fund. The County has a Defined Benefit Pension Plan referred to as the Macomb County Employees' Retirement System (MCERS). A detailed discussion of the performance of Macomb County's pension plan can be found in the notes to the financial statements.

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 and issued bonds in 2015 to fully fund its unfunded liability for retiree health care. Additional information regarding the Retiree Health Care Trust Fund can be found in the notes to the financial statements.

Debt Administration. The general obligation bonds of the County are rated AA+ by Standard & Poors and Aa1 by Moody's Investor Services. Further discussion of Macomb County's long-term debt can be found in the MD&A as well as the notes to the financial statements.

Cash Management. Cash temporarily idle during the year was invested by the County Treasurer. Investments, except those of the Pension and Health Care Trust Funds are administered by the Treasurer in compliance with the provisions of Public Act 20 of 1943 as amended. Significant policies include:

- Investments of the County are held in the County's name.
- Investments are in U.S. Treasury obligations, banker's acceptances, certificates of deposit, and commercial paper top rated by not less than two of the four rating services: Standard and Poor's, Moody's Investor Services, Fitch Investors Services and Duff and Phelps.
- Only federal and state-chartered banks and savings institutions, which are members of FDIC, are utilized.
- State law requires the use of in-state banks.

The County's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Additional data related to investments is listed in the notes to the financial statements. The County's investment policy is reviewed periodically by the Board of Commissioners.

Risk Management. All County agencies and departments except the Martha T. Berry Medical Care Facility are insured for losses of a General Liability nature up to \$11,000,000 in the aggregate, subject to a self-insured retention of \$750,000 per claim. The Martha T. Berry Medical Care Facility has a separate insurance policy and is fully insured for General Liability and Medical Malpractice claims for \$3,000,000 per occurrence and \$5,000,000 in the aggregate subject to a \$0 (zero-dollar) deductible. The County is a defendant in various lawsuits in which plaintiffs seek damages of an indeterminable amount. The General Liability Internal Service Fund has been established to account for the self-insured aspects of this program. The Risk Management and Contingencies and Commitments notes to the basic financial statements contain additional information concerning risk management. The Statistical Section of the CAFR includes a complete schedule of insurance coverage maintained by the County.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Macomb County for its CAFR for the fiscal year ended December 31, 2015. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

A Certificate of Achievement is valid for a period of one year only. Macomb County has received a Certificate of Achievement for the last 31 consecutive years. We believe that our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA for consideration.

The preparation of the CAFR on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contribution made in the preparation of this report.

In closing, we would like to thank the elected officials and county employees for their contribution to the fiscal stability of the County. Macomb County is a great place to live, work and play offering a unique experience that no other place can and that is why so many residents and businesses have made Macomb their home.

We are committed to making Macomb County the best that it can be.

Sincerely,



Mark A. Hackel
County Executive



Stephen L. Smigiel
Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

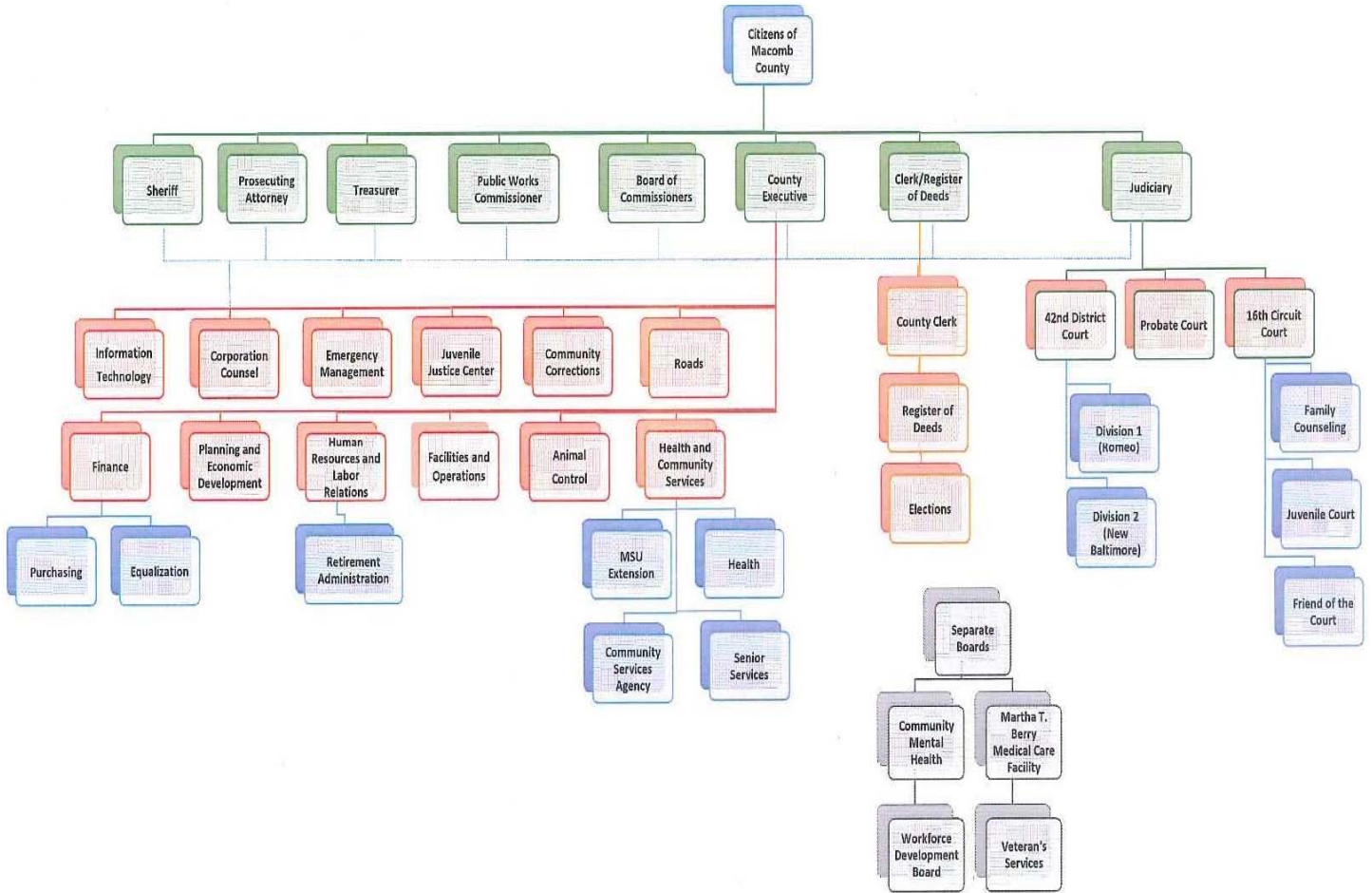
Macomb County
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2015

Executive Director/CEO

Macomb County, Michigan
 ORGANIZATIONAL CHART
 Year Ended December 31, 2016



Macomb County, Michigan

LIST OF ELECTED AND APPOINTED OFFICIALS

Year Ended December 31, 2016

County Executive's Office

Mark Hackel
Mark Deldin
Kathy Bartz
Pam Lavers
Al Lorenzo

County Executive
Chief Deputy County Executive
Deputy County Executive
Deputy County Executive
Deputy County Executive

2016-2017 Board of Commissioners

Bob Smith, (Chair) District 12
James Carabelli, (Vice-Chair) District 6
Elizabeth Lucido (Sergeant-At-Arms), District 9
Andrey Duzyj, District 1
Marvin Sauger, District 2
Veronica Klinefelt, District 3
Joseph Romano, District 4

Robert Mijac, District 5
Don Brown, District 7
Phil Kraft, District 8
Robert Leonetti, District 10
Kathy Tocco, District 11
Leon Drolet, District 13

Elected County Officials

16th Judicial Circuit Court/Probate Court/42nd District
Court Chief Judge
County Clerk/Register of Deeds
Prosecuting Attorney
Public Works Commissioner
Sheriff
Treasurer

Honorable James Biernat, Jr.
Karen Spranger
Eric Smith
Candice Miller
Anthony Wickersham
Lawrence Rocca

County Department Heads

Chief Animal Control Officer
Community Services Agency Director
Corporation Counsel
Emergency Management & Communications Director
Facilities & Operations Director
Finance Director
Health & Community Services Director
Health Officer
Human Resources and Labor Relations Director
Chief Information Officer
Juvenile Justice Center Director
Planning & Economic Development Director
Chief Veterans Service Officer

Jeff Randazzo
Rhonda Powell
John Schapka
Vicki Wolber
Lynn Arnott-Bryks
Stephen Smigiel
Rhonda Powell
William Ridella
Eric Herppich
Jako van Blerk
Rhonda Westphal
John Paul Rea
Laura Rios

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 as of and for the year ended December 31, 2016 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 in accordance with 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, 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, 2016 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

Effective December 31, 2016, the County adopted the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*, as discussed in Note 20. Adopting this new accounting standard provided guidance for determining fair value measurements and resulted in significant changes to the disclosures related to all fair value measurements. Our opinion is not modified with respect to this matter.

As explained in Note 3, the financial statements include investments valued at approximately \$264.0 million at year end (16.2 percent of the equity in 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 Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, retiree healthcare plans' schedules of funding progress and employer contributions, schedules of changes in the County net pension liability and related ratios, schedules of employer contributions and investment returns, and the major fund budgetary comparison schedules 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 supplemental 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 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.

To the Board of Commissioners
County of Macomb

The combining and individual nonmajor fund 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 fund 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, 2017 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 the County of Macomb's internal control over financial reporting and compliance.

Plante & Moran, PLLC

June 27, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2016

As management of the county, we offer this narrative overview and analysis of the financial activities of the county for the year ended December 31, 2016. Readers are encouraged to read it in conjunction with the letter of transmittal, which is located at the beginning of this report, and the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of the county exceeded its liabilities and deferred inflows by \$1.1 billion at year- end.

The net position of the county increased by \$12.7 million in fiscal 2016.

The General Fund reported a deficit of \$10.6 million for the year. Unassigned fund balance was \$43.0 million, or 18.2% of 2016 General Fund budgeted expenditures. Total fund balance was \$61.6 million. The \$18.6 million difference is nonspendable for prepaid items, advances to other funds and long-term receivables, or assigned for future use.

The county's governmental and business-type activities retired a combined \$16.5 million in long term debt and took on no new long term debt during fiscal year 2016. At year end, the county is \$2.2 billion below its authorized debt limit.

The county's bond rating is AA+ with Standard & Poor's and Aa1 with Moody's Investor Services.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements: 1) government-wide financial statements, which focus on the county as a whole, 2) fund financial statements, which provide a more detailed view of the county's major funds and 3) notes to the financial statements, which provide additional information that is essential to gain a full understanding of the data presented in the financial statements.

Government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities* which provide readers with a broad overview of the activities of the county as a whole. One of the more important questions citizens and other readers of the financial statements often ask is "Is the county as a whole better or worse off this year than it was a year ago?" In other words, did the financial condition of the county improve or decline over the course of the past year. The government-wide statements report information in a manner that is intended to help answer these questions.

The government-wide statements are prepared using the full accrual basis of accounting, which is similar to that employed by businesses in the private sector.

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 can be thought of as one way of measuring the financial strength of the county. Increases or decreases in net position over time may serve as a useful indicator of whether the financial condition of the county is improving or deteriorating. Non-financial factors such as changes in the property tax base, population and condition of county infrastructure must also be considered when assessing the financial condition of the county.

The *Statement of Activities* presents information showing how the net position of the county has changed over the course of the most recent fiscal year. All changes in net position are recognized as soon as the underlying transactions take place, regardless of the timing of the related cash flows. As a result, certain revenues and expenses reported in these statements are related to items that will only result in cash flows in future years. Examples of such items are uncollected property taxes and earned but unused sick and vacation leave.

The government-wide financial statements segregate the activities of the county into three categories: governmental activities, business-type activities and discretely presented component units. The basic services of the county are classified as **governmental activities** and are financed primarily through property taxes, user fees and intergovernmental revenues. Functions reported in this category include general government, legislative, health and welfare, public safety, public works and judicial. **Business-type activities** operate like private businesses and are intended to recover the majority of their costs through user fees. The business-type activities of the county include the Delinquent Tax Revolving Funds, Community Mental Health and the Freedom Hill Park. **Discretely presented component units** are legally separate entities, the majority of whose governing bodies are appointed by the Board of Commissioners and for which the county is financially

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2016

accountable. The county reports the Macomb/St. Clair Workforce Development Board, Public Works Drainage Districts and Martha T. Berry Medical Care Facility as discretely presented component units.

The government-wide financial statements begin on page B-1 of this report.

Fund financial statements are separate groupings of related accounts that are used to maintain control over resources that have been segregated for specific purposes. Each fund of the county is considered a separate accounting entity for which a self-balancing set of accounts is maintained. Certain funds are established in accordance with State law while others are required by bond or grant agreements or are established at the discretion of management to enable it to more easily manage and report on the activities of the many programs of the county. All the funds of the county can be divided into one of three categories: governmental, proprietary or fiduciary.

Governmental funds are used to account for most of the basic services provided by the county and report essentially the same functions as those reported as governmental activities in the government-wide financial statements. Governmental funds are accounted for using the *modified accrual* basis of accounting, which focuses on the short-term inflows and outflows of cash and other financial assets that can be readily converted into cash and the balances available for spending at year-end. Because the focus of the governmental fund financial statements is narrower in scope than that of the government-wide financial statements, reconciliations are provided in both the governmental fund balance sheet and operating statement to help the reader better understand the relationship between the two.

All of the governmental funds of the county are categorized as either major or nonmajor for presentation in the financial statements. The purpose of such segregation is to focus the attention of the reader on the more significant funds of the county. A fund is considered major if its assets and deferred outflows, liabilities and deferred inflows, revenues or expenditures meet or exceed certain percentage thresholds in relation to all governmental funds taken as a whole. The thresholds used to determine a fund's status as major or non-major are set forth in GASB Statement No. 34.

Information regarding major funds is presented separately in the basic financial statements while data for all nonmajor funds is combined into a single, aggregated presentation. The General Fund and the Roads Special Revenue Fund are the only major governmental funds of the county. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds are classified as either enterprise funds or internal service funds and are accounted for using the full accrual basis of accounting. *Enterprise funds* are used to report the same functions as those presented as business-type activities in the government-wide financial statements and include the Delinquent Tax Revolving Fund, Community Mental Health Fund and the Freedom Hill Park Fund. *Internal service funds*, on the other hand, are used to account centrally for services provided to other county departments and include phone services, fleet management, copier replacement, workers' compensation insurance, general liability insurance, compensated absences and employee fringe benefits. Because the internal service funds predominately benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements. Data regarding the internal service funds has been combined into a single, aggregated presentation in the basic financial statements. Information regarding the individual internal service funds is provided in the form of combining statements elsewhere in this report. The proprietary fund financial statements begin on page B-8 of this report.

Fiduciary funds are used to account for resources held by the county on behalf of others, including those of the Employee Retirement System, the Retiree Health Care Trust, and the Retiree Health Care Intermediate Trust as well as other agency monies such as state education tax collections from local units of government. The activities of the fiduciary funds are presented separately in this report but are not reflected in the government-wide financial statements because the resources of those funds are not available to support the operations of the county. Fiduciary funds are accounted for using the full accrual basis of accounting. The fiduciary fund financial statements begin on page B-14 of this report.

Notes to the Financial Statements provide additional information that is essential to gain a full understanding of the data presented in both the government-wide and fund financial statements and begin on page B-19 of this report.

Other Required Supplementary Information is presented following the notes to the financial statements and includes schedules regarding the progress of the county in funding its pension and retiree health care obligations and a budget to

Macomb County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2016

actual comparison for the major governmental funds of the county. Other Required Supplementary Information begins on page C-1 of this report.

Combining and Individual Funds Statements of the nonmajor funds of the county are presented immediately following the required supplementary information and begin on page D-1 of this report.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

The financial analysis of the county as a whole focuses on the net position and changes in net position of the governmental and business-type activities of the county. As noted earlier, net position and changes in net position may serve as one indicator of the financial health of the county. The assets and deferred outflows of resources of the county exceeded its liabilities and deferred inflows of resources by \$1.1 billion at December 31, 2016 and increased by approximately \$12.7 million for the year then ended. (See page A-7)

Macomb County Primary Government Net Position

	Governmental Activities		Business-type Activities		Totals	
	2015	2016	2015	2016	2015	2016
Current and other assets	\$ 308,774,206	\$ 284,560,381	\$ 195,245,953	\$ 190,505,643	\$ 504,020,159	\$ 475,066,024
Net OPEB asset	43,576,737	46,207,194	5,932,135	5,882,789	49,508,872	52,089,983
Capital assets	966,987,274	1,005,322,460	1,684,974	1,806,927	968,672,248	1,007,129,387
Total assets	1,319,338,217	1,336,090,035	202,863,062	198,195,359	1,522,201,279	1,534,285,394
Deferred outflows of resources	59,756,541	68,935,746	6,549,390	7,943,507	66,305,931	76,879,253
Current liabilities	35,574,387	38,315,338	43,644,617	35,347,288	79,219,004	73,662,626
Long-term liabilities						
Due within one year	17,981,233	18,767,534	1,964,807	1,750,902	19,946,040	20,518,436
Due in more than one year	291,675,540	278,894,627	44,229,755	42,693,003	335,905,295	321,587,630
Net Pension liability	32,854,630	63,130,830	3,600,907	7,274,604	36,455,537	70,405,434
Total liabilities	378,085,790	399,108,329	93,440,086	87,065,797	471,525,876	486,174,126
Deferred inflows of resources	5,357,961	1,120,296	463,034	-	5,820,995	1,120,296
Net position						
Net investment in capital assets	915,033,989	934,211,338	1,684,974	1,806,927	916,718,963	936,018,265
Restricted	141,828,276	101,238,993	28,339,188	31,556,341	170,167,464	132,795,334
Unrestricted	(61,211,258)	(30,653,175)	85,485,170	85,709,801	24,273,912	55,056,626
Total Net Position	\$ 995,651,007	\$1,004,797,156	\$ 115,509,332	\$ 119,073,069	\$ 1,111,160,339	\$ 1,123,870,225

Approximately \$936.0 million, or 83.3%, of the county's net position represents its investment in capital assets, net of any outstanding debt used to acquire those assets. These assets are used by the county to provide services to the public; consequently, they are not available for future spending. Although the county's investment in its capital assets is reported net of any related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the assets themselves cannot be used to liquidate the outstanding debt obligations. Another \$132.8 million, or 11.8%, of the county's net position represents resources that are subject to external restrictions regarding their use. Assets included in this category include funds received in Special Revenue and Capital Projects funds whose use is restricted by statute as well as cash and investments restricted for the repayment of outstanding debt. The remaining net position is unrestricted and may be used to meet the county's ongoing obligations. Positive balances are reported in all three categories at December 31, 2016.

As indicated in the following schedule, the net position of the county increased by \$12.7 million for the year ended December 31, 2016. The components of this change were increases of \$9.1 million in governmental activities and \$3.6 million in business-type activities.

Macomb County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2016

The components of these changes are discussed in the following section.

Macomb County Primary Government Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2015	2016	2015	2016	2015	2016
Revenues						
Program revenue						
Charges for services	\$ 76,493,891	\$ 74,135,255	\$ 223,237,698	\$ 228,446,816	\$ 299,731,589	\$ 302,582,071
Operating grants and contributions	49,585,955	48,007,691	17,957,340	14,443,836	67,543,295	62,451,527
Capital grants and contributions	73,401,991	79,190,137	-	-	73,401,991	79,190,137
General revenue						
Property taxes	117,744,918	115,858,582	-	-	117,744,918	115,858,582
Intergovernmental revenues	22,681,875	30,356,763	-	-	22,681,875	30,356,763
Investment earnings	479,802	729,118	317,502	894,459	797,304	1,623,577
	<u>340,388,432</u>	<u>348,277,546</u>	<u>241,512,540</u>	<u>243,785,111</u>	<u>581,900,972</u>	<u>592,062,657</u>
Expenses						
Legislative	1,487,448	1,264,967	-	-	1,487,448	1,264,967
Judicial	48,333,751	46,188,236	-	-	48,333,751	46,188,236
General government	50,182,442	39,524,668	-	-	50,182,442	39,524,668
Public safety	81,400,945	82,462,164	-	-	81,400,945	82,462,164
Public works	71,867,471	81,973,406	-	-	71,867,471	81,973,406
Health and welfare	66,119,147	79,400,606	-	-	66,119,147	79,400,606
Recreation and culture	139,381	143,867	-	-	139,381	143,867
Interest and fees on long-term debt	7,541,589	9,482,977	-	-	7,541,589	9,482,977
Delinquent tax collections	-	-	4,238,098	3,382,384	4,238,098	3,382,384
Community Mental Health	-	-	245,393,725	235,219,751	245,393,725	235,219,751
Freedom Hill Park	-	-	594,255	451,313	594,255	451,313
	<u>327,072,174</u>	<u>340,440,891</u>	<u>250,226,078</u>	<u>239,053,448</u>	<u>577,298,252</u>	<u>579,494,339</u>
Increase (decrease) in net position before transfers	13,316,258	7,836,655	(8,713,538)	4,731,663	4,602,720	12,568,318
Net transfers	21,765,948	1,309,494	(13,981,042)	(1,167,926)	7,784,906	141,568
Increase (decrease) in net position	35,082,206	9,146,149	(22,694,580)	3,563,737	12,387,626	12,709,886
Net position, beginning of year	960,568,801	995,651,007	138,203,912	115,509,332	1,098,772,713	1,111,160,339
Net position, end of year	<u>\$ 995,651,007</u>	<u>\$1,004,797,156</u>	<u>\$ 115,509,332</u>	<u>\$ 119,073,069</u>	<u>\$ 1,111,160,339</u>	<u>\$ 1,123,870,225</u>

As mentioned in Note 1 of the financial statements, the majority of the funds of the county are accounted for on a fiscal year that ends on December 31. However, there are several funds that operate on a fiscal year that ends on either June 30 or September 30, which causes timing differences between operating transfers between the General Fund (a December 31 year-end fund) and Special Revenue Funds that have September 30 and June 30 year-ends.

Governmental activities. The \$9.1 million increase in net position of governmental activities stands in contrast to the increase in net position of \$35.1 million in the prior year. The change of \$26.0 million between the prior year's increase and the current year's smaller increase is the result of an increase in revenues of \$7.9 million combined with larger increases in expenses as a result of pension expenses recognized at the government-wide level. Additionally, fund level factors such as increasing payroll costs and decreasing transfers into governmental funds in 2016 impacted the net increase in net position when compared to prior year.

Total revenues increased \$7.9 million, the majority of which was attributable to intergovernmental revenues increasing as a result of state revenues received for payments in lieu of personal property taxes in accordance with provisions of state laws that went into effect in 2016.

Total expenditures increased approximately \$13.4 million, the largest portion of which was the allocation of recognized pension expenses in 2016.

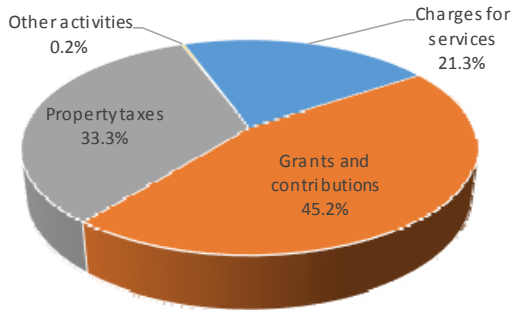
MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2016

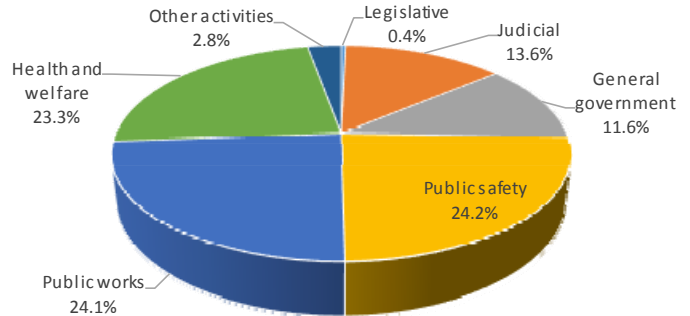
Net transfers in decreased approximately \$20.5 million primarily as a result of prior year's one-time \$30.0 million transfer in from the Delinquent Property Tax Fund not occurring again in the current year.

The components of the county's governmental revenues and expenses are presented below:

Governmental Activities Revenues By Source



Governmental Activities Expenses By Function



Business-type activities. The net position of the county's business-type activities increased approximately \$3.6 million during the year. The increase in net position was the result of a smaller contribution from the Delinquent Property Tax Fund to the General Fund, which was \$8.0 million in 2016, but had been \$30.0 million in 2015. The larger contribution in 2015 was used along with General Fund balance and bond proceeds to fully fund the county's other postemployment benefits liability.

FINANCIAL ANALYSIS OF THE COUNTY'S MAJOR GOVERNMENTAL FUNDS

Governmental funds. As previously mentioned, the focus of governmental funds is to provide information on near-term inflows, outflows and remaining balances of spendable resources. Such information is useful in assessing the county's ability to meet its current financing requirements. The fund balance of governmental funds is segregated into one of five categories: nonspendable, restricted, committed, assigned and unassigned. Restricted fund balance represents that portion of the fund balance that may only be spent for specific restricted purposes and are not available for new spending. Examples of fund balance restrictions include amounts required to pay debt service, bond proceeds that may only be spent on projects for which the bonds were issued and amounts required to meet long-term contractual commitments and encumbrances. Fund balance assignments are established to represent that portion of fund balance that is intended to be spent for certain purposes and differ from fund balance restrictions in that they can be redirected and used for new spending if necessary. Unassigned fund balance represents the portion of fund balance that is available at year-end for new spending.

The combined ending fund balances of all governmental funds were \$162.9 million at December 31, 2016, a decrease of \$24.9 million over the prior year. The decrease consists of a \$10.6 million decrease in the General Fund, a \$2.4 million decrease in the Roads Major Special Revenue Fund, a \$26.6 million decrease in the Central Campus Renovation Major Capital Projects Fund and a combined increase of \$14.7 million in the nonmajor governmental funds.

General Fund – The General Fund is the primary operating fund of the county. All revenues and expenditures are recorded in the General Fund unless otherwise required by statute, contractual agreement or policy.

A year-to-year comparison of General Fund revenues by source and expenditures by function is presented on the following page:

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2016

General Fund Revenue By Source and Expenditures By Function

	2015	2016	Increase (Decrease)	
			\$ Change	% Change
Revenues				
Property taxes	\$ 115,628,967	\$ 114,025,390	\$ (1,603,577)	-1.39%
Licenses and permits	1,714,382	1,541,116	(173,266)	-10.11%
Federal and state grants	31,406,372	39,059,427	7,653,055	24.37%
Charges for services	35,635,143	38,647,691	3,012,548	8.45%
Charges to other funds for administrative services	7,620,362	14,461,742	6,841,380	89.78%
Fines and forfeitures	533,786	557,405	23,619	4.42%
Interest and rents	2,124,122	4,550,981	2,426,859	114.25%
Other revenue	148,490	148,279	(211)	-0.14%
Transfers from other funds	35,254,949	8,063,243	(27,191,706)	-77.13%
Total revenues	230,066,573	221,055,274	(9,011,299)	-3.92%
Expenditures				
Current				
Legislative	1,289,160	1,234,851	(54,309)	-4.21%
Judicial	30,188,518	31,182,105	993,587	3.29%
General government	39,896,538	42,677,673	2,781,135	6.97%
Public safety	62,543,742	64,993,982	2,450,240	3.92%
Public works	5,263,334	5,339,112	75,778	1.44%
Health and welfare	19,563,735	20,407,594	843,859	4.31%
Other / Non-departmental	46,276,789	1,838,367	(44,438,422)	-96.03%
Capital outlay	1,197,610	870,607	(327,003)	-27.30%
Transfers out	36,880,302	63,089,748	26,209,446	71.07%
Total expenditures	243,099,728	231,634,039	(11,465,689)	-4.72%
Net change in fund balance	\$ (13,033,155)	\$ (10,578,765)	\$ 2,454,390	-18.83%

Property tax revenue decreased by approximately 1.4% due to a combination of two factors. Taxable value of real property increased by 2.6% in 2016, increasing tax collections from real property, but personal property tax collections decreased due to implementation of new state laws exempting some classes of personal property from paying personal property taxes.

As part of the series of new state laws regarding personal property taxes, the state reimbursed the county for its loss from personal property taxes no longer received (\$8.0 million in 2016), which is the main cause of the 24.4% increase shown in federal and state grants revenue in the above schedule.

Charges to other funds for administrative services increased 89.78% in 2016 because of higher charges passed along to departments per the county's cost allocation plan. Interest and rents increased by 114.25%, mainly as a result of building use charges from 2015 for the Martha T. Berry ("MTB") Medical Care Facility not being paid until after 60 days following the 2015 year end. Under modified accrual basis accounting, these payments were recognized as revenue in 2016. Building use charges in 2015 were \$1,122,879, while 2016 building use charges, which were paid timely during 2016, were \$1,081,675, leading to total recognized MTB payments in 2016 of \$2,204,554. The remaining variance of \$222,305 was mainly the result of increases in investment revenues in 2016.

The \$27.2 million decrease in contributions from other funds is mainly the result of a \$22.0 million decrease in the contribution from the Delinquent Tax Revolving Fund. The \$30 million contribution from this fund in the previous year was a one-time additional contribution made in conjunction with the General Fund's \$59 million pre-payment of the county-wide other post-employment benefits liability.

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2016

Expenditures decreased approximately \$10.9 million across all functional categories in 2016 primarily as a result of a large decrease in non-departmental expenditures. When non-departmental expenditures are excluded, the county's expenditures actually increased by \$33.6 million, led by a \$26.2 million increase in transfers out, as well as smaller increases to general government and public safety.

Non-departmental expenditures decreased by \$44.4 million as a result of the one-time expenditure in 2015 for the General Fund's portion of the \$59 million pre-funding of other post-employment benefits liability. This one-time expenditure was not repeated in 2016, leading to a more typical non-departmental expenditure total of \$1.8 million in 2016.

Expenditures across all departments in the General Fund increased as a result of a 2% across the board wage increase to all employees at the county. Additionally, each full time employee received a \$2,200 lump sum payment, and each part time employee received a \$1,000 lump sum payment.

General government experienced an increase of 6.97%, or \$2,781,135, in 2016. The largest increases within general government departments were Information Technology (\$1,041,395 increase due mainly to renewals of maintenance agreements) and Facilities and Operations (\$647,934 increase as a result of increased maintenance as well as use of contingency budgets for repairs of county buildings).

Public safety experienced an increase of 3.92%, or \$2,450,240, in 2016. In addition to wage and benefit-related increases, the Sheriff's department added road patrol and dispatch positions as a result of new road patrol and dispatch contracts between the county and local units of government (such as cities and townships) throughout the county. The department also purchased security equipment for the county jail.

Roads Special Revenue Fund – The Roads Special Revenue Fund is used to account for the activities at the Department of Roads. A year-to-year comparison of revenues by source and expenditures by function is presented below:

Department of Roads Revenue By Source and Expenditures By Function

	2015	2016	Increase (Decrease)	
			\$ Change	% Change
Revenues				
Licenses and permits	\$ 871,721	\$ 824,183	\$ (47,538)	-5.45%
Federal and state grants	67,003,940	73,221,621	6,217,681	9.28%
Charges for services	16,506,107	11,760,697	(4,745,410)	-28.75%
Interest and rents	186,182	292,689	106,507	57.21%
Other revenue	343,186	445,226	102,040	29.73%
Total revenues	84,911,136	86,544,416	1,633,280	1.92%
Expenditures				
Current				
Public works	78,670,442	84,560,594	5,890,152	7.49%
Capital outlay	3,542,969	3,952,304	409,335	11.55%
Debt service				
Principal	162,196	164,957	2,761	1.70%
Interest and fees	26,125	23,364	(2,761)	-10.57%
Transfers out	161,748	268,249	106,501	65.84%
Total expenditures	82,563,480	88,969,468	6,405,988	7.76%
Net change in fund balance	\$ 2,347,656	\$ (2,425,052)	\$ (4,772,708)	-203.30%

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2016

Increases in both federal and state grants as well as expenditures are the result of increased roads funding and roads projects throughout the county.

Central Campus Renovation Capital Projects Fund – The Central Campus Renovation Fund is used to account for the activities related to a \$64.7 million project to renovate various buildings at the county's downtown Mount Clemens campus, including the Old County Building, the Circuit Court Building, County Administration Building and Talmer Building, as well as the demolition and replacement of a parking garage. The project, which began in the spring of 2015 and is expected to be completed in 2018, is being funded primarily through a \$45.0 million bond issue, with the remaining \$19.7 million being funded by the General Fund.

Through December 31, 2016, the county has spent \$48,941,744 on the project, which is about 75% of the original budget for the project. During 2016, significant progress was made on the project, including the demolition of the old county parking garage, the completion and opening of the new county parking garage, the completion and opening of the renovated Old County Building, as well as the completion and opening of multiple floors in the County Administration Building. A year-to-year comparison of the fund is shown below.

Central Campus Renovation Fund Revenue By Source and Expenditures By Function

	2015	2016	Increase (Decrease)	
			\$ Change	% Change
Revenues				
Interest and rents	85,726	68,976	(16,750)	-19.54%
Other revenue	1,000,000	-	(1,000,000)	-100.00%
Transfers in	-	2,787,970	2,787,970	100.00%
Face amount of long-term debt	44,210,000	-	(44,210,000)	-100.00%
Bond premiums	789,072	-	(789,072)	-100.00%
Total revenues	46,084,798	2,856,946	(43,227,852)	-93.80%
Expenditures				
Capital outlay	19,122,283	29,501,976	10,379,693	54.28%
Debt service				
Bond issue costs	317,485	-	(317,485)	-100.00%
Total expenditures	19,439,768	29,501,976	10,062,208	51.76%
Net change in fund balance	\$ 26,645,030	\$ (26,645,030)	\$ (53,290,060)	-200.00%

FINANCIAL ANALYSIS OF THE COUNTY'S NON-MAJOR GOVERNMENTAL FUNDS

The fund balances of the county's nonmajor governmental funds were approximately \$37.9 million at year-end, an increase of approximately \$14.7 million over the prior year. The increase consists of a decrease of \$0.2 million in the special revenue funds, a decrease of \$0.6 million in the debt service fund, and an increase of \$15.5 million in the capital projects funds.

While the objective of many of the special revenue funds as well as the debt service fund is to break even on an annual basis or over the period of a multi-year grant, the small increases or decreases experienced in these funds are often the result of the timing of payments from grant agencies, such as the state or federal government. The capital project funds experienced an increase of \$15.5 million in 2016 because of a funding contribution from the county's General Fund for anticipated and planned future capital projects in 2017 and beyond.

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2016

FINANCIAL ANALYSIS OF THE COUNTY'S MAJOR PROPRIETARY FUNDS

Delinquent Tax Revolving Fund – Virtually all of the local units of government in the county, including the county itself, levy their property taxes on July 1 of each year and unpaid taxes are considered delinquent March 1 of the following year. The county, through its Delinquent Tax Revolving Fund, purchases the delinquent taxes from the local units each year and thus becomes entitled to the interest and penalties on the delinquent balances. A year-to-year comparison of Delinquent Tax Revolving Fund revenues and expenses is presented below:

Delinquent Tax Revolving Fund Revenue By Source and Expenditures By Function

	2015	2016	Increase (Decrease)	
			\$ Change	% Change
Revenues				
Charges for services	\$ 13,723,003	\$ 11,579,426	\$ (2,143,577)	-15.62%
Investment income	214,823	680,454	465,631	216.75%
Total revenues	13,937,826	12,259,880	(1,677,946)	-12.04%
Expenses				
Wages and fringe benefits	458,511	475,670	17,159	3.74%
Supplies and services	3,779,587	2,906,714	(872,873)	-23.09%
Transfers out	30,000,000	8,000,000	(22,000,000)	-73.33%
Total expenditures	34,238,098	11,382,384	(22,855,714)	-66.76%
Change in net position	\$ (20,300,272)	\$ 877,496	\$ 21,177,768	-104.32%

The most notable change in operating results was a decrease in transfers to other funds of \$22.0 million as a result of a one-time contribution of \$30.0 million to the General Fund in 2015 that was used to pre-fund the county's retiree health care liability. For 2016, \$8.0 million was contributed to the General Fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2016

Community Mental Health – The Community Mental Health Department delivers a variety of services to residents and their families throughout the county.

A year-to-year comparison of Community Mental Health revenues and expenses is presented below.

Community Mental Health Fund Revenue By Source and Expenditures By Function

	2015	2016	Increase (Decrease)	
			\$ Change	% Change
Revenues				
Federal and state grants	\$ 17,957,340	\$ 14,443,836	\$ (3,513,504)	-19.57%
Charges for services	208,838,346	216,342,607	7,504,261	3.59%
Other	5,467	250,996	245,529	4491.11%
Investment income	102,679	214,005	111,326	108.42%
Transfers in	15,293,950	6,495,655	(8,798,295)	-57.53%
Total revenues	242,197,782	237,747,099	(4,450,683)	-1.84%
Expenses				
Wages and fringe benefits	43,303,028	24,571,177	(18,731,851)	-43.26%
Contractual services	175,454,861	182,718,177	7,263,316	4.14%
Utilities	373,789	373,405	(384)	-0.10%
Repairs and maintenance	33,613	32,353	(1,260)	-3.75%
Supplies and services	25,665,631	25,289,460	(376,171)	-1.47%
Interest expense	642,236	1,543,724	901,488	140.37%
Total expenditures	245,473,158	234,528,296	(10,944,862)	-4.46%
Change in net position	\$ (3,275,376)	\$ 3,218,803	\$ 6,494,179	-198.27%

Community Mental Health is funded primarily by Medicare and Medicaid. Revenue from Federal and State grants decreased \$3.5 million as a result of reductions in State General Fund appropriations. Revenue from charges for services (primarily Medicare and Medicaid) increased by \$7.5 million due to Medicaid expansion at the State level. A portion of Medicaid revenue is subsequently passed through to the State Department of Treasury and recorded as an expense of Community Mental Health.

Wages and fringe benefits decreased \$18.7 million. In 2015, Community Mental Health booked pension and OPEB charges of \$16.2 million. Such charges were only \$1.6 million in 2016. OPEB charges were significant in 2015 because of the funding of the OPEB liability via long term debt and the pre-funding transaction initiated by the county. In 2016, only small adjustments to the OPEB asset and net pension liability occurred.

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2016

Freedom Hill Park – The Freedom Hill Park serves as a recreational facility for use by all county residents and is used as a concert and festival venue. A year-to-year comparison of Freedom Hill Park revenues is presented below.

Freedom Hill Park Fund Revenue By Source and Expenditures By Function

	2015	2016	Increase (Decrease)	
			\$ Change	% Change
Revenues				
Charges for services	\$ 274,457	\$ 250,139	\$ (24,318)	-8.86%
Other	396,425	23,648	(372,777)	-94.03%
Transfers in	725,008	336,419	(388,589)	-53.60%
Total revenues	1,395,890	610,206	(785,684)	-56.29%
Expenses				
Wages and fringe benefits	228,079	17,097	(210,982)	-92.50%
Utilities	109,458	111,366	1,908	1.74%
Repairs and maintenance	106,361	119,148	12,787	12.02%
Supplies and services	53,800	62,558	8,758	16.28%
Depreciation	92,292	119,872	27,580	29.88%
Interest expense	4,265	21,272	17,007	398.76%
Total expenditures	594,255	451,313	(142,942)	-24.05%
Change in net position	\$ 801,635	\$ 158,893	\$ (642,742)	-80.18%

Total revenue decreased \$0.8 million as a result of a decrease in other revenues (\$0.4 million) and transfers in (\$0.4 million). Both items were transactions related to capital assets purchased by the county's capital improvement fund, a governmental fund, that were capital assets used by and located within Freedom Hill Park. In 2015, the capital assets were transferred along with funds equal to the net book value of the capital assets so that the Park's unrestricted net position would not be impacted.

Wages and fringe benefits decreased \$0.2 million primarily as a result of less overtime charged to the fund by public works personnel as well as less OPEB charges.

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2016

GENERAL FUND BUDGETARY HIGHLIGHTS

The budget for the General Fund has historically been adopted by the Board of Commissioners in December of the prior year but may be adopted earlier if so desired. It may be amended from time to time throughout the year to reflect changing operational circumstances. A comparison of budgeted and actual revenues is presented below:

General Fund Revenues - Budgetary Comparison Schedule

	<u>Original</u>	<u>Final Amended</u>	<u>Actual</u>	<u>Variance, Favorable (Unfavorable)</u>	
	<u>Budget</u>	<u>Budget</u>		<u>\$ Change</u>	<u>% Change</u>
Revenues					
Property taxes	\$ 119,492,908	\$ 119,492,908	\$ 114,025,390	\$ (5,467,518)	-4.58%
Licenses and permits	1,324,540	1,324,540	1,541,116	216,576	16.35%
Federal and state grants	31,312,075	31,312,075	39,059,427	7,747,352	24.74%
Charges for services	37,131,544	37,694,153	38,647,691	953,538	2.53%
Charges to other funds for administrative services	13,590,378	13,590,378	14,461,742	871,364	6.41%
Fines and forfeitures	559,750	559,750	557,405	(2,345)	-0.42%
Interest and rents	3,135,500	3,135,500	4,550,981	1,415,481	45.14%
Other revenue	107,200	107,200	148,279	41,079	38.32%
Transfers in	8,000,000	8,087,489	8,063,243	(24,246)	-0.30%
Total revenues	\$ 214,653,895	\$ 215,303,993	\$ 221,055,274	\$ 5,751,281	2.67%

The \$5.5 million unfavorable variance in property tax revenues is due to a decrease in certain personal property taxes as a result of new state laws regarding these taxes. The state reimbursed the county for its loss from personal property taxes no longer received (\$8.0 million), which is the main cause of the \$7.7 million increase shown in federal and state grants revenue in the above schedule.

Interest and rents increased by \$1.4 million, mainly as a result of building use charges from 2015 for the Martha T. Berry ("MTB") Medical Care Facility not being paid until after 60 days following the 2015 year end, as discussed previously on page A-9.

Macomb County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2016

A comparison of budgeted and actual expenditures is presented on the following pages.

General Fund Expenditures - Budgetary Comparison Schedule

Expenditures	Original	Final Amended	Actual	Variance, Positive (Negative)	
	Budget	Budget		\$ Change	% Change
Current					
Legislative					
Board of commissioners	\$ 1,582,457	\$ 1,411,181	\$ 1,234,851	\$ 176,330	12.50%
Judicial					
Circuit court	11,567,062	11,210,504	11,304,158	(93,654)	-0.84%
District court - 3rd class	25,000	25,000	16,599	8,401	33.60%
District court - New Baltimore	1,284,972	1,226,288	1,190,441	35,847	2.92%
District court - Romeo	1,270,254	1,022,681	1,047,109	(24,428)	-2.39%
Family counseling	185,797	185,350	82,711	102,639	55.38%
Family court - Juvenile division	5,256,338	4,640,986	4,658,196	(17,210)	-0.37%
Jury commission	186,340	186,340	135,192	51,148	27.45%
Law library	35,800	35,800	35,794	6	0.02%
Probate court	3,142,476	2,942,564	2,827,945	114,619	3.90%
Probation - Circuit court	119,100	119,100	95,794	23,306	19.57%
Probation - District court	473,890	468,968	458,688	10,280	2.19%
Prosecuting attorney	9,808,793	9,433,774	9,329,478	104,296	1.11%
Total judicial	33,355,822	31,497,355	31,182,105	315,250	1.00%
General government					
Building authority	\$ 1,300	\$ 1,300	\$ 560	\$ 740	56.92%
County clerk	4,762,317	4,594,633	4,417,671	176,962	3.85%
County executive	1,552,818	1,544,228	1,471,486	72,742	4.71%
Corporation counsel	952,533	946,153	914,720	31,433	3.32%
Elections	30,300	30,300	31,152	(852)	-2.81%
Ethics board	59,000	59,000	1,355	57,645	97.70%
Facilities and operations	15,481,644	15,171,718	14,961,812	209,906	1.38%
Finance	2,261,869	2,198,358	2,153,214	45,144	2.05%
Equalization	960,499	883,967	882,932	1,035	0.12%
Human resources	2,336,679	2,242,955	2,267,285	(24,330)	-1.08%
Information technology	7,358,764	7,084,694	6,677,046	407,648	5.75%
MSU extension	904,981	901,559	892,883	8,676	0.96%
Planning and economic development	3,159,749	2,914,317	2,785,134	129,183	4.43%
Purchasing	1,419,954	1,384,204	1,326,810	57,394	4.15%
Register of deeds	1,889,830	1,760,639	1,687,214	73,425	4.17%
Treasurer	2,330,252	2,240,434	2,206,399	34,035	1.52%
Total general government	45,462,489	43,958,459	42,677,673	1,280,786	2.91%
Public safety					
Civil service commission	60,925	60,925	40,760	20,165	33.10%
Emergency management	1,225,913	1,229,897	1,179,944	49,953	4.06%
Sheriff department	65,463,972	62,273,954	63,773,278	(1,499,324)	-2.41%
Total public safety	66,750,810	63,564,776	64,993,982	(1,429,206)	-2.25%

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2016

General Fund Expenditures - Budgetary Comparison Schedule (concluded)

Expenditures (concluded)	Original	Final Amended	Actual	Variance, Positive (Negative)	
	Budget	Budget		\$ Change	% Change
Current (concluded)					
Public works	6,642,903	5,372,252	5,339,112	33,140	0.62%
Health and welfare					
Animal shelter	1,833,646	1,883,413	1,948,339	(64,926)	-3.45%
Health & community services	295,871	294,558	287,835	6,723	2.28%
Health department	19,396,803	17,972,242	18,112,694	(140,452)	-0.78%
Social services	72,472	72,472	58,726	13,746	18.97%
Total health and welfare	21,598,792	20,222,685	20,407,594	(184,909)	-0.91%
Other current operations					
Non-departmental appropriations	2,051,300	2,167,580	1,838,367	329,213	15.19%
Vacant position turnover factor	(11,657,765)	-	-	-	0.00%
Total other current operations	(9,606,465)	2,167,580	1,838,367	329,213	15.19%
Capital outlay	489,156	1,538,799	870,607	668,192	43.42%
Transfers out	59,987,358	66,164,661	63,089,748	3,074,913	4.65%
Total expenditures	<u>\$ 226,263,322</u>	<u>\$ 235,897,748</u>	<u>\$ 231,634,039</u>	<u>\$ 4,263,709</u>	<u>1.81%</u>

The total budget for the General Fund was increased by \$9.6 million during the year. The majority of the budgeted increase was \$6.5 million for a radio tower project, which began in 2015. \$6.2 was transferred out to the applicable capital project fund while the remaining \$0.3 million was budgeted as an increase in capital outlay in the General Fund. Additional increases occurred for a variety of operating purposes, such as security and jail equipment for the sheriff's department, a new animal control officer, and additional arbitration-related legal fees for human resources.

The \$1.2 million favorable variance in general government was mainly the result of expenditures under budget in the amounts of \$0.4 million in Information Technology, and \$0.2 million in Facilities and Operations. Both departments were under budget substantially as a result of planned maintenance and repair activities not being completed during 2016.

The \$1.5 million unfavorable variance in the Sheriff Department was due primarily to overtime charges.

In summary, General Fund expenditures exceeded revenues by \$10.6 million for the year ended December 31, 2016. Unassigned fund balance was \$43.0 million or 18.2% of 2016 General Fund budgeted expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The county categorizes its capital assets as follows: land, land improvements, buildings and improvements, machinery, equipment and vehicles, infrastructure and construction in progress. At year-end, the county's investment in capital assets, net of accumulated depreciation, was \$1.0 billion for governmental activities and \$1.8 million for business-type activities.

Macomb County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2016

Macomb County Capital Assets Summary Schedule
(reported net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Totals	
	2015	2016	2015	2016	2015	2016
Land	\$ 243,034,171	\$ 244,411,342	\$ 50,000	\$ 50,000	\$ 243,084,171	\$ 244,461,342
Land improvements	6,352,853	5,812,251	272,309	252,526	6,625,162	6,064,777
Buildings and improvements	135,123,997	171,953,468	1,362,665	1,486,492	136,486,662	173,439,960
Machinery, equipment and vehicles	16,769,709	19,695,931	-	17,909	16,769,709	19,713,840
Infrastructure	527,469,927	534,112,845	-	-	527,469,927	534,112,845
Construction in progress	38,236,617	29,336,623	-	-	38,236,617	29,336,623
Total assets	<u>\$ 966,987,274</u>	<u>\$ 1,005,322,460</u>	<u>\$ 1,684,974</u>	<u>\$ 1,806,927</u>	<u>\$ 968,672,248</u>	<u>\$ 1,007,129,387</u>

Additional information regarding the county's capital assets can be found in Note 5 to the basic financial statements.

Long-term debt. The county's total long-term debt was \$319.1 million at December 31, 2016. All outstanding obligations are backed by the full faith and credit of the county. The components of the total liability are presented below.

Macomb County Long-Term Debt - Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
General Obligation Bonds					
Governmental activities	\$ 290,876,684	\$ -	\$ 14,669,230	\$ 276,207,454	\$ 15,135,279
Business-type activities	44,732,825	-	1,864,807	42,868,018	1,650,902
Total general obligation bonds	<u>\$ 335,609,509</u>	<u>\$ -</u>	<u>\$ 16,534,037</u>	<u>\$ 319,075,472</u>	<u>\$ 16,786,181</u>

The general obligation bonds of the county are rated **AA+** by Standard & Poor's and **Aa1** by Moody's Investor Services. State statute limits the total amount of general obligation debt of the county to 10% of the assessed value of all property in the county. Assessed value is generally 50% of true market value. Management, however, believes that the taxable value of all property in the county is a more practical and conservative base on which to base the calculation of the county's debt limit. The taxable value of all property in the county as of December 31, 2016 was \$25.3 billion. After adjustments as shown on page E-16, the county's debt limitation was \$2.2 billion at year-end. The county's outstanding debt of \$319.1 million at year end was well below the limit based on either assessed or taxable value.

Additional information regarding the long-term obligations of the county may be found in Note 6 to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The following factors were considered when developing the 2017 budget:

Property values were projected to increase 2.0% in 2017.

Across the board wage increases of 2% were factored into the 2017 budget.

Health care costs are anticipated to increase 4% for employees and 8% for retirees in 2017.

Market interest rates in 2017 are expected to remain consistent with 2016 levels.

Inflationary trends in the region compare favorably to national indices.

Although the county is facing significant budgetary challenges at this time, its financial condition remains stable as demonstrated by the financial statements and other schedules included in this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2016

CONTACTING THE COUNTY FINANCE DEPARTMENT

This financial report is designed to provide citizens, taxpayers, investors, creditors and others with a general overview of the finances of the county. Questions concerning any information contained in this report or requests for additional information should be addressed to the attention of the Finance Director at the following address: Macomb County Finance Department, 120 North Main Street, 2nd Floor, Mount Clemens, Michigan 48043. Requests can also be made by phone at 586-469-5250.

Macomb County, Michigan

STATEMENT OF NET POSITION

December 31, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and pooled investments	\$ 182,914,568	\$ 156,591,750	\$ 339,506,318	\$ 42,587,967
Restricted cash	2,028,234	-	2,028,234	6,028,702
Receivables				
Property taxes, net	6,740,191	24,641,668	31,381,859	-
Accrued interest	214,833	72,910	287,743	-
Trade accounts, net	13,533,872	11,848,577	25,382,449	9,362,982
Special assessments	-	-	-	261,677,798
Inventories	4,743,888	-	4,743,888	-
Due from other governments	33,552,428	555,736	34,108,164	4,699,331
Due from component units	19,724,399	-	19,724,399	-
Internal balances	489,302	(5,145,981)	(4,656,679)	-
Due from fiduciary funds	15,328,585	-	15,328,585	-
Other assets	5,290,081	1,940,983	7,231,064	151,485
Capital assets, net				
Assets not being depreciated	273,747,965	50,000	273,797,965	39,634,502
Assets being depreciated	731,574,495	1,756,927	733,331,422	277,558,273
Net other post-employment benefits asset	46,207,194	5,882,789	52,089,983	2,801,557
TOTAL ASSETS	1,336,090,035	198,195,359	1,534,285,394	644,502,597
DEFERRED OUTFLOWS OF RESOURCES				
Related to pension	68,935,746	7,943,507	76,879,253	2,245,144
LIABILITIES				
Accounts payable and accrued liabilities	31,179,731	31,983,403	63,163,134	18,966,822
Accrued wages payable	4,944,696	386,767	5,331,463	630,931
Accrued interest payable	1,642,026	607,968	2,249,994	3,155,762
Due to other governments	229,198	2,291,651	2,520,849	110,002
Unearned revenue	319,687	77,499	397,186	6,184,470
Long-term liabilities				
Due within one year	18,767,534	1,750,902	20,518,436	15,072,284
Due within more than one year	278,894,627	42,693,003	321,587,630	268,173,899
Net pension liability	63,130,830	7,274,604	70,405,434	2,056,086
TOTAL LIABILITIES	399,108,329	87,065,797	486,174,126	314,350,256
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied in advance	1,120,296	-	1,120,296	-
NET POSITION				
Net investment in capital assets	934,211,338	1,806,927	936,018,265	123,552,561
Restricted for:				
Capital projects	70,043,428	-	70,043,428	20,778,426
Debt service	1,994,530	-	1,994,530	190,845,800
General government	2,625,077	-	2,625,077	-
Health and welfare	8,881,387	-	8,881,387	-
Judicial	570,404	-	570,404	-
Housing rehabilitation loans	6,035,772	-	6,035,772	-
Mental health and substance abuse	-	31,556,341	31,556,341	-
Public safety	3,090,535	-	3,090,535	-
Public works	-	-	-	3,993,421
Department of Roads liability insurance	7,997,860	-	7,997,860	-
Unrestricted (deficit)	(30,653,175)	85,709,801	55,056,626	(6,772,723)
TOTAL NET POSITION	\$ 1,004,797,156	\$ 119,073,069	\$ 1,123,870,225	\$ 332,397,485

See accompanying notes to the financial statements.

Macomb County, Michigan

STATEMENT OF ACTIVITIES

Year Ended December 31, 2016

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities					
Legislative	\$ 1,264,967	\$ -	\$ -	\$ -	\$ (1,264,967)
Judicial	46,188,236	6,329,215	13,491,215	-	(26,367,806)
General government	39,524,668	15,288,947	322,014	-	(23,913,707)
Public safety	82,462,164	21,329,483	2,730,175	5,968,516	(52,433,990)
Public works	81,973,406	16,182,170	-	73,221,621	7,430,385
Health and welfare	79,400,606	14,958,205	31,464,287	-	(32,978,114)
Recreation and culture	143,867	47,235	-	-	(96,632)
Interest and fees on long-term debt	9,482,977	-	-	-	(9,482,977)
Total governmental activities	340,440,891	74,135,255	48,007,691	79,190,137	(139,107,808)
Business-type activities					
Delinquent tax collections	3,382,384	11,579,426	-	-	8,197,042
Community mental health	235,219,751	216,593,603	14,443,836	-	(4,182,312)
Freedom hill park	451,313	273,787	-	-	(177,526)
Total business-type activities	239,053,448	228,446,816	14,443,836	-	3,837,204
Total primary government	\$ 579,494,339	\$ 302,582,071	\$ 62,451,527	\$ 79,190,137	\$ (135,270,604)
Component units					
Drainage districts	\$ 78,682,491	\$ 67,453,378	\$ -	\$ 5,333,793	\$ (5,895,320)
Martha T. Berry medical care facility	25,011,886	30,836,882	-	-	5,824,996
Workforce development board	22,415,047	29,416	22,383,628	-	(2,003)
Total component units	\$ 126,109,424	\$ 98,319,676	\$ 22,383,628	\$ 5,333,793	\$ (72,327)
		Governmental Activities	Business-Type Activities	Total	Component Units
Changes in net position					
Net (expense) revenue from above		\$ (139,107,808)	\$ 3,837,204	\$ (135,270,604)	\$ (72,327)
General revenues					
Property taxes		115,858,582	-	115,858,582	-
Intergovernmental revenues - unrestricted		30,356,763	-	30,356,763	-
Investment earnings		729,118	894,459	1,623,577	8,956,323
Transfers - internal activities		1,309,494	(1,167,926)	141,568	-
Total general revenues and transfers		148,253,957	(273,467)	147,980,490	8,956,323
CHANGE IN NET POSITION		9,146,149	3,563,737	12,709,886	8,883,996
Net position, beginning of year		995,651,007	115,509,332	1,111,160,339	323,513,489
Net position, end of year		\$ 1,004,797,156	\$ 119,073,069	\$ 1,123,870,225	\$ 332,397,485

See accompanying notes to the financial statements.

Macomb County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS

December 31, 2016

	Major Governmental Funds				
	General Fund	Special Revenue Fund	Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
		Road Fund (1)	Central Campus Renovation		
ASSETS					
Cash and pooled investments	\$ 35,130,275	\$ 64,165,759	\$ 3,791,085	\$ 38,852,735	\$ 141,939,854
Restricted cash - unspent bond proceeds	-	-	2,028,234	-	2,028,234
Receivables					
Property taxes, net	5,773,319	-	-	966,872	6,740,191
Accrued interest	97,245	117,588	-	-	214,833
Trade accounts, net	5,014,824	1,773,230	-	6,426,107	13,214,161
Inventories	-	4,506,243	-	-	4,506,243
Due from other governments	13,109,166	8,728,580	-	11,714,682	33,552,428
Due from governmental funds	2,710,103	-	-	-	2,710,103
Due from proprietary funds	11,154,607	-	-	-	11,154,607
Due from component units	3,475,100	-	-	1,144,299	4,619,399
Due from fiduciary funds	5,180,848	-	-	-	5,180,848
Other assets	1,457,837	1,120,206	-	119,694	2,697,737
TOTAL ASSETS	\$ 83,103,324	\$ 80,411,606	\$ 5,819,319	\$ 59,224,389	\$ 228,558,638
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 3,030,748	\$ 15,494,713	\$ 5,819,319	\$ 5,435,640	\$ 29,780,420
Accrued liabilities	-	-	-	95,567	95,567
Accrued compensation and benefits	3,832,833	313,423	-	798,440	4,944,696
Due to other governments	13,910	-	-	215,288	229,198
Due to governmental funds	-	-	-	7,541,785	7,541,785
Accrued workers compensation claims	-	202,985	-	-	202,985
Unearned revenue	-	-	-	319,687	319,687
TOTAL LIABILITIES	6,877,491	16,011,121	5,819,319	14,406,407	43,114,338
DEFERRED INFLOWS OF RESOURCES					
Property taxes levied in advance	-	-	-	1,120,296	1,120,296
Unavailable property taxes	4,488,065	-	-	-	4,488,065
Unavailable grants and other charges	10,103,295	1,014,833	-	5,802,563	16,920,691
TOTAL DEFERRED INFLOWS OF RESOURCES	14,591,360	1,014,833	-	6,922,859	22,529,052
FUND BALANCES					
Nonspendable	4,932,937	5,626,449	-	119,694	10,679,080
Restricted	-	57,759,203	-	20,607,807	78,367,010
Assigned	13,671,965	-	-	20,898,373	34,570,338
Unassigned	43,029,571	-	-	(3,730,751)	39,298,820
TOTAL FUND BALANCES	61,634,473	63,385,652	-	37,895,123	162,915,248
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 83,103,324	\$ 80,411,606	\$ 5,819,319	\$ 59,224,389	\$ 228,558,638

(1) - Balance Sheet as of September 30, 2016

See accompanying notes to the financial statements.

Macomb County, Michigan

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

December 31, 2016

Total fund balances for governmental funds \$ 162,915,248

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	\$ 244,411,342
Land improvements	13,349,373
Buildings and improvements	306,593,369
Machinery, equipment, and vehicles	86,741,429
Infrastructure	1,235,367,787
Construction in progress	29,336,623
Accumulated depreciation	<u>(911,813,421)</u>

Capital assets, net of accumulated depreciation 1,003,986,502

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. 28,649,612

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. 21,408,756

Certain changes in pension plan net position are reported as deferred outflows and deferred inflows in the statement of net position, while reported as expenditures and revenues in the governmental funds. Deferred outflows related to pension 68,935,746

Net pension liability is not due and payable in the current year and is not reported in the governmental funds. (63,130,830)

Notes receivable not available to pay for current year expenditures are not recognized as assets in the governmental funds but are recognized as assets in the statement of net position. 15,105,000

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. (276,207,454)

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. (1,642,026)

Accrued compensated absences not funded at year-end are not recorded in the governmental funds, but are recorded as a liability in the statement of net position. (1,331,129)

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. (99,463)

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 an asset in the statement of net position. 36,356,762

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. 9,850,432

Net position of governmental activities \$ 1,004,797,156

See accompanying notes to the financial statements.

Macomb County, Michigan

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

Year Ended December 31, 2016

	Major Governmental Funds					
	General Fund	Special Revenue Fund	Capital Project Fund		Nonmajor Governmental Funds	Total Governmental Funds
		Road Fund (1)	Central Campus Renovation			
REVENUES						
Property taxes	\$ 114,025,390	\$ -	\$ -	\$ 1,150,010	\$ 115,175,400	
Licenses and permits	1,541,116	824,183	-	466,016	2,831,315	
Federal and state grants	39,059,427	73,221,621	-	46,918,304	159,199,352	
Other grants	-	-	-	281,561	281,561	
Charges for services	38,647,691	11,760,697	-	24,670,465	75,078,853	
Charges to other funds for administrative services	14,461,742	-	-	-	14,461,742	
Fines and forfeitures	557,405	-	-	590,941	1,148,346	
Interest and rents	4,550,981	292,689	68,976	13,529	4,926,175	
Other revenue	148,279	445,226	-	1,778,368	2,371,873	
TOTAL REVENUES	212,992,031	86,544,416	68,976	75,869,194	375,474,617	
EXPENDITURES						
Current						
Legislative	1,234,851	-	-	-	1,234,851	
Judicial	31,182,105	-	-	12,205,687	43,387,792	
General government	42,677,673	-	-	1,869,664	44,547,337	
Public safety	64,993,982	-	-	10,550,066	75,544,048	
Public works	5,339,112	84,560,594	-	152,430	90,052,136	
Health and welfare	20,407,594	-	-	53,143,414	73,551,008	
Recreational and cultural	-	-	-	76,276	76,276	
Other	1,838,367	-	-	-	1,838,367	
Capital outlay	870,607	3,952,304	29,501,976	13,398,799	47,723,686	
Debt service						
Principal	-	164,957	-	14,504,273	14,669,230	
Interest and fees	-	23,364	-	9,503,586	9,526,950	
TOTAL EXPENDITURES	168,544,291	88,701,219	29,501,976	115,404,195	402,151,681	
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	44,447,740	(2,156,803)	(29,433,000)	(39,535,001)	(26,677,064)	
OTHER FINANCING SOURCES (USES)						
Transfers in	8,063,243	-	2,787,970	69,636,274	80,487,487	
Transfers out	(63,089,748)	(268,249)	-	(15,399,672)	(78,757,669)	
TOTAL OTHER FINANCING SOURCES (USES)	(55,026,505)	(268,249)	2,787,970	54,236,602	1,729,818	
NET CHANGE IN FUND BALANCES	(10,578,765)	(2,425,052)	(26,645,030)	14,701,601	(24,947,246)	
Fund balances, beginning of year	72,213,238	65,810,704	26,645,030	23,193,522	187,862,494	
Fund balances, end of year	\$ 61,634,473	\$ 63,385,652	\$ -	\$ 37,895,123	\$ 162,915,248	

(1) - Year ended September 30, 2016

See accompanying notes to the financial statements.

Macomb County, Michigan

RECONCILIATION OF THE CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2016

Net change in fund balances - total governmental funds		\$ (24,947,246)
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	\$ 94,315,202	
Current year depreciation expense	(53,747,291)	
Net book value of assets disposed	<u>(2,086,056)</u>	
		38,481,855
Revenues in the statement of activities that do not provide current financial resources are not recorded in the funds. In the current period these amounts consist of:		
Change in unavailable resources	371,624	
Change in long term receivable from component unit	<u>(605,000)</u>	
		(233,376)
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.		
		14,669,230
Pension liability and deferred inflows and outflows related to pension are reported in the statement of activities at the time it is earned or incurred, but not in the governmental funds until paid.		
		(16,872,272)
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.		
		(4,868,456)
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Decrease in compensated absences	6,653	
Decrease in workers' compensation claims	235,331	
Decrease in accrued interest payable	43,973	
Increase in other postemployment benefit assets	<u>2,630,457</u>	
		<u>2,916,414</u>
Change in net position of governmental activities		<u>\$ 9,146,149</u>

See accompanying notes to the financial statements.

Macomb County, Michigan

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

December 31, 2016

	Major Business-Type Activities - Enterprise Funds	
	Delinquent Tax Revolving	Community Mental Health (1)
ASSETS		
Current Assets		
Cash and pooled investments	\$ 100,389,314	\$ 55,736,863
Receivables		
Property taxes, net	24,641,668	-
Accrued interest	55,084	17,826
Trade accounts, net	4,389,235	7,386,008
Inventories	-	-
Due from other governments	-	555,736
Due from governmental funds	-	-
Due from fiduciary funds	-	-
Other assets	-	1,940,983
Total current assets	129,475,301	65,637,416
Noncurrent assets		
Capital assets, net		
Assets not being depreciated	-	-
Assets being depreciated	-	-
Net other post-employment benefits asset	-	5,795,083
Total noncurrent assets	-	5,795,083
TOTAL ASSETS	129,475,301	71,432,499
DEFERRED OUTFLOWS OF RESOURCES		
Related to pension	-	7,943,507
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	595,143	31,380,101
Accrued wages payable	13,493	373,274
Accrued interest payable	-	604,384
Due to other governments	41,450	2,250,201
Due to governmental funds	8,000,000	-
Unearned revenue	-	77,499
Long-term liabilities due within one year	-	1,626,116
Total current liabilities	8,650,086	36,311,575
Noncurrent liabilities		
Long-term liabilities due in more than one year	-	40,627,032
Net pension liability	-	7,274,604
Total noncurrent liabilities	-	47,901,636
TOTAL LIABILITIES	8,650,086	84,213,211
NET POSITION		
Net investment in capital assets	-	-
Restricted for:		
Mental health and substance abuse	-	31,556,341
Department of Roads liability insurance	-	-
Unrestricted (deficit)	120,825,215	(36,393,546)
TOTAL NET POSITION	\$ 120,825,215	\$ (4,837,205)

(1) - Year ended September 30, 2016

Macomb County, Michigan

STATEMENT OF NET POSITION – PROPRIETARY FUNDS (CONCLUDED)

December 31, 2016

	Nonmajor	Enterprise Fund	Governmental
	Enterprise Fund		Activities
	Freedom Hill Park	Totals	Internal Service Funds
ASSETS			
Current Assets			
Cash and pooled investments	\$ 465,573	\$ 156,591,750	\$ 40,974,714
Receivables			
Property taxes, net	-	24,641,668	-
Accrued interest	-	72,910	-
Trade accounts, net	73,334	11,848,577	319,711
Inventories	-	-	237,645
Due from other governments	-	555,736	-
Due from governmental funds	-	-	322,203
Due from fiduciary funds	-	-	10,147,737
Other assets	-	1,940,983	2,592,344
Total current assets	538,907	195,651,624	54,594,354
Noncurrent assets			
Capital assets, net			
Assets not being depreciated	50,000	50,000	-
Assets being depreciated	1,756,927	1,756,927	1,335,958
Net other post-employment benefits asset	87,706	5,882,789	-
	1,894,633	7,689,716	1,335,958
TOTAL ASSETS	2,433,540	203,341,340	55,930,312
DEFERRED OUTFLOWS OF RESOURCES			
Related to pension	-	7,943,507	-
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	8,159	31,983,403	1,303,744
Accrued wages payable	-	386,767	-
Accrued interest payable	3,584	607,968	-
Due to other governments	-	2,291,651	-
Due to governmental funds	-	8,000,000	3,301,807
Unearned revenue	-	77,499	-
Long-term liabilities due within one year	24,786	1,650,902	2,654,270
Total current liabilities	36,529	44,998,190	7,259,821
Noncurrent liabilities			
Long-term liabilities due in more than one year	590,084	41,217,116	18,742,747
Net pension liability	-	7,274,604	-
Total noncurrent liabilities	590,084	48,491,720	18,742,747
TOTAL LIABILITIES	626,613	93,489,910	26,002,568
NET POSITION			
Net investment in capital assets	1,806,927	1,806,927	1,335,958
Restricted for:			
Mental health and substance abuse	-	31,556,341	-
Department of Roads liability insurance	-	-	7,997,860
Unrestricted (deficit)	-	84,431,669	20,593,926
TOTAL NET POSITION	\$ 1,806,927	\$ 117,794,937	\$ 29,927,744
RECONCILIATION OF THE STATEMENT OF NET POSITION FOR PROPRIETARY FUNDS			
Total net position of enterprise funds / internal service funds		\$ 117,794,937	\$ 29,927,744
Add (subtract): Business-type equity in the net position of internal service funds		1,278,132	(1,278,132)
Net position reported in the government-wide statement of net position		\$ 119,073,069	\$ 28,649,612

See accompanying notes to the financial statements.

Macomb County, Michigan

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION – PROPRIETARY FUNDS

Year Ended December 31, 2016

	Major Business-Type Activities - Enterprise Funds	
	Delinquent Tax Revolving	Community Mental Health (1)
OPERATING REVENUES		
Federal and state grants	\$ -	\$ 14,443,836
Charges for services	11,579,426	216,342,607
Other	-	250,996
TOTAL OPERATING REVENUES	11,579,426	231,037,439
OPERATING EXPENSES		
Wages and fringe benefits	475,670	24,571,177
Contractual services	-	182,718,177
Utilities	-	373,405
Repairs and maintenance	-	32,353
Benefits and claims expenses	-	-
Supplies and services	2,906,714	25,289,460
Depreciation	-	-
TOTAL OPERATING EXPENSES	3,382,384	232,984,572
OPERATING INCOME (LOSS)	8,197,042	(1,947,133)
NONOPERATING REVENUES (EXPENSES)		
Investment income	680,454	214,005
Interest expense	-	(1,543,724)
TOTAL NONOPERATING REVENUES (EXPENSES)	680,454	(1,329,719)
NET INCOME (LOSS) BEFORE TRANSFERS	8,877,496	(3,276,852)
TRANSFERS		
Transfers in	-	6,495,655
Transfers out	(8,000,000)	-
NET TRANSFERS	(8,000,000)	6,495,655
CHANGE IN NET POSITION	877,496	3,218,803
Net position, beginning of year	119,947,719	(8,056,008)
Net position, end of year	\$ 120,825,215	\$ (4,837,205)

(1) - Year ended September 30, 2016

Macomb County, Michigan

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION – PROPRIETARY FUNDS (CONCLUDED)

Year Ended December 31, 2016

	Nonmajor Enterprise Fund		Governmental Activities
	Freedom Hill Park	Enterprise Fund Totals	Internal Service Funds
OPERATING REVENUES			
Federal and state grants	\$ -	\$ 14,443,836	\$ -
Charges for services	250,139	228,172,172	60,950,962
Other	23,648	274,644	-
TOTAL OPERATING REVENUES	273,787	242,890,652	60,950,962
OPERATING EXPENSES			
Wages and fringe benefits	17,097	25,063,944	-
Contractual services	-	182,718,177	-
Utilities	111,366	484,771	-
Repairs and maintenance	119,148	151,501	-
Benefits and claims expenses	-	-	61,631,234
Supplies and services	62,558	28,258,732	3,838,060
Depreciation	119,872	119,872	656,054
TOTAL OPERATING EXPENSES	430,041	236,796,997	66,125,348
OPERATING INCOME (LOSS)	(156,254)	6,093,655	(5,174,386)
NONOPERATING REVENUES (EXPENSES)			
Investment income	-	894,459	34,799
Interest expense	(21,272)	(1,564,996)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(21,272)	(670,537)	34,799
NET INCOME (LOSS) BEFORE TRANSFERS	(177,526)	5,423,118	(5,139,587)
TRANSFERS			
Transfers in	336,419	6,832,074	2,047,595
Transfers out	-	(8,000,000)	(2,467,919)
NET TRANSFERS	336,419	(1,167,926)	(420,324)
CHANGE IN NET POSITION	158,893	4,255,192	(5,559,911)
Net position, beginning of year	1,648,034	113,539,745	35,487,655
Net position, end of year	<u>\$ 1,806,927</u>	<u>\$ 117,794,937</u>	<u>\$ 29,927,744</u>
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION TO THE STATEMENT OF ACTIVITIES OF BUSINESS-TYPE ACTIVITIES			
Change in net position		\$ 4,255,192	\$ (5,559,911)
Add (subtract): Increase (decrease) in business-type activities' equity of internal service funds		(691,455)	691,455
Net income (loss) in the government-wide statement of activities		<u>\$ 3,563,737</u>	<u>\$ (4,868,456)</u>

See accompanying notes to the financial statements.

Macomb County, Michigan

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

Year Ended December 31, 2016

	Major Business-Type Activities - Enterprise Funds	
	Delinquent Tax Revolving	Community Mental Health (1)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 57,356,614	\$ 228,744,245
Cash received from interfund services	-	-
Cash payments for delinquent taxes	(44,167,648)	-
Cash payments to employees and employee trusts	(474,077)	(25,162,682)
Cash payments to suppliers	(3,283,358)	(215,685,907)
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	9,431,531	(12,104,344)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Principal and interest paid on long-term debt	-	(1,581,576)
Transfers in	-	6,495,655
Transfers out	-	-
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	-	4,914,079
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	-	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	668,286	199,843
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,099,817	(6,990,422)
Cash and pooled investments, beginning of year	90,289,497	62,727,285
Cash and pooled investments, end of year	<u>\$ 100,389,314</u>	<u>\$ 55,736,863</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	\$ 8,197,042	\$ (1,947,133)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	-	-
Changes in net pension liability	-	1,816,546
Changes in net other post-employment benefits asset	-	48,610
Changes in assets and liabilities:		
Taxes receivable	952,532	-
Accounts receivable	666,054	(2,207,123)
Inventory	-	-
Due from other governments	5,774	(90,604)
Due from other funds	-	-
Due from fiduciary funds	-	-
Other assets	-	(30,514)
Accounts payable	(376,644)	(1,560,129)
Accrued employee benefits	1,593	(616,464)
Due to other governments	(14,820)	(5,681,869)
Due to other funds	-	-
Unearned revenue	-	4,533
Long term liabilities	-	(1,840,197)
Advances from other funds	-	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 9,431,531	\$ (12,104,344)

(1) - Year ended September 30, 2016

See accompanying notes to the financial statements.

-CONTINUED-

Macomb County, Michigan

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONCLUDED)

Year Ended December 31, 2016

	Nonmajor Enterprise Fund	Enterprise Fund Totals	Governmental Activities Internal Service Funds
	Freedom Hill Park		
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 280,022	\$ 286,380,881	\$ -
Cash received from interfund services	-	-	60,395,483
Cash payments for delinquent taxes	-	(44,167,648)	-
Cash payments to employees and employee trusts	(41,527)	(25,678,286)	(2,140,650)
Cash payments to suppliers	(307,513)	(219,276,778)	(59,581,726)
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	(69,018)	(2,741,831)	(1,326,893)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Principal and interest paid on long-term debt	(21,953)	(1,603,529)	-
Transfers in	336,419	6,832,074	2,047,595
Transfers out	-	-	(2,467,919)
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	314,466	5,228,545	(420,324)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(241,825)	(241,825)	(509,386)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments	-	868,129	34,799
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,623	3,113,018	(2,221,804)
Cash and pooled investments, beginning of year	461,950	153,478,732	43,196,518
Cash and pooled investments, end of year	<u>\$ 465,573</u>	<u>\$ 156,591,750</u>	<u>\$ 40,974,714</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ (156,254)	\$ 6,093,655	\$ (5,174,386)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	119,872	119,872	656,054
Changes in net pension liability	-	1,816,546	-
Changes in net other post-employment benefits asset	736	49,346	-
Changes in assets and liabilities:			
Taxes receivable	-	952,532	-
Accounts receivable	6,235	(1,534,834)	17,280
Inventory	-	-	30,884
Due from other governments	-	(84,830)	-
Due from other funds	-	-	(108,984)
Due from fiduciary funds	-	-	(3,463,775)
Other assets	-	(30,514)	742,490
Accounts payable	(14,441)	(1,951,214)	443,713
Accrued employee benefits	(555)	(615,426)	-
Due to other governments	-	(5,696,689)	-
Due to other funds	-	-	3,126,505
Unearned revenue	-	4,533	-
Long term liabilities	(24,611)	(1,864,808)	2,698,326
Advances from other funds	-	-	(295,000)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ (69,018)</u>	<u>\$ (2,741,831)</u>	<u>\$ (1,326,893)</u>

See accompanying notes to the financial statements.

Macomb County, Michigan

STATEMENT OF FIDUCIARY NET POSITION

December 31, 2016

	Pension and Other Postemployment Benefit Funds	Agency Funds
ASSETS		
Cash and pooled investments	\$ 51,729,391	\$ 11,998,652
Investments, at fair value		
US Government securities	36,238,865	-
Corporate bonds	22,340,417	-
Common stock	476,551,606	-
Preferred stock	4,639,583	-
Foreign stock	73,228,395	-
Limited partnership	259,622,740	-
Real estate investment trusts	38,284,258	-
Fixed income common collective trusts	120,191,206	-
Equity common collective trusts	376,810,375	-
	<hr/>	<hr/>
Total investments, at fair value	1,407,907,445	-
Receivables		
Accrued interest	3,582,958	-
Other	1,315,545	207,810
Due from primary government	127,229	-
Due from other governments	-	176,514
Other assets	352,481	235,487
	<hr/>	<hr/>
TOTAL ASSETS	1,465,015,049	\$ 12,618,463
		<hr/> <hr/>
LIABILITIES		
Accounts payable	13,563,731	\$ 3,313,641
Accrued compensation and benefits	4,416,631	31,968
Cash bonds and deposits	-	8,540,656
Due to other governments	-	732,198
Due to primary government	15,328,585	-
	<hr/>	<hr/>
TOTAL LIABILITIES	33,308,947	\$ 12,618,463
		<hr/> <hr/>
NET POSITION RESTRICTED FOR PENSION AND OTHER POSTEMPLOYMENT BENEFITS	<hr/> <hr/>	
	\$ 1,431,706,102	
	<hr/> <hr/>	

See accompanying notes to the financial statements.

Macomb County, Michigan

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended December 31, 2016

	Pension and Other Postemployment Benefit Funds
ADDITIONS	
Investment income (loss):	
Interest and dividends	\$ 30,520,047
Net increase in fair value of investments	101,696,277
Less investment expenses	<u>(5,459,894)</u>
Net investment income (loss)	126,756,430
Contributions	
Employer	20,909,535
Employee	4,440,090
Contribution from Retiree Healthcare Intermediate Trust Fund	<u>30,391,139</u>
Total contributions	<u>55,740,764</u>
TOTAL ADDITIONS	182,497,194
DEDUCTIONS	
Benefit payments	82,200,045
Withdrawals and refunds of contributions	380,322
Administrative expenses	841,072
Contribution to Retiree Healthcare Trust Fund	<u>30,391,139</u>
TOTAL DEDUCTIONS	<u>113,812,578</u>
CHANGE IN NET POSITION	68,684,616
Net Position - beginning of year	<u>1,363,021,486</u>
Net Position - end of year	<u><u>\$ 1,431,706,102</u></u>

See accompanying notes to the financial statements.

Macomb County, Michigan

COMBINING STATEMENT OF NET POSITION – COMPONENT UNITS

December 31, 2016

	Drainage Districts (1)	Martha T. Berry Medical Care Facility	Workforce Development Board (2)	Total
ASSETS				
Cash and pooled investments	\$ 34,075,967	\$ 7,943,267	\$ 568,733	\$ 42,587,967
Restricted cash	6,006,415	22,287	-	6,028,702
Receivables				
Trade accounts, net	6,392,396	2,970,586	-	9,362,982
Special assessments	261,677,798	-	-	261,677,798
Due from other governments	-	-	4,699,331	4,699,331
Other assets	-	122,989	28,496	151,485
Capital assets, net				
Assets not being depreciated	39,461,783	172,719	-	39,634,502
Assets being depreciated	276,337,076	1,221,197	-	277,558,273
Net other post-employment benefits asset	-	2,801,557	-	2,801,557
TOTAL ASSETS	623,951,435	15,254,602	5,296,560	644,502,597
DEFERRED OUTFLOWS OF RESOURCES				
Related to pension	-	2,245,144	-	2,245,144
LIABILITIES				
Accounts payable and accrued liabilities	12,772,806	1,293,276	4,900,740	18,966,822
Accrued wages payable	-	537,505	93,426	630,931
Accrued interest payable	3,065,879	89,883	-	3,155,762
Due to other governments	-	-	110,002	110,002
Unearned revenue	6,052,136	-	132,334	6,184,470
Long-term liabilities				
Due within one year	13,973,975	1,098,309	-	15,072,284
Due within more than one year	250,310,347	17,863,552	-	268,173,899
Net pension liability	-	2,056,086	-	2,056,086
TOTAL LIABILITIES	286,175,143	22,938,611	5,236,502	314,350,256
NET POSITION				
Net investment in capital assets	122,158,645	1,393,916	-	123,552,561
Restricted for:				
Capital projects	20,778,426	-	-	20,778,426
Debt service	190,845,800	-	-	190,845,800
Public works	3,993,421	-	-	3,993,421
Unrestricted (deficit)	-	(6,832,781)	60,058	(6,772,723)
TOTAL NET POSITION	\$ 337,776,292	\$ (5,438,865)	\$ 60,058	\$ 332,397,485

(1) - Balance sheet as of September 30, 2016

(2) - Balance sheet as of June 30, 2016

See accompanying notes to the financial statements.

Macomb County, Michigan

COMBINING STATEMENT OF ACTIVITIES – COMPONENT UNITS

Year Ended December 31, 2016

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Drainage Districts (1)					
Governmental activities					
Public works	\$ 69,418,583	\$ 67,453,378	\$ -	\$ 5,333,793	\$ 3,368,588
Interest and fees on long-term debt	9,263,908	-	-	-	(9,263,908)
Total Drainage Districts	78,682,491	67,453,378	-	5,333,793	(5,895,320)
Martha T. Berry Medical Care Facility					
Governmental activities					
Health and welfare	24,472,587	30,836,882	-	-	6,364,295
Interest and fees on long-term debt	539,299	-	-	-	(539,299)
Total Martha T. Berry Medical Care Facility	25,011,886	30,836,882	-	-	5,824,996
Workforce Development Board (2)					
Governmental activities					
Health and welfare	22,415,047	29,416	22,383,628	-	(2,003)
Total component units	\$ 126,109,424	\$ 98,319,676	\$ 22,383,628	\$ 5,333,793	\$ (72,327)
		Drainage Districts (1)	Martha T. Berry Medical Care Facility	Workforce Development Board (2)	Total
Changes in net position					
Net (expense) revenue from above		\$ (5,895,320)	\$ 5,824,996	\$ (2,003)	\$ (72,327)
General revenues					
Investment earnings		8,831,881	124,442	-	8,956,323
CHANGE IN NET POSITION		2,936,561	5,949,438	(2,003)	8,883,996
Net position, beginning of year (3)		334,839,731	(11,388,303)	62,061	323,513,489
Net position, end of year		\$ 337,776,292	\$ (5,438,865)	\$ 60,058	\$ 332,397,485

(1) - Year ended September 30, 2016

(2) - Year ended June 30, 2016

See accompanying notes to the financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

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, 2016, except as follows: the financial statements of the Circuit Court Programs, Child Care, Department of Roads, Friend of the Court, 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, 2016. The Macomb / St. Clair Employment and Training special revenue fund as well as the Work Force Development Board component unit are reported as of and for the year ended June 30, 2016.

A. 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.

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

Component units are legally separate organizations for which the Board of Commissioners appoints a majority of the organization's policy board and there is a degree of financial accountability to the county.

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 because a financial benefit/burden relationship exists between the two organizations. Separate independently audited financial statements of the Workforce Development Board are not prepared.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (concluded)

Discretely Presented Component Units (concluded)

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 because a financial benefit/burden relationship exists between the two organizations. 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 Macomb County. Separate independently audited financial statements of the Drainage Districts are not prepared.

The **Martha T. Berry Medical Care Facility** is governed by a separate board consisting of 3 members, the majority of which are appointed by the Macomb County Board of Commissioners. Its activities are included in the county's financial statements since the county can impose its will. All of the funds of the Martha T. Berry Medical Care Facility are Enterprise Funds and as such, 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. Separate independently audited financial statements of the Martha T. Berry Medical Care Facility are available and can be obtained by contacting the Controller's Office at the Martha T. Berry Medical Care Facility, located at 43533 Elizabeth St, Mt Clemens, MI 48043.

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.

B. 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, liabilities, deferred inflows and deferred outflows of the county, with the net of these items reported as net position. Net position is classified into one of three categories for accounting and financial reporting purposes:

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- 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 is 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. Direct expenses are those that are clearly identifiable with a specific function or segment. 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.

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 *Central Campus Renovation Fund* accounts for the revenues and expenditures related to the renovation and construction costs of the Central Campus capital project.

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.

Financial information regarding the county's internal service funds is presented in summary form as part of the proprietary fund financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 and business-type 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 or committed 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.

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.

Retiree Health Care Intermediate Trust Fund – The Retiree Health Care Intermediate Trust Fund is used to account for other postemployment benefit (OPEB) bond proceeds as well as other contributions from the county for the purpose of funding the Retiree Health Care Trust Fund.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic (Government-Wide) and Fund Financial Statements (concluded)

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.

C. 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.

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.

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.

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.

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.

D. 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.

E. 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 \$25,382,449 at year-end, net of an allowance of \$2,539,295 for the special revenue Community Action Agency Fund.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. 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.

G. Other Assets

Other assets represent deposits and prepaid items.

H. Budgetary Accounting

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 Community Mental Health and Parks business-type activities and the Martha T. Berry Medical Care Facility Discretely Presented Component Unit. 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.

As required by the county charter, the County Finance Director submits to the Board of Commissioners a proposed operating budget by October 1 each year for the fiscal year beginning the following 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 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.

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 in the General Fund and the fund level in all other funds. 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 \$100,000 or 10% 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.

I. 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 and the Martha T. Berry Medical Care Facility. The county capitalizes assets whose initial purchase price equals or exceeds \$5,000 and whose 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 Position. Depreciation has been provided over the following estimated useful lives using the straight-line method: land improvements - 20 years, buildings and improvements – 20-40 years, equipment - 3-15 years, vehicles – 3-5 years and infrastructure 8-40 years.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Compensated Absences

County employees earn vacation and sick leave benefits based on length of service. Both are fully 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.

K. 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.

L. Pension and Other Postemployment Benefit Costs (OPEB)

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

OPEB - The county offers 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, 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.

M. 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.

N. Property Taxes

The county property tax is levied July 1 of each year based on the taxable value of property as of the preceding December 31.

Taxes are billed and collected for the county by the local units within the county and are payable in one installment no later than February 28 of the following year, at which time they become delinquent and subject to penalty.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Property Taxes (continued)

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, 2016 levy (calendar 2016 revenue) was \$25,264,565,701.

The county operating tax rate for the 2016 levy was 4.5566 mills, the Veteran's rate was .0400 mills, and the Drain Debt was .0050 mills. The county records an allowance of 1% for assessment appeals and personal property tax delinquencies. The amount recorded in 2016 was \$1,162,275.

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.

O. 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.

P. 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.

Q. 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 items, 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 have 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 THE BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Fund Equity (continued)

The balances by function within the above categories as each funds' year end are presented on the following page.

	Major Governmental Funds		Nonmajor Governmental Funds	Total
	General Fund	Road Fund		
Nonspendable for:				
Inventories	\$ -	\$ 4,506,243	\$ -	\$ 4,506,243
Long-term receivables	3,475,100	-	-	3,475,100
Prepaid items	1,457,837	1,120,206	119,694	2,697,737
TOTAL NONSPENDABLE	4,932,937	5,626,449	119,694	10,679,080
Restricted for:				
Capital projects	-	57,759,203	5,001,418	62,760,621
Community Action Agency	-	-	1,015,468	1,015,468
Community Corrections	-	-	9,300	9,300
Concealed Pistol License	-	-	370,767	370,767
Debt service	-	-	1,994,530	1,994,530
Health Department	-	-	2,725,843	2,725,843
Housing rehabilitation loans	-	-	6,035,772	6,035,772
MSU Extension	-	-	157,594	157,594
Prosecuting Attorney	-	-	55,261	55,261
Sheriff Department	-	-	1,596,254	1,596,254
Technology	-	-	795,948	795,948
Urban County Block Grant	-	-	55,081	55,081
Veterans Affairs	-	-	790,992	790,992
Veterans Trust	-	-	3,579	3,579
TOTAL RESTRICTED	-	57,759,203	20,607,807	78,367,010
Assigned for:				
Use of fund balance in a subsequent budget	13,671,965	-	-	13,671,965
Capital projects	-	-	19,570,372	19,570,372
Community Action Agency	-	-	510,650	510,650
MSU Extension	-	-	259,092	259,092
Health Department	-	-	11,634	11,634
Prosecuting Attorney	-	-	8,103	8,103
Sheriff Department	-	-	24,559	24,559
Urban Block Grant	-	-	513,963	513,963
TOTAL ASSIGNED	13,671,965	-	20,898,373	34,570,338
Unassigned	43,029,571	-	(3,730,751)	39,298,820
TOTAL FUND BALANCES	\$ 61,634,473	\$ 63,385,652	\$ 37,895,123	\$ 162,915,248

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

Q. Fund Equity (concluded)

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.

R. 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 deferred outflows at year-end related to pension in the governmental and business-type activities. Explanations of these pension-related deferred outflows can be found in Note 12 of the notes to the basic financial statements.

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 three sources: property taxes, 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 2017.

S. Comparative Data

Comparative data has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

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 is 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.

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 follows:

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Primary Government and Component Unit Deposits and Investments (continued)

- 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, 2016 and September 30, 2016 respectively, are presented below.

	Primary Government	Component Units	Percent of Total
Cash on hand	\$ 69,630	\$ -	0.02%
Bank and money market accounts	92,127,476	26,917,263	30.61%
Certificates of deposit	126,683,928	21,699,406	38.16%
Subtotal - deposits	218,881,034	48,616,669	68.79%
Commercial paper	121,363,000	-	31.21%
Total deposits and investments	340,244,034	48,616,669	100.00%
Timing effect of different year ends	13,289,170	-	
Amount reported at December 31, 2016	<u>\$ 353,533,204</u>	<u>\$ 48,616,669</u>	
Amount reported in primary government	\$ 341,534,552		
Amount reported in agency funds	11,998,652		
	<u>\$ 353,533,204</u>		

The following summarizes the restricted cash and cash equivalents as of December 31, 2016:

	Primary Government	Component Units	Total
Restricted cash and cash equivalents			
Unspent bond proceeds	\$ 2,028,234	\$ 6,006,415	\$ 8,034,649
Residents' Trust	-	22,287	22,287
	<u>\$ 2,028,234</u>	<u>\$ 6,028,702</u>	<u>\$ 8,056,936</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

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 \$269,731,095, with corresponding bank balances of \$278,655,723. Qualifying deposits are insured by the FDIC up to \$250,000. Of the bank balances, \$3,017,857 was insured and the remaining \$275,637,866 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:

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. The county is considered to be 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, 2016.

Retiree Health Care Trust Fund 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. The investments of the Retiree Health Care Trust Fund (the "Fund") are held in a bank-administered trust fund.

Deposits – The Retiree Health Care Trust Fund has no deposits as of December 31, 2016. All reported cash and pooled investments are held by the Fund's bank-administered investment custodian and is invested in short term holdings, such as money market accounts.

Investments – A summary of the investments of the Retiree Health Care Trust Fund at December 31, 2016 are presented on the following page.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)**Retiree Health Care Trust Fund Deposits and Investments (continued)**

	<u>Amount</u>	<u>Percent of Total</u>
Cash and pooled investments	\$ 12,098,476	5.21%
Common stock	78,898	0.03%
Foreign stock	32,607,197	14.03%
Limited partnerships	2,815	0.00%
Real estate investment trusts	33,930,028	14.60%
Fixed income common collective trusts	44,507,394	19.15%
Equity common collective trusts	109,175,425	46.98%
	<u>\$ 232,400,233</u>	<u>100.00%</u>

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, 2016, the Fund's investments in debt securities were rated by Standard & Poor's as follows:

Quality Rating	US Treasury	US Agency	Corporate Bonds	Total	Percent of Total	Breakdown of Corporate Portfolio
AAA	\$ 16,156,184	\$ 979,163	\$ 3,649,606	\$ 20,784,953	46.70%	13.33%
AA	-	-	3,400,769	3,400,769	7.64%	12.42%
A	-	-	9,124,016	9,124,016	20.50%	33.33%
BAA	-	-	11,197,656	11,197,656	25.16%	40.92%
	<u>\$ 16,156,184</u>	<u>\$ 979,163</u>	<u>\$ 27,372,047</u>	<u>\$ 44,507,394</u>	<u>100.00%</u>	<u>100.00%</u>

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. 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, 2016.

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. The maturities of this fund have an average weighted life of 7.9 years.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

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 Macomb County Employees' Retirement System 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.

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 \$31,543,532 with corresponding bank balances of \$31,548,991. 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 \$31,298,991 was uninsured and uncollateralized.

Investments – A summary of the investments of the System at December 31, 2016 is presented below:

	<u>Amount</u>	<u>Percent of Total</u>
Cash and pooled investments	\$ 31,543,531	3.38%
Corporate bonds	794,640	0.09%
Common stock	306,711,318	32.87%
Preferred stock	3,099,685	0.33%
Foreign stock	20,040,217	2.15%
Limited partnerships	259,619,925	27.82%
Fixed income common collective trusts	75,683,812	8.11%
Equity common collective trusts	235,715,668	25.25%
	<u>\$ 933,208,796</u>	<u>100.00%</u>

The investments of the System are subject to various types of risks as defined below:

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. At December 31, 2016, the System's investments in debt securities were rated by Standard & Poor's as presented on the following page.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)**Employees' Retirement System Deposits and Investments (concluded)**

Quality Rating	US Treasury	US Agency	Corporate Bonds	Total	Percent of Total	Breakdown of Corporate Portfolio
AAA	\$ 27,473,224	\$ 1,665,044	\$ 59,369	\$ 29,197,637	38.19%	0.13%
AA	-	-	5,699,454	5,699,454	7.45%	12.04%
AA-	-	-	178,108	178,108	0.23%	0.38%
A-	-	-	10,686,477	10,686,477	13.97%	22.57%
BBB	-	-	11,339,540	11,339,540	14.83%	23.95%
BBB-	-	-	353,100	353,100	0.46%	0.75%
BB+	-	-	1,271,146	1,271,146	1.66%	2.69%
BB	-	-	8,964,767	8,964,767	11.72%	18.94%
BB-	-	-	1,246,756	1,246,756	1.63%	2.63%
B+	-	-	237,477	237,477	0.31%	0.50%
B-	-	-	7,183,687	7,183,687	9.39%	15.17%
CCC	-	-	14,503	14,503	0.02%	0.03%
D	-	-	24,350	24,350	0.03%	0.05%
Not Rated	-	-	81,450	81,450	0.11%	0.17%
	<u>\$ 27,473,224</u>	<u>\$ 1,665,044</u>	<u>\$ 47,340,184</u>	<u>\$ 76,478,452</u>	<u>100.00%</u>	<u>100.00%</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. The maturities of the System have an average weighted life of 4.4 years.

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 28.8 percent of the Employee's Retirement System assets and 1.5 percent of the Intermediate Retiree Medical Benefits Trust 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.

Intermediate Retiree Medical Benefits Trust Fund Deposits and Investments

In addition to the instruments authorized by Public Act 20 of 1943, the Intermediate Retiree Medical Benefits Trust Fund (the "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 Fund are held in a bank-administered trust fund.

Deposits – The Intermediate Retiree Medical Benefits Trust has no deposits as of December 31, 2016. All reported cash and pooled investments are held by the Fund's bank-administered investment custodian and is invested in short term holdings, such as money market accounts.

Investments – A summary of the investments of the Fund at December 31, 2016 are presented on the following page.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)**Intermediate Retiree Medical Benefits Trust Fund Deposits and Investments (continued)**

	Amount	Percent of Total
Cash and pooled investments	\$ 8,087,384	2.75%
US Government securities	36,238,865	12.32%
Corporate bonds	21,545,777	7.33%
Common stock	169,761,390	57.75%
Preferred stock	1,539,898	0.51%
Foreign stock	20,580,981	7.00%
Real estate investment trusts	4,354,230	1.48%
Equity common collective trusts	31,919,282	10.86%
	<u>\$ 294,027,807</u>	<u>100.00%</u>

Investments of the Fund are subject to various types of risks as defined below:

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 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 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, 2016, the Fund's investments in debt securities were rated by Standard & Poor's as follows:

Quality Rating	US Treasury	US Agency	Corporate Bonds	Total	Percent of Total	Breakdown of Corporate Portfolio
AAA	\$ 16,707,128	\$ -	\$ 2,103,237	\$ 18,810,365	32.55%	9.40%
AA+	-	1,156,198	402,868	1,559,066	2.70%	1.80%
AA	-	-	342,007	342,007	0.59%	1.53%
AA-	-	-	1,914,566	1,914,566	3.31%	8.56%
A+	-	-	1,941,773	1,941,773	3.36%	8.68%
A	-	-	3,314,527	3,314,527	5.74%	14.82%
A-	-	-	2,380,014	2,380,014	4.12%	10.64%
BBB+	-	-	4,867,990	4,867,990	8.43%	21.77%
BBB	-	-	2,689,427	2,689,427	4.65%	12.03%
BBB-	-	-	1,592,555	1,592,555	2.76%	7.12%
BB+	-	-	162,392	162,392	0.28%	0.73%
Not Rated	-	17,556,622	653,338	18,209,960	31.51%	2.92%
	<u>\$ 16,707,128</u>	<u>\$ 18,712,820</u>	<u>\$ 22,364,694</u>	<u>\$ 57,784,642</u>	<u>100.00%</u>	<u>100.00%</u>

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 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, 2016.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 2 – DEPOSITS AND INVESTMENTS (CONCLUDED)

Intermediate Retiree Medical Benefits Trust (concluded)

Interest Rate Risk is the risk that the fair value of investments in debt securities will be adversely affected by changes in market interest rates and is measured primarily by average days to maturity. The entire portfolio of debt securities of the 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. The maturities of this fund have an average weighted life of 13.6 years.

NOTE 3 – FAIR VALUE MEASUREMENTS

As of December 31, 2016, the county applied Governmental Accounting Standards Board (“GASB”) Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

The county categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy as reported on the following page.

The county had recurring fair value measurements as of December 31, 2016:

<u>Assets Measured at Fair Value on a Recurring Basis</u>				
	<u>Ending Balance</u>	<u>Fair Value Measurement Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments by Fair Value level - Commercial paper	\$ 121,363,000	\$ -	\$ 121,363,000	\$ -

The fair value of commercial paper December 31, 2016 was determined primarily on level 2 inputs and are valued using quoted prices for identical securities in markets that are not active.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 3 – FAIR VALUE MEASUREMENTS (CONTINUED)

The county's fiduciary trust funds, which comprise of the Macomb County Employees' Retirement System, the Retiree Health Care Trust Fund, and the Retiree Health Care Intermediate Trust Fund, had the following recurring fair value measurements as of December 31, 2016:

Assets Measured at Fair Value on a Recurring Basis				
	Ending Balance	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
U.S. government securities	\$ 36,238,865	\$ -	\$ 36,238,865	\$ -
Corporate bonds	22,340,417	-	22,316,067	24,350
Total debt securities	58,579,282	-	58,554,932	24,350
Equity securities				
Common stock	476,551,606	476,551,606	-	-
Foreign stock	73,228,395	73,228,395	-	-
Preferred stock	4,639,583	3,004,949	1,634,634	-
Total equity securities	554,419,584	552,784,950	1,634,634	-
Limited Partnership investments	2,815	2,815	-	-
Fixed income common collective trusts	120,191,206	-	120,191,206	-
Equity common collective trusts	376,810,375	169,495	376,640,880	-
Real estate investment trust funds	33,930,028	33,930,028	-	-
Total investments by fair value level	1,143,933,290	<u>\$ 586,887,288</u>	<u>\$ 557,021,652</u>	<u>\$ 24,350</u>
Investments measured at net asset value (NAV)				
Fixed income funds	18,479,408			
Hedge funds	52,953,883			
Infrastructure funds	13,998,778			
International equity funds	45,512,674			
Private equity funds	65,984,101			
Real estate funds	55,027,582			
International real estate funds	12,017,729			
Total investments measured at NAV	263,974,155			
Total investments measured at fair value	<u>\$ 1,407,907,445</u>			

Equity securities classified in level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in level 2 are valued using the following approaches: Fixed income investments are normally valued based on price data obtained from observed transactions and market price quotations from broker dealers and/or pricing vendors. Preferred stocks classified in level 2 are normally valued based on previous observed pricing and other similar offerings from the same institution. Debt securities classified in level 3 are based upon unobservable inputs.

The county holds shares or interests in investment companies whereby the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 3 – FAIR VALUE MEASUREMENTS (CONTINUED)

At the year ended December 31, 2016, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Fixed income funds	\$ 18,479,408	\$ -	Daily	3 days
Hedge funds	52,953,883	6,977,237	None	N/A
Infrastructure funds	13,998,778	16,667,710	None	N/A
International equity funds	45,512,674	-	None	N/A
Private equity funds	65,984,101	23,433,688	None	N/A
Real estate funds	55,027,582	9,184,600	None	N/A
International real estate funds	12,017,729	9,240,000	None	N/A
	<u>\$ 263,974,155</u>	<u>\$ 65,503,235</u>		
Total investments measured at NAV	<u>\$ 263,974,155</u>	<u>\$ 65,503,235</u>		

Multiple funds are held in most of the categories reported above. For reporting purposes, the redemption frequency and redemption notice period provided are the most restrictive of any of the funds in the category.

The fixed income funds class is comprised of the Franklin Templeton Global Multisector Plus Composite Fund. The fund utilizes a high alpha-seeking, multi-sector global fixed income strategy that may invest across the entire global fixed income opportunity set, including government, securitized and corporate sectors. Below investment grade exposure is limited to no more than 50% of portfolio net assets at the time of investment. The fair value of the investments in this class have been estimated using the net asset value per share of the investments.

The hedge funds class includes investments in funds that achieve capital appreciation through multimanager and/or multistrategy investments. Within this group of funds, there is exposure to investment strategies including, but not limited to, credit, event-driven, equity, and relative value. The funds have the ability to invest across all markets and across all asset classes to implement their various strategies. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

The infrastructure funds class is comprised of the McMorgan Infrastructure Fund. The fund is comprised of various infrastructure projects, typically constructed by governmental entities. Many of these projects are subject to regulatory establishment of rates, service delivery levels, or both. Individual investments generally require capital commitments for a minimum of 15 to 20 years. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

The international equity funds class is comprised of the HGK Trinity Street International Equity Fund. The fund's portfolio is constructed on an index-agnostic basis, but with absolute limits on country and sector exposure. Securities are generally in the mid to large capitalization range in major markets and are roughly equal-weighted at inception of the position. The fair value of the investments in this class have been estimated using the net asset value per share of the investments.

The private equity funds class includes investments in funds that achieve capital appreciation in a variety of different ways depending on the individual funds' objectives. Objectives include investments in emerging technologies, and mortgage recovery, while other funds eschew traditional sector-oriented goals in favor of flexibility in order to capitalize on opportunities that are time-sensitive, complex, or in dislocated markets. The fair value of the investments in this class have been estimated using the net asset value per share of the investments. Approximately 61 percent of the value of the investments in the private equity funds are in the process of being liquidated by fund manager. Distributions from each fund will be received as the underlying investments of the fund are liquidated. It is estimated that the underlying investments of the fund will be liquidated over the next month to 3 years.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 3 – FAIR VALUE MEASUREMENTS (CONCLUDED)

The real estate funds class includes investments in funds whose objective is to operate a core portfolio of real estate investments predominately located in the U.S. The funds acquire ownership in underlying investments either through direct real estate ownership or ownership in real estate companies or the equity of real estate investment trusts. The funds predominately target purchases in office, industrial, retail, or multifamily real estate classes. The fair value of the investments in this class have been estimated using the net asset value per share of the investments. Approximately 16 percent of the value of the investments in the real estate funds are in the process of being liquidated by fund managers. Distributions from each fund will be received as the underlying investments of the fund are liquidated. It is estimated that the underlying investments of the fund will be liquidated over the next month to 6 years.

Disclosures Regarding Redemption Only Upon Liquidation

The investments in hedge funds, infrastructure funds, international equity funds, private equity funds, real estate funds, and international real estate funds can never be redeemed with the funds. Distributions from each fund will be received only as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the funds will be liquidated over the next 1 to 20 years.

NOTE 4 – DUE FROM COMPONENT UNIT

The county issued general obligation bonds in the amount of \$263,555,000 in March 2015 for the purpose of defraying the county's unfunded retiree health care liability. The net proceeds were placed into the Macomb County Retiree Health Care Intermediate Trust Fund. The employees of the Martha T. Berry Medical Care Facility Discretely Presented Component Unit participate in the retiree health care plan. Consequently, \$16,395,000 of the bond issue was allocated to Martha T. Berry based on actuarial analysis. Of the original amount, \$15,105,000 was outstanding at December 31, 2016 and was recorded in the governmental activities of the county as a due from component unit (a long-term receivable). The amount will be paid back to the county with installment payments due each May 1 and November 1 of each year through 2035.

In addition, the county made an additional contribution of \$59,000,000 to its Retiree Health Care Intermediate Trust Fund to pre-fund a portion of the county's other postemployment benefits liability. The Martha T. Berry Medical Care Facility (a discretely-presented component unit of the county) participates in the system and as such, \$3,658,000 of the \$59,000,000 contribution was deemed to be attributable to their portion of the amount of the pre-funding contribution. At December 31, 2016, the amount of \$3,475,100 was recorded on the General Fund balance sheet as a due from component unit (a long-term receivable), which will be paid back to the county with installment payments due each May 1 and November 1 of each year through 2035.

In addition to the receivables noted above, Martha T. Berry Medical Care Facility also owed the county \$1,144,299 as of December 31, 2016, for 2016 principal and interest payments due on the facility's current year portion of the retiree health care bond payments due.

At December 31, 2016, the county has recorded a total due from component unit on the governmental activities statement of net position in the amount of \$19,724,399, of which \$1,144,299 was a current receivable, while \$18,580,100 will be paid back to the county with installment payments due each May 1 and November 1 of each year through 2035.

Macomb County, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 5 – CAPITAL ASSETS

The following is a summary of capital asset activity of the governmental activities of the county for the year ended December 31, 2016:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases and Transfers</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 243,034,171	\$ 1,377,171	\$ -	\$ 244,411,342
Construction in progress	38,236,617	37,657,933	46,557,927	29,336,623
Total capital assets not being depreciated	281,270,788	39,035,104	46,557,927	273,747,965
Capital assets being depreciated:				
Land improvements	13,895,986	42,989	589,602	13,349,373
Buildings and building improvements	266,510,304	46,327,909	6,244,844	306,593,369
Machinery, equipment, and vehicles	86,947,947	9,684,990	3,025,821	93,607,116
Infrastructure	1,189,063,797	46,303,990	-	1,235,367,787
Total capital assets being depreciated	1,556,418,034	102,359,878	9,860,267	1,648,917,645
Less accumulated depreciation for:				
Land Improvements	7,543,133	545,703	551,714	7,537,122
Buildings and building improvements	131,386,307	7,498,194	4,244,600	134,639,901
Machinery, equipment, and vehicles	70,178,238	6,698,376	2,965,429	73,911,185
Infrastructure	661,593,870	39,661,072	-	701,254,942
Total accumulated depreciation	870,701,548	54,403,345	7,761,743	917,343,150
Net capital assets being depreciated	685,716,486	47,956,533	2,098,524	731,574,495
Net governmental capital assets	<u>\$ 966,987,274</u>	<u>\$ 86,991,637</u>	<u>\$ 48,656,451</u>	<u>\$ 1,005,322,460</u>

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

	<u>Governmental Assets</u>	<u>Internal Service Assets</u>	<u>Total</u>
Legislative	\$ 6,404	\$ -	\$ 6,404
Judicial	960,853	-	960,853
General government	3,234,996	656,054	3,891,050
Health and welfare	2,729,903	-	2,729,903
Recreation and culture	65,211	-	65,211
Public safety	3,715,085	-	3,715,085
Public works	43,034,839	-	43,034,839
	<u>\$ 53,747,291</u>	<u>\$ 656,054</u>	<u>\$ 54,403,345</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 5 – CAPITAL ASSETS (CONTINUED)

The following is a summary of capital asset activity of the business-type activities of the county for the year ended December 31, 2016:

	<u>Beginning Balance</u>	<u>Increases and Transfers</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Construction in progress	-	-	-	-
Total capital assets not being depreciated	50,000	-	-	50,000
Capital assets being depreciated:				
Land improvements	395,655	-	-	395,655
Buildings and building improvements	2,267,658	223,715	-	2,491,373
Machinery, equipment, and vehicles	343,206	31,077	-	374,283
Total capital assets being depreciated	3,006,519	254,792	-	3,261,311
Less accumulated depreciation for:				
Land Improvements	123,346	19,783	-	143,129
Buildings and building improvements	904,993	99,888	-	1,004,881
Machinery, equipment, and vehicles	343,206	13,168	-	356,374
Total accumulated depreciation	1,371,545	132,839	-	1,504,384
Net capital assets being depreciated	1,634,974	121,953	-	1,756,927
Net business-type capital assets	<u>\$ 1,684,974</u>	<u>\$ 121,953</u>	<u>\$ -</u>	<u>\$ 1,806,927</u>

Depreciation expense of the business-type activities by function totaled \$119,872 for recreation and culture. The above capital asset activity schedule also includes \$12,967 of accumulated depreciation transfers from governmental activities to business-type activities, for a total reported increase in accumulated depreciation in business-type activities of \$132,839.

The following is a summary of changes in the Drainage Districts Component Unit capital assets for the year ended September 30, 2016:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Component Unit - Drainage Districts				
Capital assets not being depreciated:				
Land	\$ 1,992,428	\$ -	\$ -	\$ 1,992,428
Construction in progress	53,618,745	10,641,366	26,790,756	37,469,355
Total capital assets not being depreciated	55,611,173	10,641,366	26,790,756	39,461,783
Capital assets being depreciated:				
Infrastructure	376,467,395	26,678,764	-	403,146,159
Less accumulated depreciation for:				
Infrastructure	119,012,944	7,796,139	-	126,809,083
Net capital assets being depreciated	257,454,451	18,882,625	-	276,337,076
Net drainage district capital assets	<u>\$ 313,065,624</u>	<u>\$ 29,523,991</u>	<u>\$ 26,790,756</u>	<u>\$ 315,798,859</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 5 – CAPITAL ASSETS (CONCLUDED)

The following is a summary of changes in the Martha T. Berry Medical Care Facility (MCF) Component Unit capital assets for the year ended December 31, 2016:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Component Unit - Martha T. Berry MCF				
Capital assets not being depreciated:				
Construction in progress	\$ 154,792	\$ 17,927	\$ -	\$ 172,719
Capital assets being depreciated:				
Buildings and building improvements	604,041	427,286	-	1,031,327
Machinery, equipment, and vehicles	401,693	366,997	-	768,690
Total capital assets being depreciated	1,005,734	794,283	-	1,800,017
Less accumulated depreciation for:				
Buildings and building improvements	198,404	33,583	-	231,987
Machinery, equipment, and vehicles	320,716	26,117	-	346,833
Total accumulated depreciation	519,120	59,700	-	578,820
Net capital assets being depreciated	486,614	734,583	-	1,221,197
Net Martha T. Berry capital assets	<u>\$ 641,406</u>	<u>\$ 752,510</u>	<u>\$ -</u>	<u>\$ 1,393,916</u>

Macomb County, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 6 – LONG-TERM DEBT

The following is a summary of the long-term liability transactions for the year ended December 31, 2016:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
PRIMARY GOVERNMENT					
Governmental Activities					
Building Authority					
Series 2005 Clemens Refunding	\$ 1,335,000	\$ -	\$ 260,000	\$ 1,075,000	\$ 285,000
Series 2012 Public Works / Warehouse Refunding	4,965,000	-	530,000	4,435,000	525,000
Series 2012A 800Mhz/NB Court Refunding	14,085,000	-	1,035,000	13,050,000	1,320,000
Series 2014 MTB / Youth Home Refunding	13,505,000	-	1,710,000	11,795,000	1,780,000
General County					
Series 2015 Capital Improvement Bonds	44,210,000	-	2,410,000	41,800,000	2,460,000
Series 2015 Retiree Health Care Bonds	209,662,371	-	8,069,273	201,593,098	8,127,502
Michigan Transportation Fund					
Series 2012 - Bridge Refunding Bonds	1,965,000	-	490,000	1,475,000	470,000
Department of Roads					
2007 MDOT Infrastructure Loan	196,807	-	48,471	148,336	48,955
2010 MDOT Infrastructure Loan	204,624	-	33,261	171,363	33,589
2010 MDOT Infrastructure Loan	308,675	-	48,933	259,742	49,912
2014 MDOT Infrastructure Loan	439,207	-	34,292	404,915	35,321
Total bonded debt and loans	290,876,684	-	14,669,230	276,207,454	15,135,279
Other liabilities					
Compensated absences					
General County	10,661,489	2,744,025	2,020,660	11,384,854	900,000
Department of Roads	1,337,782	1,549,332	1,555,985	1,331,129	875,000
General liability claims					
General County	3,589,878	3,458,821	1,571,144	5,477,555	935,000
Department of Roads	241,801	120,727	93,258	269,270	19,270
Workers' compensation claims					
General County	2,743,786	632,670	687,005	2,689,451	700,000
Department of Roads	205,353	185,901	88,806	302,448	202,985
Total other liabilities	18,780,089	8,691,476	6,016,858	21,454,707	3,632,255
Total governmental activities	309,656,773	8,691,476	20,686,088	297,662,161	18,767,534
Business-Type Activities					
Series 2015 Retiree Health Care Bonds	44,732,825	-	1,864,807	42,868,018	1,650,902
Compensated absences	1,461,737	306,183	192,033	1,575,887	100,000
Total business-type activities	46,194,562	306,183	2,056,840	44,443,905	1,750,902
TOTAL PRIMARY GOVERNMENT	\$ 355,851,335	\$ 8,997,659	\$ 22,742,928	\$ 342,106,066	\$ 20,518,436
DISCRETELY PRESENTED COMPONENT UNITS					
Martha T. Berry Medical Care Facility					
Notes payable to Macomb County	\$ 19,368,000	\$ -	\$ 787,900	\$ 18,580,100	\$ 792,900
Compensated absences	389,141	486,708	494,088	381,761	305,409
Total Martha T. Berry Medical Care Facility	19,757,141	486,708	1,281,988	18,961,861	1,098,309
Drainage Districts					
Special assessment debt	269,383,508	5,057,813	12,763,523	261,677,798	13,786,946
Unamortized premiums	4,133,461	-	282,736	3,850,725	282,736
Unamortized discounts	(1,339,908)	-	(95,707)	(1,244,201)	(95,707)
Total Drainage Districts	272,177,061	5,057,813	12,950,552	264,284,322	13,973,975
TOTAL COMPONENT UNITS	\$ 291,934,202	\$ 5,544,521	\$ 14,232,540	\$ 283,246,183	\$ 15,072,284

Macomb County, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 6 – LONG-TERM DEBT (CONTINUED)

Long-term bonded debt of the Primary Government and Component Units are presented below:

	Interest Rate	Date of Issue	Maturation Date	Original Issue Amount	Balance, End of Year
PRIMARY GOVERNMENT					
Governmental Activities					
Building Authority					
Series 2005 Clemens Refunding	4.10 - 5.00	12/01/05	05/01/20	\$ 2,875,000	\$ 1,075,000
Series 2012 Public Works / Warehouse Refunding	2.00 - 2.50	03/01/12	05/01/24	6,550,000	4,435,000
Series 2012A 800Mhz/NB Court Refunding	2.00 - 2.50	10/01/12	11/01/25	14,160,000	13,050,000
Series 2014 MTB / Youth Home Refunding	3.00 - 4.00	09/01/14	03/01/22	15,155,000	11,795,000
General County					
Series 2015 Capital Improvement Bonds	2.00 - 4.00	06/23/15	05/01/30	44,210,000	41,800,000
Series 2015 Retiree Health Care Bonds	1.238 - 4.416	03/10/15	11/01/35	218,794,324	201,593,098
Michigan Transportation Fund					
Series 2012 - Bridge Refunding Bonds	2.00	11/01/12	12/01/19	2,265,000	1,475,000
Department of Roads					
2007 MDOT Infrastructure Loan	1.00	11/14/08	11/14/18	477,720	148,336
2010 MDOT Infrastructure Loan	1.00	10/29/10	10/29/20	334,405	171,363
2010 MDOT Infrastructure Loan	2.00	12/22/10	12/22/20	495,000	259,742
2014 MDOT Infrastructure Loan	3.00	07/01/14	07/01/16	569,620	404,915
Total governmental activities				305,886,069	276,207,454
Business-Type Activities					
Series 2015 Retiree Health Care Bonds	1.238 - 4.416	03/10/15	11/01/35	44,760,676	42,868,018
TOTAL PRIMARY GOVERNMENT				350,646,745	319,075,472
DISCRETELY PRESENTED COMPONENT UNIT					
Drainage District					
Special assessment debt with governmental commitment					
Schmidt Drain					
17 Mile Road Extension	4.30	05/01/06	06/01/16	525,000	-
North Gratiot Interceptor	4.50	11/01/01	11/01/16	1,725,000	-
Series 2006 (Phase 5)					
Lenox Local	4.00 - 4.25	11/01/06	05/01/32	3,380,000	2,675,000
Series 2010	4.00 - 4.125	03/01/07	05/01/31	15,200,000	11,100,000
Series 2015 refunding	4.35 - 6.35	05/11/10	05/01/35	16,965,000	13,990,000
Series 2015 refunding	3.50 - 5.00	08/06/15	05/01/33	16,990,000	16,990,000
Lake St. Clair Clean Water Initiative					
State Revolving Fund Series #1 (5186-01)	2.50	Various	10/01/22	20,670,000	7,325,000
State Revolving Fund Series #2 (5186-02)	2.50	Various	04/01/22	13,630,000	4,830,000
State Revolving Fund Series #3 (5186-03)	2.50	Various	04/08/22	2,640,000	935,000
State Revolving Fund Series #4 (5186-04)	2.50	Various	10/01/22	5,550,000	1,965,000
State Revolving Fund Series #5 (5186-05)	2.50	Various	10/01/23	975,000	400,000
Series 2010 refunding	3.00 - 5.00	08/03/10	10/01/29	12,270,000	9,385,000
Series 2013 refunding	4.00 - 5.00	12/19/13	10/01/29	13,725,000	11,750,000
8.5 Mile Relief					
State Revolving Fund Loan (5306-01)	2.50	Various	10/01/29	4,025,000	2,830,000
State Revolving Fund Loan (5393-01)	2.50	Various	10/01/30	1,246,579	928,579
State Revolving Fund Loan (5460-01)	2.50	Various	04/01/31	418,488	339,994
State Revolving Fund Loan (5579-01)	2.50	Various	10/01/34	445,000	316,019
Oakland-Macomb Interceptor					
State Revolving Fund Loan (5368-01)	2.50	Various	04/01/31	13,429,140	10,673,375
State Revolving Fund Loan (5368-02)	2.50	Various	10/01/20	12,532,062	11,022,615
State Revolving Fund Loan (5368-03)	2.00	Various	10/01/34	31,966,690	29,275,979
Series 2010B	3.90 - 5.90	04/15/10	04/01/30	3,450,500	2,732,075
Series 2014	2.00 - 3.125	10/15/14	10/01/34	5,150,335	4,748,132
Macomb Wastewater Disposal District					
State Revolving Fund Loan (5487-01)	2.50	Various	04/01/34	8,565,000	6,637,966
State Revolving Fund Loan (5540-01)	2.00	Various	10/01/33	2,250,000	1,964,999
State Revolving Fund Loan (5605-01)	2.50	03/30/16	10/01/36	3,145,000	331,892
Macomb Interceptor					
Series 2010A	3.15 - 5.50	08/30/10	05/01/35	95,620,000	80,340,000
Series 2011	3.75 - 5.00	10/18/11	05/01/31	30,800,000	26,550,000
State Revolving Fund Loan (5624-01)	2.50	Various	10/01/35	3,675,000	1,367,285
Richmond-Columbus - Series 2010	4.70	11/23/10	06/01/21	547,778	273,888
TOTAL DISCRETELY PRESENTED COMPONENT UNIT				341,511,572	261,677,798
TOTAL REPORTING ENTITY				\$ 692,158,317	\$ 580,753,270

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 6 – LONG-TERM DEBT (CONCLUDED)

All long-term obligations are presented as of December 31, 2016 except for the Special Assessment Debt with Governmental Commitment and Department of Road obligations, which are presented as of September 30, 2016. 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 and 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 presented below.

Year	Governmental Activities		Business-Type Activities		Primary Government		Discretely Presented Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 15,135,279	\$ 9,311,481	\$ 1,650,902	\$ 1,466,527	\$ 16,786,181	\$ 10,778,008	\$ 14,579,845	\$ 10,926,709
2018	15,388,247	9,036,525	1,662,795	1,450,308	17,051,042	10,486,833	14,976,705	10,473,182
2019	15,806,307	8,699,219	1,682,865	1,425,393	17,489,172	10,124,612	15,659,594	9,983,519
2020	15,482,653	8,304,096	1,712,841	1,392,278	17,195,494	9,696,374	16,024,741	9,451,395
2021	15,737,662	7,900,111	1,749,155	1,352,664	17,486,817	9,252,775	16,480,645	8,891,558
2022 - 2026	72,910,706	32,753,921	9,491,244	5,981,364	82,401,950	38,735,285	78,185,241	35,427,329
2027 - 2031	70,877,079	20,389,654	11,213,869	4,187,120	82,090,948	24,576,774	83,180,269	19,212,343
2032 - 2036	54,869,521	6,188,594	13,704,347	1,564,939	68,573,868	7,753,533	41,170,858	4,498,938
	<u>\$ 276,207,454</u>	<u>\$ 102,583,601</u>	<u>\$ 42,868,018</u>	<u>\$ 18,820,593</u>	<u>\$ 319,075,472</u>	<u>\$ 121,404,194</u>	<u>\$ 280,257,898</u>	<u>\$ 108,864,973</u>

New Debt Issued

On March 30, 2016, 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 \$3,145,000 for the purpose of defraying cost of rehabilitating the Bon Heur and Violet pump stations, both of which are located in Macomb County. An additional source of funding for the project is from grant and matching funds in the amount of \$196,920. The loan is evidenced by a single bond issued by the District and purchased by the Authority. 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, 2016, the District has drawn down a total of \$331,892. The bond bears interest at a rate of 2.50% and is due serially through October 1, 2036.

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. A liability for \$331,892 representing the total drawn down by the District as of September 30, 2016 has been recorded at year-end.

NOTE 7 – CONDUIT DEBT

The City of Utica partnered with GS Entertainment, LLC, to redevelop property located north of Auburn Road and East of Moscone Drive, which was the site of a former waste disposal facility, into a community activity complex which includes a 2,000-seat ballpark and entertainment complex. The City of Utica and its Downtown Development Authority own the properties and lease them to GS Entertainment, LLC.

On August 11, 2015, Macomb County entered into a brownfield redevelopment loan agreement with the Michigan Department of Environmental Quality, Remediation and Redevelopment Division to borrow \$1,000,000 for the purpose of environmental remediation activities at the site. The loan repayments begin 5 years after execution of the contract, which will be August 11, 2020, and will continue through August 11, 2030. The interest rate established on the loan is 1.50%. The county may pay off a portion or the entire amount of the loan within the first 5 years without interest or penalty.

As collateral for this loan Talmer Bank issued an Irrevocable Standby Letter of Credit from GS Entertainment, LLC to the county in the amount of \$1,000,000. GS Entertainment also executed a Promissory Note and a loan guaranty agreement

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 7 – CONDUIT DEBT (CONCLUDED)

with the county in the amount of \$300,000 to be applied toward the environmental clean-up response action costs on the property.

As the debt has been issued on behalf of GS Entertainment and is fully secured by GS Entertainment, the debt is classified as conduit debt and has not been recorded on the county's financial statements. The county will recognize payments as they are received from GS Entertainment in the governmental funds as a liability equal to the amounts collected but not yet remitted to debt holders.

NOTE 8 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The majority of the outstanding interfund receivables and payables 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.

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. 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.

Interfund receivables, and payables, and transfers are reported below.

	Due From				
	Major Governmental Fund	Nonmajor Governmental Funds	Internal Service Funds	Major Enterprise Fund	Total
	General Fund			Delinquent Tax Revolving Fund	
Due to					
General Fund	\$ -	\$ 2,710,103	\$ 3,154,607	\$ 8,000,000	\$ 13,864,710
Internal Service	322,203	-	-	-	322,203
	322,203	2,710,103	3,154,607	8,000,000	14,186,913
Timing differences as a result of interfund transactions occurring in funds with different fiscal year ends	(322,203)	4,831,682	147,200	-	4,656,679
	\$ -	\$ 7,541,785	\$ 3,301,807	\$ 8,000,000	\$ 18,843,592

Interfund transfers are reported below.

	Transfers In						
	Major Governmental Funds		Nonmajor Governmental Funds	Internal Service	Major Enterprise Fund		Total
	General Fund	Central Campus Renovations			Community Mental Health	Nonmajor Enterprise Funds	
Transfers Out							
Major governmental funds							
General Fund	\$ -	\$ -	\$ 56,740,863	\$ -	\$ 6,254,290	\$ 94,595	\$ 63,089,748
Roads	-	-	268,249	-	-	-	268,249
Nonmajor governmental funds	63,243	2,787,970	12,306,635	-	-	241,824	15,399,672
Internal service funds	-	-	-	2,467,919	-	-	2,467,919
Major enterprise fund							
Delinquent Tax Revolving	8,000,000	-	-	-	-	-	8,000,000
Subtotal	8,063,243	2,787,970	69,315,747	2,467,919	6,254,290	336,419	89,225,588
Timing differences as a result of interfund transactions occurring in funds with different fiscal year ends	-	-	320,527	(420,324)	241,365	-	141,568
	\$ 8,063,243	\$ 2,787,970	\$ 69,636,274	\$ 2,047,595	\$ 6,495,655	\$ 336,419	\$ 89,367,156

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 9 - LEASES

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

<u>Year</u>	<u>Amount</u>
2017	\$ 4,905,499
2018	3,264,014
2019	2,390,761
2020	1,777,118
2021	876,283
	<u>\$ 13,213,675</u>

Rental expense totaled \$5,442,352 for the year ended December 31, 2016.

NOTE 10 – DEFERRED COMPENSATION

The county offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan, Macomb County Deferred Compensation Plan & Trust, administered by Vanguard, is available to all county employees, and 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 11 – DEFINED CONTRIBUTION PENSION PLAN

The county provides pension benefits to all new full-time employees hired on or after January 1, 2016 through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Eligible employees participate as of their date of employment, contributing three percent of their base wages annually, while the county contributes six percent of the employees' base wages annually plus a flat amount per eligible employee of \$2,600 annually. County contributions vest with the eligible employees once they reach five years of employment with the county.

In accordance with plan requirements, the county contributed \$418,178 during the current year. Additionally, eligible employees contributed \$102,868 during the current year.

NOTE 12 – EMPLOYEES' RETIREMENT SYSTEM

Pension Plan Description

Plan Administration

The county sponsors 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. The system is administered by a seven member Board of Trustees (the "Pension Board") consisting of the County Executive or his/her designee, the Chair of the Board of Commissioners or his/her designee, the County Treasurer or his/her designee, the Director of the Department of Roads and three (3) active employees elected by the active members of the System on three year staggered terms.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 12 – EMPLOYEES’ RETIREMENT SYSTEM (CONTINUED)

Plan Membership

At December 31, 2015 (date of the most recent actuarial valuation), the System’s membership consisted of:

Retirees and beneficiaries currently receiving benefits	2,887
Deferred members entitled to benefits but not yet receiving them	652
Active employees covered by the plan	<u>2,223</u>
	<u><u>5,762</u></u>

The plan is closed to new entrants effective January 1, 2016.

Benefits Provided

The System provides retirement, disability and death benefits. Benefit levels and employee contribution rates for union employees are granted through collective bargaining agreements and benefit levels for non-union employees are awarded by the County Executive in accordance with county charter. The Board of Trustees does not have the authority to determine benefit levels. However, the Board of Trustees does have the authority to grant disability retirements. Members become vested in the System after 8 or 15 years of service, depending on their date of hire. The System does not provide for automatic postemployment benefit changes such as cost-of-living adjustments. The following is a summary of the normal retirement benefits provided to the members of the system.

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% of final average compensation.

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% of final average compensation.

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% of final average compensation.

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.

Contributions

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the Pension Board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established by collective bargaining agreement for union members. Contribution rates for nonunion members mirror those of union members with the same benefit levels. The county is

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 12 – EMPLOYEES’ RETIREMENT SYSTEM (CONTINUED)

Contributions (concluded)

required to contribute the difference between the actuarially determined rate and the contribution rate for employees. 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’s required contribution for 2016 was \$20,909,535, which was equal to the county’s contribution for the year ended December 31, 2016.

Deferred Retirement Option Program (DROP)

The county offers employees the ability to continue employment and be paid a salary after they are fully vested and also receive credits for the retirement benefit payments that would have been paid to them had they left county employment. Employees may receive up to 60 months of DROP credits. The accumulated credits are paid out; including interest at 3.5%, after the employee has fully retired (discontinued providing employee services to the county). The Plan had \$27,977,453 accumulated in DROP accounts at December 31, 2016.

Pension Plan Investments – Policy and Rate of Return

Investment Policy

The pension plan’s policy in regard to the allocation of invested assets is established and may be amended by the Pension Board by a majority vote of its members. It is the policy of the Pension Board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes.

The pension plan’s investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

The Board’s adopted asset allocation policy as of December 31, 2016 is presented below.

	<u>Target Allocation</u>
Cash and cash equivalents	2%
Domestic equity	37%
Hedge funds	5%
High yield fixed income	4%
Infrastructure	5%
International equity	15%
International fixed income	4%
Investment grade US fixed income	8%
Private equity	10%
Real estate	10%
	<u>100%</u>

Rate of Return

The annual money-weighted rate of return on pension plan investments for the year ended December 31, 2016 was 10.19%. The money-weighted rate of return expressed investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 12 – EMPLOYEES’ RETIREMENT SYSTEM (CONTINUED)

Pension Plan Investments – Policy and Rate of Return (continued)

Pension Plan Reserves

In accordance with the provisions of the Plan document, the following reserves are required to be set aside within the pension plan:

The **retiree reserve** account is to be computed annually by the actuary as the present value of estimated benefit payments for all current retirees. The amounts reserved may be used solely to pay monthly retiree benefit payments.

The **employee reserve** account is credited as employee contributions are received throughout the year; the Plan maintains a record of the amount contributed by each employee, and credits interest annually at a rate of 3.5%. For any employee who terminates before vesting in the pension plan, their balance is returned to them; for those who stay until retirement, the balance is transferred into the retiree reserve.

The **employer reserve** account is used to account for the residual net position balance in the pension plan after funding the above two reserves.

The balances of the reserve accounts at December 31, 2016 are as follows:

	<u>Required</u>	<u>Actual</u>	<u>Over (Under) Funded</u>
Retiree reserve	\$ 672,065,401	\$ 672,065,401	\$ -
Employee reserve	45,555,451	45,555,451	-
Employer reserve	N/A	211,178,766	N/A

Net Pension Liability of the County

Effective January 1, 2015, the county adopted GASB Statement No. 68, which requires the measurement of pension expense as it is earned, rather than as it is funded.

The December 31, 2016 total pension liability was determined by an actuarial valuation dated December 31, 2015 and rolled forward to the measurement date. The components of the net pension liability of the county at December 31, 2016 were as follows:

Total pension liability	\$ 1,001,261,138
Plan fiduciary net position	<u>928,799,618</u>
County's net pension liability	<u>\$ 72,461,520</u>
Plan fiduciary net position as a percentage of the total pension liability	92.76%

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 12 – EMPLOYEES’ RETIREMENT SYSTEM (CONTINUED)**Pension Plan Investments – Policy and Rate of Return (concluded)**Net Pension Liability of the County (concluded)

Changes in the net pension liability during the year were as follows:

Total Pension Liability		
Service cost	\$	17,195,016
Interest		65,885,624
Actual employee contributions		(3,628,768)
Difference between expected and actual experience of the total pension liability		30,422,520
Changes of assumptions		32,050,754
Benefit payments, including refunds of member contributions		(63,363,797)
		<hr/>
Net change in total pension liability		78,561,349
Total pension liability - beginning of year		922,699,789
		<hr/>
Total pension liability - end of year (a)	\$	<u>1,001,261,138</u>
Plan Fiduciary Net Position		
Contributions - employer	\$	20,909,535
Contributions - employee		3,628,768
Net investment income		82,929,696
Benefit payments, including refunds of member contributions		(63,363,797)
Administrative expense		(757,087)
		<hr/>
Net change in plan fiduciary net position		43,347,115
Plan fiduciary net position - beginning of year		885,452,503
		<hr/>
Plan fiduciary net position - end of year (b)	\$	<u>928,799,618</u>
		<hr/>
County's net pension liability - end of year (a) - (b)	\$	<u>72,461,520</u>
		<hr/>
Plan fiduciary net position as a percent of total pension liability		92.76%
Covered employee payroll	\$	110,159,044
County's net pension liability as a percent of covered employee payroll		65.78%

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 12 – EMPLOYEES’ RETIREMENT SYSTEM (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2016, the county recognized pension expense of \$43,584,552 and reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 20,010,614
Differences between projected and actual earnings on pension plan investments	34,694,161
Changes in assumptions	<u>24,419,622</u>
 Totals	 <u>\$ 79,124,397</u>

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense and revenue, respectively, as follows:

<u>Year Ending December 31,</u>	<u>Pension Revenue</u>	<u>Pension Expense</u>
2017	\$ -	\$ 26,161,136
2018	-	26,234,921
2019	-	27,782,253
2020	1,053,913	-

Actuarial Assumptions

The December 31, 2016 total pension liability was determined by an actuarial valuation as of December 31, 2015, which used update procedures to roll forward the estimated liability to December 31, 2016. The actuarial valuation used the following assumptions, applied to all periods included in the measurement: (a) inflation of 3.0%, (b) salary increases of 4.0% to 10.0% including inflation and (c) investment rate of return of 7.25%, net of pension plan investment expense and adjusted for inflation. Mortality rates were based on the RP-2014 Blue Collar for Road and Sheriff Department personnel and RP-2014 for all others. All divisions used the MP-2016 mortality improvement scale. Actuarial assumptions used in valuations are generally based on the results of periodic actuarial experience studies that encompass a five-year look-back window.

Discount Rate

A single discount rate of 7.25% was used to measure the total pension liability. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and employer contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the employee rates.

Projected Cash Flows

Based on those assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Had there been a point where assets were projected to be depleted, a municipal bond rate of 3.71% would have been used in the development of the blended GASB discount rate after that point. The 3.71% is based on the S&P Municipal Bond 20 Year High Grade Rate Index.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 12 – EMPLOYEES’ RETIREMENT SYSTEM (CONTINUED)

Projected Cash Flows (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return as of December 31, 2016 for each major asset class included in the System’s target asset allocation, are summarized in the following table and are presented as geometric means:

	<u>Long-Term Expected Rate of Return</u>
Cash and cash equivalents	0.40%
US large cap	5.90%
International equities	5.70%
Emerging & Frontier equities	7.50%
Aggregate bonds	1.80%
Global debt excluding US	1.50%
Real estate investment trusts	4.50%
Commodities	2.30%
Private equity	8.60%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the county, calculated using the discount rate of 7.25% percent, as well as what that same liability would be if it were calculated using a discount rate that is one percentage-point lower (6.25%) or one percentage-point higher (8.25%) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Net pension liability	\$ 179,766,076	\$ 72,461,520	\$ (17,935,946)

Accounting Principles and Financial Reporting

The System follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB). The financial statements of the System are included in these financial statements as Employee Retirement and Other Postemployment Benefits Trust funds.

The System does not issue separate independently audited financial statements; therefore, financial statements as of and for the year ended December 31, 2016 are presented on the following page.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 12 – EMPLOYEES’ RETIREMENT SYSTEM (CONCLUDED)**Accounting Principles and Financial Reporting (concluded)**

<u>Statement of Fiduciary Net Position</u>		<u>Statement of Changes in Fiduciary Net Position</u>	
ASSETS		ADDITIONS	
Cash and pooled investments	\$ 31,543,531	Investment income (loss):	
Investments, at fair value		Interest and dividends	\$ 6,579,557
Corporate bonds	794,640	Net change in fair value of investments	81,258,894
Common stock	306,711,318	Less investment expenses	<u>(4,908,755)</u>
Preferred stock	3,099,685	Net investment income (loss)	82,929,696
Foreign stock	20,040,217	Contributions	
Limited partnership	259,619,925	Employer	20,909,535
Fixed income common collective trusts	75,683,812	Employee	<u>3,628,768</u>
Equity common collective trusts	<u>235,715,668</u>	Total contributions	24,538,303
Total investments	901,665,265	TOTAL ADDITIONS	107,467,999
Receivables		DEDUCTIONS	
Accrued interest	473,649	Benefit payments	62,983,475
Other	619,909	Withdrawals and refunds of contributions	380,322
Due from primary government	18,039	Administrative expenses	<u>757,087</u>
Other assets	<u>1,250</u>	TOTAL DEDUCTIONS	<u>64,120,884</u>
TOTAL ASSETS	934,321,643	CHANGE IN NET POSITION	43,347,115
LIABILITIES		Net position - beginning of year	<u>885,452,503</u>
Accounts payable	1,105,394	Net position - end of year	<u>\$ 928,799,618</u>
Accrued compensation and benefits	4,416,631		
Due to primary government	<u>-</u>		
TOTAL LIABILITIES	<u>5,522,025</u>		
NET POSITION RESTRICTED FOR PENSION BENEFITS	<u>\$ 928,799,618</u>		

NOTE 13 – 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. Plan assets are held in both the Retiree Health Care Trust Fund and the Retiree Health Care Intermediate Trust Fund. 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 13 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS – GENERAL AND SHERIFF EMPLOYEES (CONTINUED)

Plan Description (concluded)

At December 31, 2014 (date of the most recent actuarial valuation), membership consisted of:

Retirees and beneficiaries currently receiving benefits	1,906
Deferred members entitled to benefits but not yet receiving them	213
Active employees covered by the plan	<u>2,120</u>
	<u><u>4,239</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.

On March 10, 2015, Macomb County issued retiree health care bonds for the purpose of defraying the unfunded portion of the county's retiree health care obligations. The net proceeds of \$262,636,883 (after payment of \$589,161 of issuance costs, underwriters' discount of \$328,956) were placed in the Retiree Health Care Intermediate Trust Fund, which was established in conjunction with the Macomb County Retiree Health Care Trust Fund to fund other postemployment benefits (OPEB). In addition, the county used General Fund balance of \$29,000,000 and \$30,000,000 contributed to the General Fund by the Delinquent Tax Revolving Fund in 2015 to contribute a total of \$59,000,000 to the Retiree Health Care Intermediate Trust Fund. It is the policy of the county to fund the annual required contribution (ARC) to the Macomb County Retiree Health Care Trust Fund each year via a transfer from the Retiree Health Care Intermediate Trust Fund.

County departments fully fund each debt service payment annually in lieu of contributing the OPEB ARC. Allocation of the debt service payment responsibility is determined based on the unfunded actuarial accrued liability as of December 31, 2014 by county department. Finally, contributions are actuarially recognized as the sum of contributions to the Retiree Health Care Intermediate Trust Fund plus the Macomb County Retiree Health Care Trust Fund, net of elimination of the contribution between the two funds each year.

The Retiree Health Care Intermediate Trust Fund contributed \$30,391,139 to the Macomb County Retiree Health Care Trust Fund for the year ended December 31, 2016. Employee contributions for the year totaled \$811,322, for total contributions to the Macomb County Retiree Health Care Trust Fund in the amount of \$31,202,461. The total cost of retiree health care benefits, administrative expenses of the plan and investment management fees for the year ended December 31, 2016 was \$19,363,767.

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 the normal cost each year and amortize any unfunded actuarial liabilities or funding excess over a period not to exceed 30 years. The table on the following page shows the components of the county's OPEB cost for the year ended December 31, 2016.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 13 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS – GENERAL AND SHERIFF EMPLOYEES (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation (concluded)

Annual required contribution	\$ 30,391,139
Interest on net OPEB asset	(3,406,419)
Adjustment to annual required contribution	<u>3,784,232</u>
Annual OPEB cost	30,768,952
Employer contributions	<u>(30,391,139)</u>
Change in OPEB obligation	377,813
Net OPEB obligation (asset), beginning of year	<u>(45,418,921)</u>
Net OPEB obligation (asset), end of year	<u>\$ (45,041,108)</u>

The county's annual OPEB cost, percentage of annual OPEB cost contributed and the net OPEB obligation as of December 31, 2016 are presented below:

	Fiscal Year Ended		
	2016	2015	2014
Annual OPEB costs (AOC)	\$ 30,768,952	\$ 28,210,880	\$ 27,363,194
Percentage of AOC contributed	98.8%	1140.1%	61.6%
Net OPEB obligation (asset)	\$ (45,041,108)	\$ (45,418,921)	\$ 248,007,082

Of the total OPEB asset of \$45,041,108 at December 31, 2016, \$2,801,557 relates to the Martha T. Berry Discretely Presented Component Unit.

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, 2014. Other significant assumptions were as follows: (a) investments are assumed to earn 7.5% per year, (b) health care costs are assumed to increase at an annual rate of 9.0% in year 1, reduced by 0.75% in years 2 and 3 and 0.50% 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 4.0% 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

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 13 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS – GENERAL AND SHERIFF EMPLOYEES (CONTINUED)

Actuarial Methods and Assumptions (concluded)

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 28 years.

Funding Status and Progress

As of December 31, 2014, the date of the most recent actuarial valuation, the plan was 40.0% funded. The actuarial accrued liability for benefits was \$435,124,093 and the actuarial value of assets in the plan was \$174,132,994, resulting in an unfunded actuarial accrued liability (UAAL) of \$260,991,099. Covered payroll was \$97,730,512 and the ratio of the UAAL to covered payroll was 267.1 percent. The county made contributions totaling \$321,636,883 in 2015 and \$30,391,139 in 2016, which were not reflected in the funded status of the December 31, 2014 actuarial valuation.

Basis of Accounting and Financial Reporting

The financial statements of the Retiree Health Care Trust Fund and the Retiree Health Care Intermediate 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 either funds. Therefore, financial statements as of and for the year ended December 31, 2016 are presented below and on the following page.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 13 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS – GENERAL AND SHERIFF EMPLOYEES (CONCLUDED)**Basis of Accounting and Financial Reporting (continued)**

Statement of Fiduciary Net Position			
	Retiree Health Care Trust Fund	Retiree Health Care Intermediate Trust Fund	Total
ASSETS			
Cash and pooled investments	\$ 12,098,476	\$ 8,087,384	\$ 20,185,860
Investments, at fair value			
US Government securities	-	36,238,865	36,238,865
Corporate bonds	-	21,545,777	21,545,777
Common stock	78,898	169,761,390	169,840,288
Preferred stock	-	1,539,898	1,539,898
Foreign stock	32,607,197	20,580,981	53,188,178
Limited partnership	2,815	-	2,815
Real estate investment trusts	33,930,028	4,354,230	38,284,258
Fixed income common collective trusts	44,507,394	-	44,507,394
Equity common collective trusts	109,175,425	31,919,282	141,094,707
Total investments, at fair value	220,301,757	285,940,423	506,242,180
Receivables			
Accrued interest	2,335,814	773,495	3,109,309
Other	-	695,636	695,636
Due from primary government	109,190	-	109,190
Other assets	351,231	-	351,231
TOTAL ASSETS	235,196,468	295,496,938	530,693,406
LIABILITIES			
Accounts payable	12,349,056	109,281	12,458,337
Due to primary government	14,867,999	460,586	15,328,585
TOTAL LIABILITIES	27,217,055	569,867	27,786,922
NET POSITION RESTRICTED FOR OTHER POSTEMPLOYMENT BENEFITS	\$ 207,979,413	\$ 294,927,071	\$ 502,906,484

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 13 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS – GENERAL AND SHERIFF EMPLOYEES (CONCLUDED)**Basis of Accounting and Financial Reporting (concluded)**

Statement of Changes in Fiduciary Net Position			
	Retiree Health Care Trust Fund	Retiree Health Care Intermediate Trust Fund	Total
ADDITIONS			
Investment income (loss):			
Interest and dividends	\$ 13,764,620	\$ 10,175,870	\$ 23,940,490
Net change in fair value of investments	2,405,364	18,032,019	20,437,383
Less investment expenses	(112,197)	(438,942)	(551,139)
Net investment income (loss)	16,057,787	27,768,947	43,826,734
Contributions			
Employee	811,322	-	811,322
Contribution from Retiree Health Care Intermediate Trust Fund	30,391,139	-	30,391,139
Total contributions	31,202,461	-	31,202,461
TOTAL ADDITIONS	47,260,248	27,768,947	75,029,195
DEDUCTIONS			
Benefit payments	19,216,570	-	19,216,570
Administrative expenses	35,000	48,985	83,985
Contribution to Retiree Health Care Trust Fund	-	30,391,139	30,391,139
TOTAL DEDUCTIONS	19,251,570	30,440,124	49,691,694
CHANGE IN NET POSITION	28,008,678	(2,671,177)	25,337,501
Net position - beginning of year	179,970,735	297,598,248	477,568,983
Net position - end of year	\$ 207,979,413	\$ 294,927,071	\$ 502,906,484

NOTE 14 – 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 14 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS – DEPARTMENT OF ROADS (CONTINUED)

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 \$3,430,505 for the year ended September 30, 2016. 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, 2016.

Annual OPEB Cost and Net OPEB Obligation

The cost of providing retiree health care benefits (OPEB) for the year ended September 30, 2016 was determined through an actuarial valuation as of December 31, 2013. 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, 2016.

Annual required contribution	\$ 3,511,223
Interest on net OPEB asset	(518,626)
Adjustment to annual required contribution	<u>437,908</u>
Annual OPEB cost	3,430,505
Employer contributions	<u>(6,365,929)</u>
Change in OPEB obligation	(2,935,424)
Net OPEB obligation (asset), beginning of year	<u>(6,915,008)</u>
Net OPEB obligation (asset), end of year	<u><u>\$ (9,850,432)</u></u>

The Department of Roads annual OPEB cost, percentage of annual OPEB cost contributed and the net OPEB obligation as of September 30, 2016 were as follows:

	Fiscal Year Ended		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual OPEB costs (AOC)	\$ 3,430,505	\$ 3,319,636	\$ 5,996,489
Percentage of AOC contributed	185.6%	181.5%	98.1%
Net OPEB obligation (asset)	\$ (9,850,432)	\$ (6,915,008)	\$ (4,209,989)

Funding Status and Progress

As of December 31, 2013, the date of the most recent actuarial valuation, the plan was 52.7% funded.

The actuarial accrued liability for benefits was \$69,322,970 and the actuarial value of assets in the plan was \$36,511,623, resulting in an unfunded actuarial accrued liability (UAAL) of \$32,811,347. Covered payroll was \$11,685,197 and the ratio of the UAAL to covered payroll was 280.8 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-

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 14 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS – DEPARTMENT OF ROADS (CONCLUDED)

Actuarial Methods and Assumptions (concluded)

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, 2013. Significant actuarial assumptions included: (a) an investment rate of return of 7.5% per year, (b) an annual health care cost trend rate of 9.0% in year 1, reduced by 0.75% in years 2 and 3 and 0.50% until an ultimate rate of 4.0% is reached in the tenth year and beyond, (c) annual covered payroll is assumed to increase 4.0% 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. 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 23 years.

NOTE 15 – CONTINGENCIES AND COMMITMENTS

Grants

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

Construction Commitments

The Department of Roads had several significant active projects in progress at September 30, 2016, with estimated total project costs of \$21,883,064. Of the total, \$13,534,915 represents amount previously expended and \$8,348,149 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 \$6,006,415.

NOTE 16 – 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 auto 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 2016 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, 2016, the county has accrued an aggregate of \$2,689,451 for unresolved workers' compensation claims, exclusive of the Department of Roads.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 16 – RISK MANAGEMENT (CONTINUED)**Workers' Compensation (concluded)**

At September 30, 2016, the Department of Roads has accrued an aggregate of \$302,448 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,	
	2015	2016	2015	2016
Estimated liability - beginning of year	\$ 3,731,497	\$ 2,743,786	\$ 37,241	\$ 205,353
Estimated claims incurred, including changes in estimates	292,562	632,670	251,144	185,901
Claims payments	(1,280,273)	(687,005)	(83,032)	(88,806)
Estimated liability - end of year	<u>\$ 2,743,786</u>	<u>\$ 2,689,451</u>	<u>\$ 205,353</u>	<u>\$ 302,448</u>

General Liability

The county is a defendant in various lawsuits in which plaintiffs seek damages of an indeterminable amount. Since December 1, 1977, the primary government has been partially self-insured for losses of a general liability nature. The county (excluding the Martha T. Berry Medical Care Facility and the 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, 2016, the Department of Roads had an accrual of \$269,270 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, 2016, the general county reported a balance of \$5,477,555 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,	
	2015	2016	2015	2016
Estimated liability - beginning of year	\$ 3,794,642	\$ 3,589,878	\$ 29,850	\$ 241,801
Estimated claims incurred, including changes in estimates	1,615,153	3,458,821	238,171	120,727
Claims payments	(1,819,917)	(1,571,144)	(26,220)	(93,258)
Estimated liability - end of year	<u>\$ 3,589,878</u>	<u>\$ 5,477,555</u>	<u>\$ 241,801</u>	<u>\$ 269,270</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 in 2015. In 2016, amounts actual claims exceeded amounts paid. Changes in the estimated liabilities for self-insured health care claims for the past two years as indicated on the following page:

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 16 – RISK MANAGEMENT (CONCLUDED)**Health Insurance (concluded)**

	General County	
	Year Ended December 31,	
	2015	2016
Estimated liability (asset) - beginning of year	\$ (1,270,249)	\$ (737,272)
Estimated claims incurred, including changes in estimates	7,862,349	9,139,440
Claims payments	<u>(7,329,372)</u>	<u>(8,051,877)</u>
Estimated liability (asset) - end of year	<u>\$ (737,272)</u>	<u>\$ 350,291</u>

NOTE 17 – NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of December 31, 2016 is presented below:

	Governmental Activities	Business-Type Activities	Component Units
CAPITAL ASSETS			
Capital assets not being depreciated	\$ 273,747,965	\$ 50,000	\$ 39,634,502
Capital assets being depreciated	731,574,495	1,756,927	277,558,273
	1,005,322,460	1,806,927	317,192,775
RELATED DEBT			
Total bonds payable related to capital assets	73,139,356	-	261,677,798
Net bond discounts and premiums	-	-	2,606,524
Less:			
Unspent bond proceeds	(2,028,234)	-	(6,006,415)
Bond proceeds not capitalized	-	-	(64,637,693)
	71,111,122	-	193,640,214
NET INVESTMENT IN CAPITAL ASSETS	<u>\$ 934,211,338</u>	<u>\$ 1,806,927</u>	<u>\$ 123,552,561</u>

NOTE 18 – TAX ABATEMENTS

The county receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions and Brownfield Redevelopment Agreements granted by cities, villages, and townships within the county. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

For the fiscal year ended December 31, 2016, the county's property tax revenues were reduced by \$930,339 under these programs.

There were no significant abatements made by the county.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 19 – SUBSEQUENT EVENT

On December 24, 2016, a sinkhole developed within Macomb County as the result of the collapse of the Macomb Sewage Interceptor Drain, near the intersection of 15 Mile Road and Utica Road in the City of Fraser, destroying or causing damage to private property as well as the sewer interceptor. The Macomb County Public Works Office immediately addressed the damage to the drain, constructed a bypass pipe around the damaged area, and as of the opinion date of this report, emergency construction is in progress to permanently repair the sewage drain.

Costs of the repair are expected to run between \$75 million and \$100 million, and are expected to be funded with revenue bonds issued by the Macomb Interceptor Drainage District ("MIDD"), which will be backed by the full faith and credit of the county. The bonds are expected to be paid by special assessments collected from the eleven member communities within the MIDD. While the process of issuing bonds is underway, a short term line of credit between the County's Delinquent Tax Revolving Fund and the MIDD has been established in the amount of \$20 million to fund immediate project expenses. Per the line of credit agreement, all funds borrowed by the MIDD from the Delinquent Tax Revolving Fund will be repaid with bond proceeds once such bonds are issued.

NOTE 20 – ACCOUNTING PRONOUNCEMENTS IMPLEMENTED

Effective January 1, 2016, the county implemented the provisions of the following Governmental Accounting Standards Board (GASB) statements:

No. 72, *Fair Value Measurement and Application*. The requirements of this statement enhanced comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. As a result of implementing this statement, additional disclosures regarding investments at fair value were added to the notes to the basic financial statements. See note 3.

No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement improved financial reporting by raising the category of GASB Implementation Guides in the generally accepted accounting principles (GAAP) hierarchy; emphasized the importance of analogies to authoritative literature when the accounting treatment is not specified in authoritative GAAP; and required consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in non-authoritative literature. As a result of implementing this statement, principles from this statement were applied when researching proper financial reporting throughout the preparation of the county's comprehensive annual financial report.

No. 77, *Tax Abatement Disclosures*. The requirements of this statement improved financial reporting by giving users of financial statements essential information that was not consistently or comprehensively reported to the public previously. Disclosing information about the nature and magnitude of tax abatements make these transactions more transparent to financial statement users. As a result, users are better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. As a result of implementing this statement, an additional footnote disclosure regarding tax abatements was added the notes to the basic financial statements. See note 18.

No. 79, *Certain External Investment Pools and Pool Participants*. The requirements of this Statement improved financial reporting by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share. As a result of implementing this statement, certain investments held by the county were evaluated to determine if they could continue to use a cost basis valuation method rather than fair value measurement. Disclosures regarding this determination can be found in note 2.

NOTE 21 – UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2015, the GASB issued two new standards addressing accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). GASB Statement No. 74, *Financial Reporting for*

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 21 – UPCOMING ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Postemployment Benefit Plans other than Pension Plans, addresses reporting by OPEB plans whereas GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and reporting by employer governments that provide OPEB benefits to their employees. Along with the currently required statement of fiduciary net position and statement of changes in fiduciary net position, OPEB plans will now be required to include in the financial statement more extensive footnote disclosures and required supplementary information related to the measurement of the OPEB liabilities for which assets have been accumulated. In addition, the county will, after adoption of GASB 75, recognize on the face of the financial statements its net OPEB liability. The county is currently evaluating the impact these standards will have on the financial statements when adopted. GASB 74 is effective for fiscal years beginning after June 15, 2016 whereas GASB 75 is effective one year later.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The county is currently evaluating the impact this standard will have on the financial statements when adopted, during the county's 2017 fiscal year.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The requirements of this Statement enhance financial reporting by providing recognition and measurement guidance for irrevocable split-interest agreements in which a government is a beneficiary. The county is currently evaluating the impact this standard will have on the financial statements when adopted, during the county's 2017 fiscal year.

In March 2016, the GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB No. 67, No. 68, and No. 73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The county is currently evaluating the impact this standard will have on the financial statements when adopted, during the county's 2017 fiscal year.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. This Statement will establish criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The county is currently evaluating the impact this statement will have on the financial statements when adopted, during the county's 2019 fiscal year.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement will establish criteria for identifying fiduciary activities of all state and local governments, focusing such criteria on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The county is currently evaluating the impact this statement will have on the financial statements when adopted, during the county's 2019 fiscal year.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB statements. The Statement will address a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The county is currently evaluating the impact this statement will have on the financial statements when adopted, during the county's 2018 fiscal year.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 21 – UPCOMING ACCOUNTING PRONOUNCEMENTS (CONCLUDED)

In May 2017, the GASB issued Statement No. 86, Certain Debt Extinguishment Issues. The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. The Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to the financial statements for debt that is defeased in substance. The county is currently evaluating the impact this standard will have on the financial statements when adopted, during the county's 2018 fiscal year.

Macomb County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)

Year Ended December 31, 2016

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 119,492,908	\$ 119,492,908	\$ 114,025,390	\$ (5,467,518)
Licenses and permits	1,324,540	1,324,540	1,541,116	216,576
Federal grants	1,550,000	1,550,000	1,506,767	(43,233)
State grants				
Revenue sharing	16,432,531	16,432,531	16,504,824	72,293
Court financing	4,618,897	4,618,897	4,459,085	(159,812)
Liquor tax	6,200,000	6,200,000	5,846,568	(353,432)
Health department	1,851,437	1,851,437	2,096,442	245,005
Personal property tax stabilization	-	-	8,005,371	8,005,371
Other	659,210	659,210	640,370	(18,840)
Total state grants	29,762,075	29,762,075	37,552,660	7,790,585
Charges for services				
Attorney fees	1,372,000	1,372,000	1,247,922	(124,078)
Certified copies	933,620	933,620	1,040,707	107,087
Commissions	1,254,500	1,254,500	1,307,367	52,867
Court costs and fees	1,997,600	1,997,600	1,962,283	(35,317)
Foster care	385,000	385,000	374,360	(10,640)
Health department	836,083	879,083	823,313	(55,770)
Housing inmates	1,680,000	1,680,000	1,548,577	(131,423)
Land transfer tax	3,000,000	3,000,000	3,871,800	871,800
Medicare / Medicaid	616,708	616,708	690,404	73,696
Other sheriff services	4,488,834	4,488,834	4,529,880	41,046
Personal services	1,250,000	1,250,000	1,157,949	(92,051)
Probation oversight fees	528,000	528,000	472,502	(55,498)
Public works - pumping station	3,146,149	3,146,149	2,397,178	(748,971)
Recording fees	2,239,800	2,239,800	2,730,190	490,390
Sheriff road patrol	10,500,000	10,893,149	10,655,783	(237,366)
Soil erosion fees	930,000	930,000	1,039,880	109,880
Miscellaneous	1,973,250	2,099,710	2,797,596	697,886
Total charges for services	37,131,544	37,694,153	38,647,691	953,538
Charges to other funds for				
administrative services	13,590,378	13,590,378	14,461,742	871,364
Fines and forfeitures	559,750	559,750	557,405	(2,345)
Interest and rents	3,135,500	3,135,500	4,550,981	1,415,481
Other revenue	107,200	107,200	148,279	41,079
TOTAL REVENUES	206,653,895	207,216,504	212,992,031	5,775,527

-CONTINUED-

Macomb County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE (GAAP BASIS) (CONTINUED)

Year Ended December 31, 2016

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES				
Current				
Legislative - Board of commissioners	\$ 1,582,457	\$ 1,411,181	\$ 1,234,851	\$ 176,330
Judicial				
Circuit court	11,567,062	11,210,504	11,304,158	(93,654)
District court - 3rd class	25,000	25,000	16,599	8,401
District court - New Baltimore	1,284,972	1,226,288	1,190,441	35,847
District court - Romeo	1,270,254	1,022,681	1,047,109	(24,428)
Family counseling	185,797	185,350	82,711	102,639
Family court - Juvenile division	5,256,338	4,640,986	4,658,196	(17,210)
Jury commission	186,340	186,340	135,192	51,148
Law library	35,800	35,800	35,794	6
Probate court	3,142,476	2,942,564	2,827,945	114,619
Probation - Circuit court	119,100	119,100	95,794	23,306
Probation - District court	473,890	468,968	458,688	10,280
Prosecuting attorney	9,808,793	9,433,774	9,329,478	104,296
Total judicial	33,355,822	31,497,355	31,182,105	315,250
General government				
Building authority	1,300	1,300	560	740
County clerk	4,762,317	4,594,633	4,417,671	176,962
County executive	1,552,818	1,544,228	1,471,486	72,742
Corporation counsel	952,533	946,153	914,720	31,433
Elections	30,300	30,300	31,152	(852)
Ethics board	59,000	59,000	1,355	57,645
Facilities and operations	15,481,644	15,171,718	14,961,812	209,906
Finance	2,261,869	2,198,358	2,153,214	45,144
Equalization	960,499	883,967	882,932	1,035
Human resources	2,336,679	2,242,955	2,267,285	(24,330)
Information technology	7,358,764	7,084,694	6,677,046	407,648
MSU extension	904,981	901,559	892,883	8,676
Planning and economic development	3,159,749	2,914,317	2,785,134	129,183
Purchasing	1,419,954	1,384,204	1,326,810	57,394
Register of deeds	1,889,830	1,760,639	1,687,214	73,425
Treasurer	2,330,252	2,240,434	2,206,399	34,035
Total general government	45,462,489	43,958,459	42,677,673	1,280,786
Public safety				
Civil service commission	60,925	60,925	40,760	20,165
Emergency management	1,225,913	1,229,897	1,179,944	49,953
Sheriff department	65,463,972	62,273,954	63,773,278	(1,499,324)
Total public safety	66,750,810	63,564,776	64,993,982	(1,429,206)

-CONTINUED-

Macomb County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE (GAAP BASIS) (CONCLUDED)

Year Ended December 31, 2016

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES (CONCLUDED)				
Current				
Public works	6,642,903	5,372,252	5,339,112	33,140
Health and welfare				
Animal shelter	1,833,646	1,883,413	1,948,339	(64,926)
Health & community services	295,871	294,558	287,835	6,723
Health department	19,396,803	17,972,242	18,112,694	(140,452)
Social services	72,472	72,472	58,726	13,746
Total health and welfare	21,598,792	20,222,685	20,407,594	(184,909)
Other current operations				
Non-departmental appropriations	\$ 2,051,300	\$ 2,167,580	\$ 1,838,367	\$ 329,213
Vacant position turnover factor	(11,657,765)	-	-	-
Total other current operations	(9,606,465)	2,167,580	1,838,367	329,213
Capital outlay	489,156	1,538,799	870,607	668,192
TOTAL EXPENDITURES	166,275,964	169,733,087	168,544,291	1,188,796
EXCESS OF REVENUES OVER EXPENDITURES	40,377,931	37,483,417	44,447,740	6,964,323
OTHER FINANCING SOURCES (USES)				
Transfers in	8,000,000	8,087,489	8,063,243	(24,246)
Transfers out	(59,987,358)	(66,164,661)	(63,089,748)	3,074,913
TOTAL OTHER FINANCING SOURCES (USES)	(51,987,358)	(58,077,172)	(55,026,505)	3,050,667
NET CHANGE IN FUND BALANCES	(11,609,427)	(20,593,755)	(10,578,765)	10,014,990
Fund balances, beginning of year	72,213,238	72,213,238	72,213,238	-
Fund balances, end of year	<u>\$ 60,603,811</u>	<u>\$ 51,619,483</u>	<u>\$ 61,634,473</u>	<u>\$ 10,014,990</u>

Macomb County, Michigan

Department of Roads Special Revenue Fund

BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)

Year Ended September 30, 2016

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Licenses and permits	\$ 753,700	\$ 753,700	\$ 824,183	\$ 70,483
Federal & state grants	75,243,190	67,267,840	73,221,621	5,953,781
Charges for services	2,510,000	10,485,350	11,760,697	1,275,347
Interest and rents	143,622	143,622	292,689	149,067
Other revenue	193,750	193,750	445,226	251,476
TOTAL REVENUES	78,844,262	78,844,262	86,544,416	7,700,154
EXPENDITURES				
Current				
Public works	89,525,436	89,506,844	84,560,594	4,946,250
Capital outlay	5,109,708	5,128,300	3,952,304	1,175,996
Debt service				
Principal	-	-	164,957	(164,957)
Interest and fees	-	-	23,364	(23,364)
TOTAL EXPENDITURES	94,635,144	94,635,144	88,701,219	5,933,925
EXCESS OF REVENUES OVER EXPENDITURES	(15,790,882)	(15,790,882)	(2,156,803)	13,634,079
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(268,249)	(268,249)
NET CHANGE IN FUND BALANCES	(15,790,882)	(15,790,882)	(2,425,052)	13,365,830
Fund balances, beginning of year	65,810,704	65,810,704	65,810,704	-
Fund balances, end of year	<u>\$ 50,019,822</u>	<u>\$ 50,019,822</u>	<u>\$ 63,385,652</u>	<u>\$ 13,365,830</u>

Macomb County, Michigan

Employees' Retirement System

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

December 31, 2016

	2016	2015	2014
Total Pension Liability			
Service cost	\$ 17,195,016	\$ 17,405,488	\$ 18,681,711
Interest	65,885,624	67,324,776	64,832,607
Benefit changes	-	-	1,752,896
Actual employee contributions	(3,628,768)	(3,667,705)	-
Difference between expected and actual experience of the total pension liability	30,422,520	(6,410,683)	-
Changes of assumptions	32,050,754		
Benefit payments, including refunds of member contributions	(63,363,797)	(63,276,629)	(58,073,140)
Net change in total pension liability	78,561,349	11,375,247	27,194,074
Total pension liability - beginning of year	922,699,789	911,324,542	884,130,468
Total pension liability - end of year (a)	\$ 1,001,261,138	\$ 922,699,789	\$ 911,324,542
Plan Fiduciary Net Position			
Contributions - employer	\$ 20,909,535	\$ 21,281,612	\$ 22,152,820
Contributions - employee	3,628,768	3,667,705	3,597,063
Net investment income	82,929,696	(15,948,798)	64,413,425
Benefit payments, including refunds of member contributions	(63,363,797)	(63,276,629)	(58,073,027)
Administrative expense	(757,087)	(527,547)	(523,640)
Net change in plan fiduciary net position	43,347,115	(54,803,657)	31,566,641
Plan fiduciary net position - beginning of year	885,452,503	940,256,160	908,689,519
Plan fiduciary net position - end of year (b)	\$ 928,799,618	\$ 885,452,503	\$ 940,256,160
County's net position liability - end of year (a) - (b)	\$ 72,461,520	\$ 37,247,286	\$ (28,931,618)
Plan fiduciary net position as a percent of total pension liability	92.76%	95.96%	103.17%
Covered employee payroll	\$ 110,159,044	\$ 102,252,875	\$ 107,365,519
County's net pension liability (asset) as a percent of covered employee payroll	65.78%	36.43%	-26.95%

NOTE: Governmental Accounting Standards Board Statement No. 67 was implemented beginning with fiscal year 2014. Therefore, ten year trend information is not yet available.

Macomb County, Michigan

Employees' Retirement System

SCHEDULE OF EMPLOYER CONTRIBUTIONS
AND SCHEDULE OF MONEY WEIGHTED INVESTMENT RATE OF RETURN

December 31, 2016

Schedule of Employer Contributions					Schedule of Money Weighted Investment Rate of Return
Year Ended December 31,	Actuarially Determined Contribution	Actual Contributions	Covered Payroll	Contribution as % of Covered Payroll	Rate of Return
2007	\$ 19,121,330	\$ 19,121,330	\$ 126,696,252	15.09%	8.86%
2008	18,658,075	18,658,075	121,822,674	15.32%	-27.95%
2009	18,507,521	18,507,521	116,522,938	15.88%	17.44%
2010	15,170,777	15,170,777	110,795,240	13.69%	13.55%
2011	16,050,489	16,050,489	108,900,180	14.74%	-1.05%
2012	16,604,841	16,604,841	105,391,874	15.76%	11.48%
2013	19,932,742	19,932,742	102,252,875	19.49%	21.42%
2014	22,152,820	22,152,820	107,365,519	20.63%	7.42%
2015	21,281,602	21,281,612	102,252,875	20.81%	-0.59%
2016	20,909,535	20,909,535	110,159,044	18.98%	10.19%

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contributions are calculated as of December 31, one year prior to the beginning of the fiscal year in which the contributions are made. The December 31, 2016 contribution was determined by the December 31, 2014 valuation. The following actuarial methods and assumptions were used to determine contribution rates reported in the schedules:

Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Amortization period	20 years, closed
Asset valuation method	Five year smoothed market
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	6.0% - 12.0%, including inflation of 3.25%
Retirement age	Experienced-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2000 Healthy Life Mortality Table, adjusted for mortality improvements to 2015

Other Information

The determination of the total pension liability as of December 31, 2016 was based on the December 31, 2014 actuarial valuation with the following exceptions: the valuation of the deferred retirement option plan (DROP) was based on the method prescribed in governmental accounting standards board statement No. 67. General division active and current DROP members were assumed to participate in the DROP for five years. All other members were assumed to participate in the DROP for two years. In addition, 90% of all eligible active members were assumed to join DROP and 10% were assumed to retire immediately from county employment. Additionally, the following assumptions were changed:

Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	4.0% - 10.0%, including inflation of 3.25%
Mortality	RP-2014 Blue Collar for Road and Sheriff personnel, RP-2014 Standard for all other personnel with the MP-2016 mortality improvement scale.

Macomb County, Michigan

Retiree Health Care Trust Fund

SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

December 31, 2016

Schedule of Funding Progress						
Actuarial Valuation Date December 31,	(a) Actuarial Value of Assets	(b) Actuarial Liability (AAL)	(b) - (a) Unfunded AAL (UAAL)	(a) / (b) Funded Ratio	(c) Annual Covered Payroll	((b) - (a)) / (c) UAAL as a Percentage of Covered Payroll
2012	\$ 130,289,669	\$ 679,928,682	\$ 549,639,013	19.2%	\$ 91,150,925	603.0%
2013	155,145,734	417,782,617	262,636,883	37.1%	90,567,875	290.0%
2014	174,132,994	435,124,093	260,991,099	40.0%	97,730,512	267.1%

Schedule of Employer Contributions		
Year Ended December 31,	Annual Required Contribution	Percentage Contributed
2014	22,283,395	75.6%
2015	23,174,730	1387.9%
2016	30,391,139	100.0%

In 2012, the actuarial assumption related to the investment rate of return was changed from 7.5% to 6%. In 2013, the rate was lowered to 4.75%. In 2014, the rate was increased to 7.5% as a result of fully funding the unfunded liability through a bond issue executed in March 2015.

The county made contributions totaling \$321,636,883 in 2015, which was not reflected in the funded status of the December 31, 2013 or December 31, 2014 actuarial valuations.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contributions were calculated as of December 31, 2014. December 31, 2016 contributions to the fund were based on the December 31, 2014 valuation. The following actuarial methods and assumptions were used to determine contribution rates reported in the schedules:

Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Amortization period	30 years, closed
Asset valuation method	Five year smoothed market
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	5.0% - 11.0%, including inflation of 4.0%
Health care cost inflation	9.0% in year one, reduced by 0.75% in years two and three, and 0.5% each year thereafter until an ultimate rate of 4.0% is reached in the tenth year and beyond
Retirement age	Experienced-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2000 Healthy Life Mortality Table, adjusted for mortality improvements to 2015

Additionally, liabilities were loaded by 0.4% for the expected future impact of the "Cadillac Plan" status as defined by the Patient Protection and Affordable Care Act.

Macomb County, Michigan

Department of Roads Retiree Health Care Trust Fund

SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

September 30, 2016

Schedule of Funding Progress						
Actuarial Valuation Date December 31,	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b) - (a) Unfunded AAL (UAAL)	(a) / (b) Funded Ratio	(c) Annual Covered Payroll	((b) - (a)) / (c) UAAL as a Percentage of Covered Payroll
2009	\$ 15,047,927	\$ 83,364,455	\$ 68,316,528	18.1%	\$ 14,421,101	473.7%
2011	23,547,047	90,532,651	66,985,604	26.0%	12,613,964	531.0%
2013	36,511,623	69,322,970	32,811,347	52.7%	11,685,197	280.8%

Schedule of Employer Contributions		
Year Ended September 30,	Annual Required Contribution	Percentage Contributed
2014	\$ 6,095,512	96.5%
2015	3,376,175	178.5%
2016	3,511,223	181.3%

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contributions were calculated as of December 31, 2013. The following actuarial methods and assumptions were used to determine contribution rates reported in the schedules:

Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Amortization period	24 years, closed
Asset valuation method	Five year smoothed market
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	5.0% - 10.0%, including inflation of 4.0%
Health care cost inflation	9.0% in year one, reduced by 0.75% in years two and three, and 0.5% each year thereafter until an ultimate rate of 4.0% is reached in the tenth year and beyond
Retirement age	Experienced-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2000 Healthy Life Mortality Table, adjusted for mortality improvements to 2015

Additionally, liabilities reflect an increase of 10% in order to account for future contingencies. Examples of future contingencies include year to year fluctuation in health care claims experience and volatility associated with membership size.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2016

NOTE 1 – BUDGETARY ACCOUNTING

Prior to October 1, the county finance director submits to the board of commissioners a proposed operating budget for the year commencing January 1. The annual operating budget includes proposed expenditures and the means of financing them for the General Fund, special revenue funds, and the debt service fund, as well as Community Mental Health and Parks business-type activities and the Martha T. Berry Medical Care Facility discretely-presented component unit. A public hearing is conducted to obtain taxpayer comments and the budget is legally enacted through passage of a resolution by the board of commissioners no later than December 31.

Formal budgetary integration is employed as a management control device during the year for all funds. Expenditures may not legally exceed budgeted appropriations at the department level in the General Fund and the fund level in all other funds. 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 \$100,000 or 10% 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 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.

State statutes provide that actual expenditures of a local unit of government shall not exceed the amounts appropriated. Actual amounts exceeded budget amounts at the legal level of control as indicated below. The excess expenditures were funded by either additional unbudgeted revenues or available fund balance.

	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
GENERAL FUND			
Judicial			
Circuit court	\$ 11,210,504	\$ 11,304,158	\$ (93,654)
District court - Romeo	1,022,681	1,047,109	(24,428)
Family court - Juvenile division	4,640,986	4,658,196	(17,210)
General government			
Elections	30,300	31,152	(852)
Human resources	2,242,955	2,267,285	(24,330)
Public safety			
Sheriff	62,273,954	63,773,278	(1,499,324)
Health and welfare			
Animal shelter	1,883,413	1,948,339	(64,926)
Health department	17,972,242	18,112,694	(140,452)
SPECIAL REVENUE FUNDS			
Register of Deeds Technology Fund	1,471,900	1,474,323	(2,423)

Macomb County, Michigan

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS

December 31, 2016

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
ASSETS				
Cash and pooled investments	\$ 10,599,723	\$ 921,004	\$ 27,332,008	\$ 38,852,735
Receivables				
Property taxes, net	857,502	109,370	-	966,872
Trade accounts, net	6,391,436	-	34,671	6,426,107
Due from other governments	9,555,300	-	2,159,382	11,714,682
Due from component units	-	1,144,299	-	1,144,299
Other assets	61,659	-	58,035	119,694
TOTAL ASSETS	\$ 27,465,620	\$ 2,174,673	\$ 29,584,096	\$ 59,224,389
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 3,523,518	\$ 55,109	\$ 1,857,013	\$ 5,435,640
Accrued liabilities	28,462	-	67,105	95,567
Accrued compensation and benefits	797,822	-	618	798,440
Due to other governments	215,288	-	-	215,288
Due to governmental funds	5,119,111	-	2,422,674	7,541,785
Unearned revenue	319,687	-	-	319,687
TOTAL LIABILITIES	10,003,888	55,109	4,347,410	14,406,407
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied in advance	995,262	125,034	-	1,120,296
Unavailable grants and other charges	4,143,624	-	1,658,939	5,802,563
TOTAL DEFERRED INFLOWS OF RESOURCES	5,138,886	125,034	1,658,939	6,922,859
FUND BALANCES				
Nonspendable	61,659	-	58,035	119,694
Restricted	13,611,859	1,994,530	5,001,418	20,607,807
Assigned	1,328,001	-	19,570,372	20,898,373
Unassigned	(2,678,673)	-	(1,052,078)	(3,730,751)
TOTAL FUND BALANCES	12,322,846	1,994,530	23,577,747	37,895,123
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 27,465,620	\$ 2,174,673	\$ 29,584,096	\$ 59,224,389

Macomb County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2016

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
REVENUES				
Property taxes	\$ 1,022,592	\$ 127,418	\$ -	\$ 1,150,010
Licenses and permits	466,016	-	-	466,016
Federal and state grants	46,169,701	-	748,603	46,918,304
Other grants	281,561	-	-	281,561
Charges for services	9,660,853	14,197,288	812,324	24,670,465
Fines and forfeitures	590,941	-	-	590,941
Interest and rents	4,839	-	8,690	13,529
Other revenue	726,211	-	1,052,157	1,778,368
TOTAL REVENUES	58,922,714	14,324,706	2,621,774	75,869,194
EXPENDITURES				
Current				
Judicial	12,205,014	-	673	12,205,687
General government	1,863,600	6,064	-	1,869,664
Public safety	7,774,206	-	2,775,860	10,550,066
Public works	1,850	150,580	-	152,430
Health and welfare	53,143,414	-	-	53,143,414
Recreational and cultural	-	-	76,276	76,276
Capital outlay	1,461,996	-	11,936,803	13,398,799
Debt service				
Principal	-	14,504,273	-	14,504,273
Interest and fees	-	9,503,586	-	9,503,586
TOTAL EXPENDITURES	76,450,080	24,164,503	14,789,612	115,404,195
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(17,527,366)	(9,839,797)	(12,167,838)	(39,535,001)
OTHER FINANCING SOURCES (USES)				
Transfers in	17,779,407	9,216,425	42,640,442	69,636,274
Transfers out	(436,743)	-	(14,962,929)	(15,399,672)
TOTAL OTHER FINANCING SOURCES (USES)	17,342,664	9,216,425	27,677,513	54,236,602
NET CHANGE IN FUND BALANCES	(184,702)	(623,372)	15,509,675	14,701,601
Fund balances, beginning of year	12,507,548	2,617,902	8,068,072	23,193,522
Fund balances, end of year	\$ 12,322,846	\$ 1,994,530	\$ 23,577,747	\$ 37,895,123

FUND DESCRIPTIONS – NONMAJOR SPECIAL REVENUE FUNDS

December 31, 2016

SPECIAL REVENUE FUNDS are used to account for the proceeds of specific revenue sources that are legally restricted, committed, or assigned for specific purposes other than debt service or capital projects.

Circuit Court Programs Fund – This fund accounts for the activities of the Adult Drug Court, Mental Health Court, and Veterans Treatment Court, which provide intensive probation and treatment to low-risk offenders in an effort to reduce jail and prison bed days. This fund receives restricted revenues from the state as well as contributions from the General Fund.

Child Care Fund – This fund is used to account for expenditures and related restricted revenues from the state related to the detention and treatment of individuals under the age of 18 convicted of criminal offenses.

Community Corrections Funds – The Community Corrections department administers these funds, which accounts for programs that provide alternatives to incarceration. Both the September 30 and the December 31 fund accounts for related grants. The December 31 fund receives approximately 50% of its support from Federal and State grants and 50% of its support from the General Fund, while the September 30 fund receives approximately 75% of its support from Federal and State grants and approximately 25% of its support from the General Fund.

Community Action Agency Funds – The September 30 year-end fund provides a wide array of services to residents of the county, including, but not limited to, Meals on Wheels, senior citizens nutrition, income tax preparation for the elderly, transportation services, home injury control, household weatherization improvements and Head Start. Approximately 93% of the funding for Community Services comes from State and Federal grants. The December 31 year-end fund accounts for the federally-funded Community Development Block Grant, which is funded almost entirely by Federal funds and receives no financial support from the General Fund. The Community Services Department is responsible for administering the programs accounted for within these funds.

Concealed Pistol License Fund – This fund was established in compliance with Michigan Public Act 3 of 2015, which requires the county to account for the deposit of concealed pistol licensing fees collected by the county clerk as well as the allowable expenditures related to the cost of administering this public act. This fund receives no general fund support and is funded solely from deposits received under this public act.

Emergency Management Grants Fund – This fund is supported entirely by Federal and local grants for the purpose of purchasing emergency response equipment and creating emergency response plans for the county and local municipalities.

Friend of the Court Fund – This fund is used to account for the costs of operation of the Macomb County Friend of the Court, whose mission is to fairly and efficiently enforce court orders relating to child support, health care, spousal support, parenting time and custody. A majority of funding for this fund is provided through a grant from the Federal government, although approximately 20% of the fund's support is from the General Fund.

Health Grants Funds – The Health Grants Fund that operates on a September 30 year-end represents approximately 20% of the total budget of the Health Department and provides a variety of health-related services to the community. Funding for these programs is provided primarily through State and Federal grants, and approximately 15% of funding is provided by the General Fund. The December 31 year-end fund is supported entirely by State grants primarily for the purpose of administering a variety of water quality monitoring programs. Both funds are administered by the County Health Department.

Macomb / St. Clair Employment and Training Fund – This fund is supported entirely by State and Federal funds utilized for the purpose of integrating those facing barriers to employment into the labor force through training and employment support services. The fund receives no General Fund support.

MSU Extension Fund – Both the September 30 and December 31 funds are used to account for costs associated with the operation of educational programs run by Michigan State University, such as programs for foreclosure mitigation, financial literacy, and master gardener certifications. These funds are supported entirely by reimbursements from local communities and residents that utilize services and receive no General Fund support.

FUND DESCRIPTIONS – NONMAJOR SPECIAL REVENUE FUNDS

December 31, 2016

Prosecuting Attorney Grants Funds – The September 30 year-end fund is used to account for the costs associated with prosecuting cases involving child support enforcement, domestic violence, auto theft and drug-related offenses. The fund is supported by Federal and State grants as well as General Fund support equal to approximately 36% of total funding. The December 31 year-end fund is supported entirely by Federal Equitable Sharing forfeiture funds used primarily for employee training. Both funds are administered by the Prosecuting Attorney's Office.

Register of Deeds Remonumentation Fund – This fund was established pursuant to Section 2567a of the Revised Judicature Act, and the State Resurvey and Remonumentation Act, MCL 54.261 et seq. This legislation authorizes the Register of Deeds in each county to collect additional recording fees which are turned over to the State and used to provide grants to counties to fund the Remonumentation Grant Program. The purpose of this grant program is to survey and verify the location of corner markers, or "monuments", of all township sections within the county with satellite technology to assure accurate property boundaries, road alignments, subdivision layouts and plat descriptions. The fund is administered by the Register of Deeds department and receives no General Fund support.

Register of Deeds Technology Fund – The Register of Deeds Technology Fund was created in 2003 pursuant to Public Act 698 of 2002, which authorizes the Clerk/Register of Deeds to collect additional recording fees solely for use and expenditure by the Clerk/Register of Deeds Office for the purpose of technology improvements in those offices. The revenue generated from the increased fees is administered by the Clerk/Register of Deeds. The fund receives no General Fund support.

Sheriff Grants Funds – The September 30 year-end fund is used to account for the costs associated with Federal and State funded purchases of specialized units involved in traffic safety enforcement, auto theft and drug-related crimes. As these grants typically require a General Fund match, approximately 20% of total funding is from the General Fund. The December 31 year-end fund, which receives no General Fund support, is used to account for forfeitures, charges for services and various other grants. Both funds are administered by the County Sheriff's Department.

Social Welfare Fund – This fund is used to account for collections of medical bills in connection with a program that formerly provided emergency room services to the uninsured population of the county. While the county has not participated in the program in several years, revenues still being collected for long-overdue bills are being held in this fund in case the county continues participation in the program in the future. The fund receives no General Fund support.

Urban County Block Grant Fund – This fund is administered by the Planning and Economic Development Department and receives grants from Federal agencies for coastal water and marshland restoration, brownfield development and small business development. In addition to Federal funding, this fund is used to account for the proceeds from the sale of aerial maps. The fund receives no General Fund support.

Veterans' Affairs Fund – This fund is used to account for the activities of the Department of Veterans' Services, which provides service to all veterans and their families by providing aid for the process of completing the necessary federal paperwork to receive the maximum level of veteran's benefits possible. The fund receives its funding from an extra-voted property tax millage of .04 mills, levied county-wide. The fund receives no General Fund support.

Veterans' Trust Fund – This fund is used to account for specific veterans programs funded by Federal and State grant revenues. The fund receives no General Fund support.

Other Special Revenue Fund – This fund was a combination of smaller programs comprised of revenue sources restricted in purpose so as to be required to be reported as special revenue funds under the provisions of Government Accounting Standards Board Statement Number 54. Although the programs within this fund have been mostly dormant for years, the two programs within the fund with residual fund balance are the Board of Commissioner's Special Projects as well as the Employee Golf Outing Committee.

Macomb County, Michigan

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS

December 31, 2016

	Circuit Court Programs (1)	Child Care (1)	Community Corrections	Community Corrections (1)
ASSETS				
Cash and pooled investments	\$ -	\$ 14,142	\$ 217,696	\$ -
Receivables				
Property taxes, net	-	-	-	-
Trade accounts, net	-	77,218	-	-
Due from other governments	68,875	4,053,821	-	106,949
Other assets	-	9,730	-	-
TOTAL ASSETS	\$ 68,875	\$ 4,154,911	\$ 217,696	\$ 106,949
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 23,001	\$ 116,534	\$ 12,272	\$ 69,696
Accrued liabilities	-	-	1,967	-
Accrued compensation and benefits	1,264	100,517	-	10,687
Due to other governments	-	-	-	-
Due to governmental funds	42,840	3,928,130	-	24,829
Unearned revenue	1,750	-	195,894	-
TOTAL LIABILITIES	68,855	4,145,181	210,133	105,212
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied in advance	-	-	-	-
Unavailable grants and other charges	30,112	843,412	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	30,112	843,412	-	-
FUND BALANCES				
Nonspendable	-	9,730	-	-
Restricted	-	-	7,563	1,737
Assigned	-	-	-	-
Unassigned	(30,092)	(843,412)	-	-
TOTAL FUND BALANCES	(30,092)	(833,682)	7,563	1,737
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 68,875	\$ 4,154,911	\$ 217,696	\$ 106,949

(1) - Balance sheet as of September 30, 2016

Macomb County, Michigan

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

December 31, 2016

	Community Action Agency	Community Action Agency (1)	Concealed Pistol License	Emergency Management Grants
ASSETS				
Cash and pooled investments	\$ 571,015	\$ 1,126,730	\$ 374,038	\$ 161,768
Receivables				
Property taxes, net	-	-	-	-
Trade accounts, net	6,035,772	166,222	-	-
Due from other governments	409,037	1,413,892	-	1,191,724
Other assets	-	14,093	-	22,114
TOTAL ASSETS	\$ 7,015,824	\$ 2,720,937	\$ 374,038	\$ 1,375,606
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 506,210	\$ 712,251	\$ -	\$ 1,281,389
Accrued liabilities	-	-	3,271	-
Accrued compensation and benefits	14,385	364,045	-	9,413
Due to other governments	-	6,985	-	3,254
Due to governmental funds	-	-	-	-
Unearned revenue	-	118,715	-	3,328
TOTAL LIABILITIES	520,595	1,201,996	3,271	1,297,384
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied in advance	-	-	-	-
Unavailable grants and other charges	369,800	68,387	-	703,290
TOTAL DEFERRED INFLOWS OF RESOURCES	369,800	68,387	-	703,290
FUND BALANCES				
Nonspendable	-	14,093	-	22,114
Restricted	6,125,429	925,811	370,767	-
Assigned	-	510,650	-	-
Unassigned	-	-	-	(647,182)
TOTAL FUND BALANCES	6,125,429	1,450,554	370,767	(625,068)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 7,015,824	\$ 2,720,937	\$ 374,038	\$ 1,375,606

(1) - Balance sheet as of September 30, 2016

Macomb County, Michigan

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

December 31, 2016

	Friend of the Court (1)	Health Grants	Health Grants (1)	Macomb / St. Clair Employment and Training (2)
ASSETS				
Cash and pooled investments	\$ -	\$ 512,742	\$ 2,544,316	\$ 79,783
Receivables				
Property taxes, net	-	-	-	-
Trade accounts, net	-	-	30,627	403
Due from other governments	1,256,803	3,563	167,598	-
Other assets	9,537	-	-	-
TOTAL ASSETS	\$ 1,266,340	\$ 516,305	\$ 2,742,541	\$ 80,186
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 5,478	\$ 25,031	\$ 274,438	\$ 3,864
Accrued liabilities	-	-	-	-
Accrued compensation and benefits	108,631	-	63,263	76,322
Due to other governments	-	5,116	25,500	-
Due to governmental funds	666,596	-	-	-
Unearned revenue	-	-	-	-
TOTAL LIABILITIES	780,705	30,147	363,201	80,186
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied in advance	-	-	-	-
Unavailable grants and other charges	1,220,994	-	138,755	-
TOTAL DEFERRED INFLOWS OF RESOURCES	1,220,994	-	138,755	-
FUND BALANCES				
Nonspendable	9,537	-	-	-
Restricted	-	485,258	2,240,585	-
Assigned	-	900	-	-
Unassigned	(744,896)	-	-	-
TOTAL FUND BALANCES	(735,359)	486,158	2,240,585	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,266,340	\$ 516,305	\$ 2,742,541	\$ 80,186

(1) - Balance sheet as of September 30, 2016

(2) - Balance sheet as of June 30, 2016

Macomb County, Michigan

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

December 31, 2016

	MSU Extension	MSU Extension (1)	Prosecuting Attorney Grants	Prosecuting Attorney Grants (1)
ASSETS				
Cash and pooled investments	\$ 156,811	\$ 259,092	\$ 63,364	\$ 69,335
Receivables				
Property taxes, net	-	-	-	-
Trade accounts, net	1,143	-	-	-
Due from other governments	-	-	-	307,363
Other assets	-	-	-	-
TOTAL ASSETS	\$ 157,954	\$ 259,092	\$ 63,364	\$ 376,698
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 360	\$ -	\$ -	\$ 2,712
Accrued liabilities	-	-	-	-
Accrued compensation and benefits	-	-	-	27,991
Due to other governments	-	-	-	-
Due to governmental funds	-	-	-	316,487
Unearned revenue	-	-	-	-
TOTAL LIABILITIES	360	-	-	347,190
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied in advance	-	-	-	-
Unavailable grants and other charges	-	-	-	194,690
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	194,690
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	157,594	-	55,261	-
Assigned	-	259,092	8,103	-
Unassigned	-	-	-	(165,182)
TOTAL FUND BALANCES	157,594	259,092	63,364	(165,182)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 157,954	\$ 259,092	\$ 63,364	\$ 376,698

(1) - Balance sheet as of September 30, 2016

Macomb County, Michigan

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

December 31, 2016

	Register of Deeds Remonumentation Fund	Register of Deeds Technology Fund	Sheriff Grants	Sheriff Grants (1)
ASSETS				
Cash and pooled investments	\$ -	\$ 867,816	\$ 1,607,697	\$ 188,928
Receivables				
Property taxes, net	-	-	-	-
Trade accounts, net	-	49,683	29,368	-
Due from other governments	147,539	-	-	343,941
Other assets	-	525	5,660	-
TOTAL ASSETS	\$ 147,539	\$ 918,024	\$ 1,642,725	\$ 532,869
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 7,310	\$ 121,551	\$ 16,252	\$ 75,632
Accrued liabilities	-	-	-	23,224
Accrued compensation and benefits	-	-	-	-
Due to other governments	-	-	-	174,433
Due to governmental funds	140,229	-	-	-
Unearned revenue	-	-	-	-
TOTAL LIABILITIES	147,539	121,551	16,252	273,289
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied in advance	-	-	-	-
Unavailable grants and other charges	147,539	-	-	359,950
TOTAL DEFERRED INFLOWS OF RESOURCES	147,539	-	-	359,950
FUND BALANCES				
Nonspendable	-	525	5,660	-
Restricted	-	795,948	1,596,254	-
Assigned	-	-	24,559	-
Unassigned	(147,539)	-	-	(100,370)
TOTAL FUND BALANCES	(147,539)	796,473	1,626,473	(100,370)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 147,539	\$ 918,024	\$ 1,642,725	\$ 532,869

(1) - Balance sheet as of September 30, 2016

Macomb County, Michigan

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

December 31, 2016

	Social Welfare	Urban County Block Grant	Veterans' Affairs	Veterans' Trust Fund (1)
ASSETS				
Cash and pooled investments	\$ 139,676	\$ 677,418	\$ 954,611	\$ 2,011
Receivables				
Property taxes, net	-	-	857,502	-
Trade accounts, net	-	1,000	-	-
Due from other governments	-	74,195	-	10,000
Other assets	-	-	-	-
TOTAL ASSETS	\$ 139,676	\$ 752,613	\$ 1,812,113	\$ 12,011
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 139,676	\$ 116,874	\$ 4,555	\$ 8,432
Accrued liabilities	-	-	-	-
Accrued compensation and benefits	-	-	21,304	-
Due to other governments	-	-	-	-
Due to governmental funds	-	-	-	-
Unearned revenue	-	-	-	-
TOTAL LIABILITIES	139,676	116,874	25,859	8,432
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied in advance	-	-	995,262	-
Unavailable grants and other charges	-	66,695	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	66,695	995,262	-
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	55,081	790,992	3,579
Assigned	-	513,963	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES	-	569,044	790,992	3,579
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 139,676	\$ 752,613	\$ 1,812,113	\$ 12,011

(1) - Balance sheet as of September 30, 2016

Macomb County, Michigan

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS (CONCLUDED)

December 31, 2016

	Other Special Revenue	Total Nonmajor Special Revenue Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and pooled investments	\$ 10,734	\$ 10,599,723
Receivables		
Property taxes, net	-	857,502
Trade accounts, net	-	6,391,436
Due from other governments	-	9,555,300
Other assets	-	61,659
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 10,734</u>	<u>\$ 27,465,620</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ -	\$ 3,523,518
Accrued liabilities	-	28,462
Accrued compensation and benefits	-	797,822
Due to other governments	-	215,288
Due to governmental funds	-	5,119,111
Unearned revenue	-	319,687
	<u> </u>	<u> </u>
TOTAL LIABILITIES	-	10,003,888
 DEFERRED INFLOWS OF RESOURCES		
Property taxes levied in advance	-	995,262
Unavailable grants and other charges	-	4,143,624
	<u> </u>	<u> </u>
TOTAL DEFERRED INFLOWS OF RESOURCES	-	5,138,886
 FUND BALANCES		
Nonspendable	-	61,659
Restricted	-	13,611,859
Assigned	10,734	1,328,001
Unassigned	-	(2,678,673)
	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>10,734</u>	<u>12,322,846</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
	<u>\$ 10,734</u>	<u>\$ 27,465,620</u>

(1) - Balance sheet as of September 30, 2016

Macomb County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS

Year Ended December 31, 2016

	Circuit Court Programs (1)	Child Care (1)	Community Corrections	Community Corrections (1)
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Federal and state grants	208,301	7,010,800	12,272	1,008,610
Other grants	27,750	-	-	-
Charges for services	7,137	1,201,298	-	-
Fines and forfeitures	-	-	-	-
Interest and rents	-	-	-	-
Other revenue	-	107,856	-	-
TOTAL REVENUES	243,188	8,319,954	12,272	1,008,610
EXPENDITURES				
Current				
Judicial	357,486	-	-	-
General government	-	-	-	-
Public safety	-	-	82,010	1,352,393
Public works	-	-	-	-
Health and welfare	-	17,050,483	-	-
Capital outlay	-	53,165	-	-
TOTAL EXPENDITURES	357,486	17,103,648	82,010	1,352,393
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(114,298)	(8,783,694)	(69,738)	(343,783)
OTHER FINANCING SOURCES (USES)				
Transfers in	144,130	9,253,324	67,461	348,717
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	144,130	9,253,324	67,461	348,717
NET CHANGE IN FUND BALANCE	29,832	469,630	(2,277)	4,934
Fund balances, beginning of year	(59,924)	(1,303,312)	9,840	(3,197)
Fund balances, end of year	<u>\$ (30,092)</u>	<u>\$ (833,682)</u>	<u>\$ 7,563</u>	<u>\$ 1,737</u>

(1) - Year ended September 30, 2016

Macomb County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

Year Ended December 31, 2016

	Community Action Agency	Community Action Agency (1)	Concealed Pistol License	Emergency Management Grants
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	466,016	-
Federal and state grants	2,988,269	16,077,516	-	4,672,848
Other grants	-	-	-	9,738
Charges for services	440,066	1,239,371	-	-
Fines and forfeitures	-	-	-	-
Interest and rents	-	-	-	-
Other revenue	56,364	263,618	-	30
TOTAL REVENUES	3,484,699	17,580,505	466,016	4,682,616
EXPENDITURES				
Current				
Judicial	-	-	-	-
General government	-	-	143,379	-
Public safety	-	-	-	4,066,799
Public works	-	-	-	-
Health and welfare	3,966,879	20,426,715	-	-
Capital outlay	18,956	456,768	-	112,932
TOTAL EXPENDITURES	3,985,835	20,883,483	143,379	4,179,731
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(501,136)	(3,302,978)	322,637	502,885
OTHER FINANCING SOURCES (USES)				
Transfers in	46,045	3,381,657	-	-
Transfers out	(60,000)	-	-	(375,000)
TOTAL OTHER FINANCING SOURCES (USES)	(13,955)	3,381,657	-	(375,000)
NET CHANGE IN FUND BALANCE	(515,091)	78,679	322,637	127,885
Fund balances, beginning of year	6,640,520	1,371,875	48,130	(752,953)
Fund balances, end of year	<u>\$ 6,125,429</u>	<u>\$ 1,450,554</u>	<u>\$ 370,767</u>	<u>\$ (625,068)</u>

(1) - Year ended September 30, 2016

Macomb County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

Year Ended December 31, 2016

	Friend of the Court (1)	Health Grants	Health Grants (1)	Macomb / St. Clair Employment and Training (2)
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Federal and state grants	7,152,496	9,198	3,944,939	-
Other grants	-	-	-	-
Charges for services	934,351	28,963	710,375	3,846,778
Fines and forfeitures	-	-	-	-
Interest and rents	-	-	-	-
Other revenue	85	-	4,283	-
TOTAL REVENUES	8,086,932	38,161	4,659,597	3,846,778
EXPENDITURES				
Current				
Judicial	9,373,304	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	34,494	5,954,251	3,846,778
Capital outlay	444,399	38,577	65,004	-
TOTAL EXPENDITURES	9,817,703	73,071	6,019,255	3,846,778
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,730,771)	(34,910)	(1,359,658)	-
OTHER FINANCING SOURCES (USES)				
Transfers in	1,960,512	-	1,193,052	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	1,960,512	-	1,193,052	-
NET CHANGE IN FUND BALANCE	229,741	(34,910)	(166,606)	-
Fund balances, beginning of year	(965,100)	521,068	2,407,191	-
Fund balances, end of year	<u>\$ (735,359)</u>	<u>\$ 486,158</u>	<u>\$ 2,240,585</u>	<u>\$ -</u>

(1) - Year ended September 30, 2016

(2) - Year ended June 30, 2016

Macomb County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

Year Ended December 31, 2016

	<u>MSU Extension</u>	<u>MSU Extension (1)</u>	<u>Prosecuting Attorney Grants</u>	<u>Prosecuting Attorney Grants (1)</u>
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Federal and state grants	-	-	-	1,450,129
Other grants	-	-	-	-
Charges for services	4,100	-	-	-
Fines and forfeitures	-	-	-	-
Interest and rents	-	-	264	-
Other revenue	-	-	-	41,693
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	4,100	-	264	1,491,822
EXPENDITURES				
Current				
Judicial	-	-	-	2,474,224
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	19,876	8,750	-	-
Capital outlay	-	1,409	-	731
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	19,876	10,159	-	2,474,955
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(15,776)	(10,159)	264	(983,133)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,743	-	-	962,196
Transfers out	-	(1,743)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	1,743	(1,743)	-	962,196
NET CHANGE IN FUND BALANCE	(14,033)	(11,902)	264	(20,937)
Fund balances, beginning of year	171,627	270,994	63,100	(144,245)
Fund balances, end of year	<u>\$ 157,594</u>	<u>\$ 259,092</u>	<u>\$ 63,364</u>	<u>\$ (165,182)</u>

(1) - Year ended September 30, 2016

Macomb County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

Year Ended December 31, 2016

	Register of Deeds Remuneration Fund	Register of Deeds Technology Fund	Sheriff Grants	Sheriff Grants (1)
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Federal and state grants	272,641	-	110,215	958,173
Other grants	-	-	-	241,073
Charges for services	-	1,116,704	89,170	-
Fines and forfeitures	-	-	582,849	8,092
Interest and rents	-	4,575	-	-
Other revenue	-	-	27,451	-
TOTAL REVENUES	272,641	1,121,279	809,685	1,207,338
EXPENDITURES				
Current				
Judicial	-	-	-	-
General government	245,898	1,474,323	-	-
Public safety	-	-	356,019	1,916,985
Public works	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	245,632	14,243
TOTAL EXPENDITURES	245,898	1,474,323	601,651	1,931,228
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	26,743	(353,044)	208,034	(723,890)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	420,570
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	420,570
NET CHANGE IN FUND BALANCE	26,743	(353,044)	208,034	(303,320)
Fund balances, beginning of year	(174,282)	1,149,517	1,418,439	202,950
Fund balances, end of year	<u>\$ (147,539)</u>	<u>\$ 796,473</u>	<u>\$ 1,626,473</u>	<u>\$ (100,370)</u>

(1) - Year ended September 30, 2016

Macomb County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

Year Ended December 31, 2016

	Social Welfare	Urban County Block Grant	Veterans' Affairs	Veterans' Trust Fund (1)
REVENUES				
Property taxes	\$ -	\$ -	\$ 1,022,592	\$ -
Licenses and permits	-	-	-	-
Federal and state grants	-	188,574	-	104,720
Other grants	-	3,000	-	-
Charges for services	36,920	5,620	-	-
Fines and forfeitures	-	-	-	-
Interest and rents	-	-	-	-
Other revenue	-	206,666	18,165	-
TOTAL REVENUES	36,920	403,860	1,040,757	104,720
EXPENDITURES				
Current				
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	1,850	-	-
Health and welfare	139,676	361,086	1,220,621	113,805
Capital outlay	-	-	10,180	-
TOTAL EXPENDITURES	139,676	362,936	1,230,801	113,805
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(102,756)	40,924	(190,044)	(9,085)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
NET CHANGE IN FUND BALANCE	(102,756)	40,924	(190,044)	(9,085)
Fund balances, beginning of year	102,756	528,120	981,036	12,664
Fund balances, end of year	<u>\$ -</u>	<u>\$ 569,044</u>	<u>\$ 790,992</u>	<u>\$ 3,579</u>

(1) - Year ended September 30, 2016

Macomb County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS (CONCLUDED)

Year Ended December 31, 2016

	Other Special Revenue	Total Nonmajor Special Revenue Funds
	<u> </u>	<u> </u>
REVENUES		
Property taxes	\$ -	\$ 1,022,592
Licenses and permits	-	466,016
Federal and state grants	-	46,169,701
Other grants	-	281,561
Charges for services	-	9,660,853
Fines and forfeitures	-	590,941
Interest and rents	-	4,839
Other revenue	-	726,211
	<u> </u>	<u> </u>
TOTAL REVENUES	-	58,922,714
EXPENDITURES		
Current		
Judicial	-	12,205,014
General government	-	1,863,600
Public safety	-	7,774,206
Public works	-	1,850
Health and welfare	-	53,143,414
Capital outlay	-	1,461,996
	<u> </u>	<u> </u>
TOTAL EXPENDITURES	-	76,450,080
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(17,527,366)
OTHER FINANCING SOURCES (USES)		
Transfers in	-	17,779,407
Transfers out	-	(436,743)
	<u> </u>	<u> </u>
TOTAL OTHER FINANCING SOURCES (USES)	-	17,342,664
NET CHANGE IN FUND BALANCE	-	(184,702)
Fund balances, beginning of year	<u>10,734</u>	<u>12,507,548</u>
Fund balances, end of year	<u>\$ 10,734</u>	<u>\$ 12,322,846</u>

Macomb County, Michigan

BUDGETARY COMPARISON SCHEDULE (GAAP BASIS) –
NONMAJOR SPECIAL REVENUE FUNDS

Circuit Court Programs
Year Ended September 30, 2016

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Federal and state grants	\$ 226,293	\$ 208,301	\$ (17,992)
Other grants	29,500	27,750	(1,750)
Charges for services	6,000	7,137	1,137
TOTAL REVENUES	261,793	243,188	(18,605)
EXPENDITURES			
Current			
Judicial	431,261	357,486	73,775
EXCESS OF REVENUES OVER EXPENDITURES	(169,468)	(114,298)	55,170
OTHER FINANCING SOURCES			
Transfers in	169,468	144,130	(25,338)
NET CHANGE IN FUND BALANCES	-	29,832	29,832
Fund balances, beginning of year	(59,924)	(59,924)	-
Fund balances, end of year	\$ (59,924)	\$ (30,092)	\$ 29,832

-CONTINUED-

Macomb County, Michigan

BUDGETARY COMPARISON SCHEDULE (GAAP BASIS) –
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

	<u>Child Care Fund</u>		
	<u>Year Ended September 30, 2016</u>		
	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Federal and state grants	\$ 8,284,030	\$ 7,010,800	\$ (1,273,230)
Charges for services	1,282,700	1,201,298	(81,402)
Other revenue	-	107,856	107,856
TOTAL REVENUES	9,566,730	8,319,954	(1,246,776)
EXPENDITURES			
Current			
Health and welfare	21,724,341	17,050,483	4,673,858
Capital outlay	114,000	53,165	60,835
TOTAL EXPENDITURES	21,838,341	17,103,648	4,734,693
EXCESS OF REVENUES OVER EXPENDITURES	(12,271,611)	(8,783,694)	3,487,917
OTHER FINANCING SOURCES			
Transfers in	12,261,657	9,253,324	(3,008,333)
NET CHANGE IN FUND BALANCES	(9,954)	469,630	479,584
Fund balances, beginning of year	(1,303,312)	(1,303,312)	-
Fund balances, end of year	<u>\$ (1,313,266)</u>	<u>\$ (833,682)</u>	<u>\$ 479,584</u>

-CONTINUED-

Macomb County, Michigan

BUDGETARY COMPARISON SCHEDULE (GAAP BASIS) –
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

Community Corrections
Year Ended December 31, 2016

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Federal and state grants	\$ 208,166	\$ 12,272	\$ (195,894)
Charges for services	3,000	-	(3,000)
TOTAL REVENUES	211,166	12,272	(198,894)
EXPENDITURES			
Current			
Public safety	270,739	82,010	188,729
Capital outlay	25,849	-	25,849
TOTAL EXPENDITURES	296,588	82,010	214,578
EXCESS OF REVENUES OVER EXPENDITURES	(85,422)	(69,738)	15,684
OTHER FINANCING SOURCES			
Transfers in	74,545	67,461	(7,084)
NET CHANGE IN FUND BALANCES	(10,877)	(2,277)	8,600
Fund balances, beginning of year	9,840	9,840	-
Fund balances, end of year	<u>\$ (1,037)</u>	<u>\$ 7,563</u>	<u>\$ 8,600</u>

-CONTINUED-

Macomb County, Michigan

BUDGETARY COMPARISON SCHEDULE (GAAP BASIS) –
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

Community Corrections
Year Ended September 30, 2016

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Federal and state grants	\$ 1,130,295	\$ 1,008,610	\$ (121,685)
EXPENDITURES			
Current			
Public safety	1,491,808	1,352,393	139,415
EXCESS OF REVENUES OVER EXPENDITURES	(361,513)	(343,783)	17,730
OTHER FINANCING SOURCES			
Transfers in	361,513	348,717	(12,796)
NET CHANGE IN FUND BALANCES	-	4,934	4,934
Fund balances, beginning of year	(3,197)	(3,197)	-
Fund balances, end of year	<u>\$ (3,197)</u>	<u>\$ 1,737</u>	<u>\$ 4,934</u>

Macomb County, Michigan

BUDGETARY COMPARISON SCHEDULE (GAAP BASIS) –
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

Community Action Agency
Year Ended December 31, 2016

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Federal and state grants	\$ 8,007,134	\$ 2,988,269	\$ (5,018,865)
Charges for services	502,805	440,066	(62,739)
Other revenue	10,000	56,364	46,364
TOTAL REVENUES	8,519,939	3,484,699	(5,035,240)
EXPENDITURES			
Current			
Health and welfare	8,839,634	3,966,879	4,872,755
Capital outlay	20,000	18,956	1,044
TOTAL EXPENDITURES	8,859,634	3,985,835	4,873,799
EXCESS OF REVENUES OVER EXPENDITURES	(339,695)	(501,136)	(161,441)
OTHER FINANCING (USES)			
Transfers in	10,000	46,045	36,045
Transfers out	(70,000)	(60,000)	10,000
TOTAL OTHER FINANCING SOURCES (USES)	(60,000)	(13,955)	46,045
NET CHANGE IN FUND BALANCES	(399,695)	(515,091)	(115,396)
Fund balances, beginning of year	6,640,520	6,640,520	-
Fund balances, end of year	<u>\$ 6,240,825</u>	<u>\$ 6,125,429</u>	<u>\$ (115,396)</u>

Macomb County, Michigan

BUDGETARY COMPARISON SCHEDULE (GAAP BASIS) –
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

Community Action Agency
Year Ended September 30, 2016

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Federal and state grants	\$ 16,692,171	\$ 16,077,516	\$ (614,655)
Charges for services	2,891,132	1,239,371	(1,651,761)
Other revenue	157,000	263,618	106,618
TOTAL REVENUES	19,740,303	17,580,505	(2,159,798)
EXPENDITURES			
Current			
Health and welfare	22,977,682	20,426,715	2,550,967
Capital outlay	540,749	456,768	83,981
TOTAL EXPENDITURES	23,518,431	20,883,483	2,634,948
EXCESS OF REVENUES OVER EXPENDITURES	(3,778,128)	(3,302,978)	475,150
OTHER FINANCING SOURCES			
Transfers in	2,976,914	3,381,657	404,743
NET CHANGE IN FUND BALANCES	(801,214)	78,679	879,893
Fund balances, beginning of year	1,371,875	1,371,875	-
Fund balances, end of year	\$ 570,661	\$ 1,450,554	\$ 879,893

-CONTINUED-

Macomb County, Michigan

BUDGETARY COMPARISON SCHEDULE (GAAP BASIS) –
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

Concealed Pistol License
Year Ended December 31, 2016

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Licenses and permits	\$ 223,019	\$ 466,016	\$ 242,997
TOTAL REVENUES	223,019	466,016	242,997
EXPENDITURES			
Current			
General government	225,566	143,379	82,187
TOTAL EXPENDITURES	225,566	143,379	82,187
NET CHANGE IN FUND BALANCES	(2,547)	322,637	325,184
Fund balances, beginning of year	48,130	48,130	-
Fund balances, end of year	\$ 45,583	\$ 370,767	\$ 325,184

Macomb County, Michigan

BUDGETARY COMPARISON SCHEDULE (GAAP BASIS) –
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

Emergency Management Grants
Year Ended December 31, 2016

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Federal and state grants	\$ 8,289,379	\$ 4,672,848	\$ (3,616,531)
Other grants	-	9,738	9,738
Other revenue	-	30	30
TOTAL REVENUES	8,289,379	4,682,616	(3,606,763)
EXPENDITURES			
Current			
Public safety	7,694,102	4,066,799	3,627,303
Capital outlay	249,131	112,932	136,199
TOTAL EXPENDITURES	7,943,233	4,179,731	3,763,502
EXCESS OF REVENUES OVER EXPENDITURES	346,146	502,885	156,739
OTHER FINANCING SOURCES			
Transfers out	(375,000)	(375,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(375,000)	(375,000)	-
NET CHANGE IN FUND BALANCES	(28,854)	127,885	156,739
Fund balances, beginning of year	(752,953)	(752,953)	-
Fund balances, end of year	\$ (781,807)	\$ (625,068)	\$ 156,739

Macomb County, Michigan

BUDGETARY COMPARISON SCHEDULE (GAAP BASIS) –
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

Friend of the Court
Year Ended September 30, 2016

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Federal and state grants	\$ 6,807,631	\$ 7,152,496	\$ 344,865
Charges for services	820,000	934,351	114,351
Other revenue	-	85	85
TOTAL REVENUES	7,627,631	8,086,932	459,301
EXPENDITURES			
Current			
Judicial	10,084,295	9,373,304	710,991
Capital outlay	480,273	444,399	35,874
TOTAL EXPENDITURES	10,564,568	9,817,703	746,865
EXCESS OF REVENUES OVER EXPENDITURES	(2,936,937)	(1,730,771)	1,206,166
OTHER FINANCING SOURCES			
Transfers in	2,906,671	1,960,512	(946,159)
TOTAL OTHER FINANCING SOURCES (USES)	2,906,671	1,960,512	(946,159)
NET CHANGE IN FUND BALANCES	(30,266)	229,741	260,007
Fund balances, beginning of year	(965,100)	(965,100)	-
Fund balances, end of year	<u>\$ (995,366)</u>	<u>\$ (735,359)</u>	<u>\$ 260,007</u>

Macomb County, Michigan

BUDGETARY COMPARISON SCHEDULE (GAAP BASIS) –
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

	<u>Health Grants</u>		
	<u>Year Ended December 31, 2016</u>		
	<u>Final Amended Budget (Unaudited)</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Federal and state grants	\$ 43,764	\$ 9,198	\$ (34,566)
Charges for services	45,000	28,963	(16,037)
TOTAL REVENUES	88,764	38,161	(50,603)
EXPENDITURES			
Current			
Health and welfare	115,955	34,494	81,461
Capital outlay	46,055	38,577	7,478
TOTAL EXPENDITURES	162,010	73,071	88,939
NET CHANGE IN FUND BALANCES	(73,246)	(34,910)	38,336
Fund balances, beginning of year	521,068	521,068	-
Fund balances, end of year	<u>\$ 447,822</u>	<u>\$ 486,158</u>	<u>\$ 38,336</u>

Macomb County, Michigan

BUDGETARY COMPARISON SCHEDULE (GAAP BASIS) –
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

	<u>Health Grants</u>		
	<u>Year Ended September 30, 2016</u>		
	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Federal and state grants	\$ 4,162,382	\$ 3,944,939	\$ (217,443)
Charges for services	595,481	710,375	114,894
Other revenues	6,300	4,283	(2,017)
TOTAL REVENUES	4,764,163	4,659,597	(104,566)
EXPENDITURES			
Current			
Health and welfare	6,271,211	5,954,251	316,960
Capital outlay	87,913	65,004	22,909
TOTAL EXPENDITURES	6,359,124	6,019,255	339,869
EXCESS OF REVENUES OVER EXPENDITURES	(1,594,961)	(1,359,658)	235,303
OTHER FINANCING SOURCES			
Transfers in	1,588,322	1,193,052	(395,270)
TOTAL OTHER FINANCING SOURCES (USES)	1,588,322	1,193,052	(395,270)
NET CHANGE IN FUND BALANCES	(6,639)	(166,606)	(159,967)
Fund balances, beginning of year	2,407,191	2,407,191	-
Fund balances, end of year	\$ 2,400,552	\$ 2,240,585	\$ (159,967)

Macomb County, Michigan

BUDGETARY COMPARISON SCHEDULE (GAAP BASIS) –
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

Macomb / St. Clair Employment and Training
Year Ended June 30, 2016

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Charges for services	\$ 3,975,944	\$ 3,846,778	\$ (129,166)
EXPENDITURES			
Current			
Health and welfare	3,975,944	3,846,778	129,166
NET CHANGE IN FUND BALANCES	-	-	-
Fund balances, beginning of year	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -

Macomb County, Michigan

BUDGETARY COMPARISON SCHEDULE (GAAP BASIS) –
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

MSU Extension
Year Ended December 31, 2016

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Charges for services	\$ 5,500	\$ 4,100	\$ (1,400)
TOTAL REVENUES	5,500	4,100	(1,400)
EXPENDITURES			
Current			
Health and welfare	44,564	19,876	24,688
Capital outlay	1,500	-	1,500
TOTAL EXPENDITURES	46,064	19,876	26,188
EXCESS OF REVENUES OVER EXPENDITURES	(40,564)	(15,776)	24,788
OTHER FINANCING SOURCES			
Transfers in	1,743	1,743	-
NET CHANGE IN FUND BALANCES	(38,821)	(14,033)	24,788
Fund balances, beginning of year	171,627	171,627	-
Fund balances, end of year	\$ 132,806	\$ 157,594	\$ 24,788

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Macomb County, Michigan

BUDGETARY COMPARISON SCHEDULE (GAAP BASIS) –
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

MSU Extension
Year Ended September 30, 2016

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES			
Current			
Health and welfare	\$ 41,500	\$ 8,750	\$ 32,750
Capital outlay	1,412	1,409	3
TOTAL EXPENDITURES	<u>42,912</u>	<u>10,159</u>	<u>32,753</u>
OTHER FINANCING SOURCES			
Transfers out	<u>(1,743)</u>	<u>(1,743)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(44,655)	(11,902)	32,753
Fund balances, beginning of year	<u>270,994</u>	<u>270,994</u>	<u>-</u>
Fund balances, end of year	<u>\$ 226,339</u>	<u>\$ 259,092</u>	<u>\$ 32,753</u>

Macomb County, Michigan

BUDGETARY COMPARISON SCHEDULE (GAAP BASIS) –
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

Prosecuting Attorney Grants
Year Ended December 31, 2016

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Interest and rents	\$ -	\$ 264	\$ 264
EXPENDITURES			
Current			
Judicial	5,000	-	5,000
NET CHANGE IN FUND BALANCES	(5,000)	264	5,264
Fund balances, beginning of year	63,100	63,100	-
Fund balances, end of year	\$ 58,100	\$ 63,364	\$ 5,264

Macomb County, Michigan

BUDGETARY COMPARISON SCHEDULE (GAAP BASIS) –
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

Prosecuting Attorney Grants
Year Ended September 30, 2016

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Federal and state grants	\$ 1,539,829	\$ 1,450,129	\$ (89,700)
Other revenue	42,308	41,693	(615)
TOTAL REVENUES	1,582,137	1,491,822	(90,315)
EXPENDITURES			
Current			
Judicial	2,543,397	2,474,224	69,173
Capital outlay	2,500	731	1,769
TOTAL EXPENDITURES	2,545,897	2,474,955	70,942
EXCESS OF REVENUES OVER EXPENDITURES	(963,760)	(983,133)	(19,373)
OTHER FINANCING SOURCES			
Transfers in	963,760	962,196	(1,564)
TOTAL OTHER FINANCING SOURCES (USES)	963,760	962,196	(1,564)
NET CHANGE IN FUND BALANCES	-	(20,937)	(20,937)
Fund balances, beginning of year	(144,245)	(144,245)	-
Fund balances, end of year	\$ (144,245)	\$ (165,182)	\$ (20,937)

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Macomb County, Michigan

BUDGETARY COMPARISON SCHEDULE (GAAP BASIS) –
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

Register of Deeds Remonumentation Fund
Year Ended December 31, 2016

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Federal and state grants	\$ 245,898	\$ 272,641	\$ 26,743
EXPENDITURES			
Current			
General government	245,898	245,898	-
NET CHANGE IN FUND BALANCES	-	26,743	26,743
Fund balances, beginning of year	(174,282)	(174,282)	-
Fund balances, end of year	\$ (174,282)	\$ (147,539)	\$ 26,743

-CONTINUED-

BUDGETARY COMPARISON SCHEDULE (GAAP BASIS) –
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

Register of Deeds Technology Fund
Year Ended December 31, 2016

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Charges for services	\$ 1,320,000	\$ 1,116,704	\$ (203,296)
Interest and rents	-	4,575	4,575
TOTAL REVENUES	1,320,000	1,121,279	(198,721)
EXPENDITURES			
Current			
General government	1,471,900	1,474,323	(2,423)
TOTAL EXPENDITURES	1,471,900	1,474,323	(2,423)
NET CHANGE IN FUND BALANCES	(151,900)	(353,044)	(201,144)
Fund balances, beginning of year	1,149,517	1,149,517	-
Fund balances, end of year	<u>\$ 997,617</u>	<u>\$ 796,473</u>	<u>\$ (201,144)</u>

Macomb County, Michigan

BUDGETARY COMPARISON SCHEDULE (GAAP BASIS) –
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

Sheriff Grants
Year Ended December 31, 2016

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Federal and state grants	\$ 117,244	\$ 110,215	\$ (7,029)
Charges for services	100,600	89,170	(11,430)
Fines and forfeitures	235,000	582,849	347,849
Other revenue	-	27,451	27,451
TOTAL REVENUES	452,844	809,685	356,841
EXPENDITURES			
Current			
Public safety	1,026,854	356,019	670,835
Capital outlay	851,895	245,632	606,263
TOTAL EXPENDITURES	1,878,749	601,651	1,277,098
NET CHANGE IN FUND BALANCES	(1,425,905)	208,034	1,633,939
Fund balances, beginning of year	1,418,439	1,418,439	-
Fund balances, end of year	\$ (7,466)	\$ 1,626,473	\$ 1,633,939

Macomb County, Michigan

BUDGETARY COMPARISON SCHEDULE (GAAP BASIS) –
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

Sheriff Grants
Year Ended September 30, 2016

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Federal and state grants	\$ 1,295,740	\$ 958,173	\$ (337,567)
Other grants	253,043	241,073	(11,970)
Fines and forfeitures	30,000	8,092	(21,908)
Other revenue	15,000	-	(15,000)
TOTAL REVENUES	1,593,783	1,207,338	(386,445)
EXPENDITURES			
Current			
Public safety	1,998,885	1,916,985	81,900
Capital outlay	14,243	14,243	-
TOTAL EXPENDITURES	2,013,128	1,931,228	81,900
EXCESS OF REVENUES OVER EXPENDITURES	(419,345)	(723,890)	(304,545)
OTHER FINANCING SOURCES			
Transfers in	419,345	420,570	1,225
NET CHANGE IN FUND BALANCES	-	(303,320)	(303,320)
Fund balances, beginning of year	202,950	202,950	-
Fund balances, end of year	<u>\$ 202,950</u>	<u>\$ (100,370)</u>	<u>\$ (303,320)</u>

-CONTINUED-

Macomb County, Michigan

BUDGETARY COMPARISON SCHEDULE (GAAP BASIS) –
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

Social Welfare Fund
Year Ended December 31, 2016

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Charges for services	\$ 200,000	\$ 36,920	\$ (163,080)
EXPENDITURES			
Current			
Health and welfare	200,000	139,676	60,324
NET CHANGE IN FUND BALANCES	-	(102,756)	(102,756)
Fund balances, beginning of year	102,756	102,756	-
Fund balances, end of year	\$ 102,756	\$ -	\$ (102,756)

Macomb County, Michigan

BUDGETARY COMPARISON SCHEDULE (GAAP BASIS) –
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

Urban County Block Grant
Year Ended December 31, 2016

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Federal and state grants	\$ 1,277,400	\$ 188,574	\$ (1,088,826)
Other grants	-	3,000	3,000
Charges for services	36,500	5,620	(30,880)
Other revenue	131,029	206,666	75,637
TOTAL REVENUES	1,444,929	403,860	(1,041,069)
EXPENDITURES			
Current			
Public works	34,969	1,850	33,119
Health and welfare	1,508,168	361,086	1,147,082
TOTAL EXPENDITURES	1,543,137	362,936	1,180,201
NET CHANGE IN FUND BALANCES	(98,208)	40,924	139,132
Fund balances, beginning of year	528,120	528,120	-
Fund balances, end of year	\$ 429,912	\$ 569,044	\$ 139,132

Macomb County, Michigan

BUDGETARY COMPARISON SCHEDULE (GAAP BASIS) –
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

Veterans' Affairs Fund
Year Ended December 31, 2016

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	\$ 1,009,229	\$ 1,022,592	\$ 13,363
Other revenue	18,150	18,165	15
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	1,027,379	1,040,757	13,378
EXPENDITURES			
Current			
Health and welfare	1,315,079	1,220,621	94,458
Capital outlay	11,000	10,180	820
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	1,326,079	1,230,801	95,278
NET CHANGE IN FUND BALANCES	(298,700)	(190,044)	108,656
Fund balances, beginning of year	<hr/> 981,036	<hr/> 981,036	<hr/> -
Fund balances, end of year	<hr/> <u>\$ 682,336</u>	<hr/> <u>\$ 790,992</u>	<hr/> <u>\$ 108,656</u>

Macomb County, Michigan

BUDGETARY COMPARISON SCHEDULE (GAAP BASIS) –
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

Veterans' Trust Fund
Year Ended September 30, 2016

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Federal and state grants	\$ 94,720	\$ 104,720	\$ 10,000
EXPENDITURES			
Current			
Health and welfare	107,384	113,805	(6,421)
NET CHANGE IN FUND BALANCES	(12,664)	(9,085)	3,579
Fund balances, beginning of year	12,664	12,664	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ 3,579</u>	<u>\$ 3,579</u>

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Macomb County, Michigan

BUDGETARY COMPARISON SCHEDULE (GAAP BASIS) –
NONMAJOR SPECIAL REVENUE FUNDS (CONCLUDED)

Other Special Revenue
Year Ended December 31, 2016

While this fund retains residual fund balance, no revenues or expenditures were budgeted nor was there any activity in the fund during the current fiscal year.

FUND DESCRIPTION – NONMAJOR DEBT SERVICE FUND

December 31, 2016

Debt Service Fund – This fund accounts for the accumulation of resources that are used to pay long-term debt principal and interest payments. Bonds serviced from this fund include those categorized as issued for the Building Authority and general county, as well as bonds which were issued by the Michigan Transportation Fund. Details regarding these issues can be found in the Long-Term Debt footnote, which begins on page B-37 of the Notes to the Basic Financial Statements.

Macomb County, Michigan

BUDGETARY COMPARISON SCHEDULE (GAAP BASIS) –
NONMAJOR DEBT SERVICE FUND

Debt Service Fund
Year Ended December 31, 2016

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	\$ 127,891	\$ 127,418	\$ (473)
Charges for services	18,390,292	14,197,288	(4,193,004)
TOTAL REVENUES	18,518,183	14,324,706	(4,193,477)
EXPENDITURES			
Current			
General government	-	6,064	(6,064)
Public works	182,998	150,580	32,418
Debt service			
Principal	16,155,000	14,504,273	1,650,727
Interest and fees	10,975,485	9,503,586	1,471,899
TOTAL EXPENDITURES	27,313,483	24,164,503	3,148,980
EXCESS OF REVENUES OVER EXPENDITURES	(8,795,300)	(9,839,797)	(1,044,497)
OTHER FINANCING SOURCES			
Transfers in	8,795,300	9,216,425	421,125
TOTAL OTHER FINANCING SOURCES (USES)	8,795,300	9,216,425	421,125
NET CHANGE IN FUND BALANCES	-	(623,372)	(623,372)
Fund balances, beginning of year	2,617,902	2,617,902	-
Fund balances, end of year	\$ 2,617,902	\$ 1,994,530	\$ (623,372)

FUND DESCRIPTIONS – NONMAJOR CAPITAL PROJECT FUNDS

December 31, 2016

CAPITAL PROJECT FUNDS are used to account for financial resources that are to be used for the acquisition or construction of major capital facilities. Most expenditures in these types of funds are capitalized and included in the governmental activities capital assets schedule in the notes to the basic financial statements. Capital project funds are funded by a combination of federal and state grants as well as by general fund contributions. Significant capital projects have dedicated funds to more efficiently track activity. Descriptions of these funds are as follows:

Bridge Program – This fund accounts for the accumulation of resources that are used to maintain certain bridges throughout Macomb County. Funding for the program is achieved by charging local communities annually in exchange for the county's road department to maintain the bridges.

Capital Improvement Fund – This fund is used by the county to track incoming transfers from the General Fund and corresponding transfers out to specific capital project funds. Funding for this fund is achieved by budgeted appropriations from the county's General Fund to cover the estimated costs of the county's capital improvement plan on an annual basis.

General County Capital Projects – This fund is used by the county to account for the accumulation of resources and expenditures of resources for capital projects not otherwise being administered in separate capital project funds. Such capital projects are authorized via the county's annual capital improvement plan and funded via county executive recommended and board authorized budget appropriations to the capital improvement fund on an annual basis. The General County Capital Projects Fund then draws transfers from the Capital Improvement Fund. Although nearly all funding is from transfers from the Capital Improvement Fund, some capital projects are funded with federal and/or state grants, which are deposited into this fund.

Circuit Court E-filing – This fund accounts for the accumulation and use of resources related to paperless solutions in the circuit court. Capital outlays related to this project are mainly for technology, such as computer hardware and software platforms. The program is funded by court filing fees earmarked for the project. The program does not receive any funding from the General Fund.

Communication Center – This fund accounts for the accumulation and use of resources related to the Macomb County Communications and Technology Center (COMTEC). Capital outlays in this fund relate to the initial construction and ongoing technological improvements at the center. The program is funded by a combination of federal and state grants as well as appropriations from the Capital Improvement Fund.

Department of Roads Orchard Trail Fund – This fund accounts for the accumulation and use of resources related to past and potential future expansions of the Macomb County Orchard Trail. The program is funded by contributions of a portion of the Road Department's interest revenues earned on an annual basis. The fund does not receive any General Fund contributions.

District Court Improvement – This fund accounts for the accumulation and use of resources related to building and equipment improvements at the District Courts operated by the county, which is the 42nd District Court, with locations in Romeo and New Baltimore. Funding for district court improvements comes from earmarked court fees. The program does not receive any funding from the General Fund.

E-911 Capital Project Funds – These funds account for the accumulation and use of resources related to the construction and maintenance of the county-wide E-911 system. The program is funded by a combination of federal and state grants along with charges for services to local communities where the system is operated. The program does not receive any funding from the General Fund. The following funds account for various parts of this program:

- E-911 Radio System
- E-911 Cellular Fee
- E-911 Radio Maintenance

FUND DESCRIPTIONS – NONMAJOR CAPITAL PROJECT FUNDS (CONCLUDED)

December 31, 2016

Orchard Trail Fund – This fund accounts for the accumulation and use of resources related to construction and maintenance of the Macomb County Orchard Trail, which is a 24 mile paved bike trail. The program is funded by charges paid by each local community that the trail passes through, which are then used to maintain the trail. The program does not receive any funding from the General Fund.

Youth Home Renovation Fund – This fund accounts for the accumulation and use of resources related to the renovation of the Macomb County Youth Home. There has not been any recent activity in the fund as the project the fund was created for has been completed. The remaining fund balance has been earmarked for future related building projects.

Macomb County, Michigan

COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECT FUNDS

December 31, 2016

	Bridge Program	Capital Improvement Fund	General County Capital Projects	Circuit Court E- Filing
ASSETS				
Cash and pooled investments	\$ 47,122	\$ 17,162,114	\$ 2,344,302	\$ 209,905
Receivables				
Trade accounts, net	-	-	-	-
Due from other governments	601,086	-	-	-
Other assets	-	-	12,823	-
	<u>648,208</u>	<u>17,162,114</u>	<u>2,357,125</u>	<u>209,905</u>
TOTAL ASSETS	\$ 648,208	\$ 17,162,114	\$ 2,357,125	\$ 209,905
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 1,123,049	\$ 8,247
Accrued liabilities	-	-	67,105	-
Accrued compensation and benefits	-	-	618	-
Due to governmental funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>1,190,772</u>	<u>8,247</u>
TOTAL LIABILITIES	-	-	1,190,772	8,247
DEFERRED INFLOWS OF RESOURCES				
Unavailable grants and other charges	601,086	-	-	-
	<u>601,086</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	-	-	12,823	-
Restricted	47,122	-	-	-
Assigned	-	17,162,114	1,153,530	201,658
Unassigned	-	-	-	-
	<u>47,122</u>	<u>17,162,114</u>	<u>1,166,353</u>	<u>201,658</u>
TOTAL FUND BALANCES	47,122	17,162,114	1,166,353	201,658
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 648,208	\$ 17,162,114	\$ 2,357,125	\$ 209,905

Macomb County, Michigan

COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECT FUNDS (CONTINUED)

December 31, 2016

	Communication Center	Department of Roads Orchard Trail Fund (1)	District Court Improvement	E-911 Radio System
ASSETS				
Cash and pooled investments	\$ 1,370,596	\$ 1,843,264	\$ 464,322	\$ -
Receivables				
Trade accounts, net	-	-	-	-
Due from other governments	-	-	-	1,052,078
Other assets	10,548	-	-	-
	<u>1,381,144</u>	<u>1,843,264</u>	<u>464,322</u>	<u>1,052,078</u>
TOTAL ASSETS	\$ 1,381,144	\$ 1,843,264	\$ 464,322	\$ 1,052,078
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Accrued compensation and benefits	-	-	-	-
Due to governmental funds	1,370,596	-	-	1,052,078
	<u>1,370,596</u>	<u>-</u>	<u>-</u>	<u>1,052,078</u>
TOTAL LIABILITIES	1,370,596	-	-	1,052,078
DEFERRED INFLOWS OF RESOURCES				
Unavailable grants and other charges	-	-	-	1,052,078
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,052,078</u>
FUND BALANCES				
Nonspendable	10,548	-	-	-
Restricted	-	1,843,264	-	-
Assigned	-	-	464,322	-
Unassigned	-	-	-	(1,052,078)
	<u>10,548</u>	<u>1,843,264</u>	<u>464,322</u>	<u>(1,052,078)</u>
TOTAL FUND BALANCES	10,548	1,843,264	464,322	(1,052,078)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,381,144	\$ 1,843,264	\$ 464,322	\$ 1,052,078

(1) - Balance sheet as of September 30, 2016

Macomb County, Michigan

COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECT FUNDS (CONTINUED)

December 31, 2016

	E-911 Cellular Fee	E-911 Radio Maintenance	Orchard Trail	Youth Home Renovation
ASSETS				
Cash and pooled investments	\$ 2,524,637	\$ 783,028	\$ 479,488	\$ 103,230
Receivables				
Trade accounts, net	-	28,143	6,528	-
Due from other governments	325,805	180,413	-	-
Other assets	34,664	-	-	-
	<u>2,885,106</u>	<u>991,584</u>	<u>486,016</u>	<u>103,230</u>
TOTAL ASSETS	\$ 2,885,106	\$ 991,584	\$ 486,016	\$ 103,230
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 721,547	\$ 3,672	\$ 498	\$ -
Accrued liabilities	-	-	-	-
Accrued compensation and benefits	-	-	-	-
Due to governmental funds	-	-	-	-
	<u>721,547</u>	<u>3,672</u>	<u>498</u>	<u>-</u>
TOTAL LIABILITIES	721,547	3,672	498	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable grants and other charges	-	5,775	-	-
	<u>-</u>	<u>5,775</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	34,664	-	-	-
Restricted	2,128,895	982,137	-	-
Assigned	-	-	485,518	103,230
Unassigned	-	-	-	-
	<u>2,163,559</u>	<u>982,137</u>	<u>485,518</u>	<u>103,230</u>
TOTAL FUND BALANCES	2,163,559	982,137	485,518	103,230
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 2,885,106	\$ 991,584	\$ 486,016	\$ 103,230

Macomb County, Michigan

COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECT FUNDS (CONCLUDED)

December 31, 2016

	Total Nonmajor Capital Project Funds
ASSETS	
Cash and pooled investments	\$ 27,332,008
Receivables	
Trade accounts, net	34,671
Due from other governments	2,159,382
Other assets	58,035
	<hr/>
TOTAL ASSETS	\$ 29,584,096
	<hr/> <hr/>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	
LIABILITIES	
Accounts payable	\$ 1,857,013
Accrued liabilities	67,105
Accrued compensation and benefits	618
Due to governmental funds	2,422,674
	<hr/>
TOTAL LIABILITIES	4,347,410
DEFERRED INFLOWS OF RESOURCES	
Unavailable grants and other charges	1,658,939
	<hr/>
FUND BALANCES	
Nonspendable	58,035
Restricted	5,001,418
Assigned	19,570,372
Unassigned	(1,052,078)
	<hr/>
TOTAL FUND BALANCES	23,577,747
	<hr/>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 29,584,096
	<hr/> <hr/>

Macomb County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – NONMAJOR CAPITAL PROJECT FUNDS

December 31, 2016

	Bridge Program	Capital Improvement Fund	General County Capital Projects	Circuit Court E- Filing
REVENUES				
Federal and state grants	\$ -	\$ -	\$ 49,073	\$ -
Charges for services	24,045	-	-	51,552
Interest and rents	-	-	-	-
Other revenue	-	-	79	-
TOTAL REVENUES	24,045	-	49,152	51,552
EXPENDITURES				
Current				
Judicial	-	-	-	673
Public safety	-	-	-	-
Recreational and cultural	-	-	-	-
Capital outlay	-	-	7,371,810	45,625
TOTAL EXPENDITURES	-	-	7,371,810	46,298
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	24,045	-	(7,322,658)	5,254
OTHER FINANCING SOURCES (USES)				
Transfers in	-	30,132,894	7,658,210	-
Transfers out	-	(14,838,487)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	15,294,407	7,658,210	-
NET CHANGE IN FUND BALANCE	24,045	15,294,407	335,552	5,254
Fund balances, beginning of year	23,077	1,867,707	830,801	196,404
Fund balances, end of year	<u>\$ 47,122</u>	<u>\$ 17,162,114</u>	<u>\$ 1,166,353</u>	<u>\$ 201,658</u>

Macomb County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – NONMAJOR CAPITAL PROJECT FUNDS (CONTINUED)

December 31, 2016

	Communication Center	Department of Roads Orchard Trail Fund (1)	District Court Improvement	E-911 Radio System
REVENUES				
Federal and state grants	\$ 67,334	\$ -	\$ -	\$ -
Charges for services	-	-	54,388	-
Interest and rents	-	6,649	-	-
Other revenue	-	-	-	1,052,078
TOTAL REVENUES	67,334	6,649	54,388	1,052,078
EXPENDITURES				
Current				
Judicial	-	-	-	-
Public safety	-	-	-	2,244,964
Recreational and cultural	-	-	-	-
Capital outlay	58,321	-	-	4,414,046
TOTAL EXPENDITURES	58,321	-	-	6,659,010
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	9,013	6,649	54,388	(5,606,932)
OTHER FINANCING SOURCES (USES)				
Transfers in	26,235	268,249	-	4,554,854
Transfers out	(55,608)	-	-	(5,591)
TOTAL OTHER FINANCING SOURCES (USES)	(29,373)	268,249	-	4,549,263
NET CHANGE IN FUND BALANCE	(20,360)	274,898	54,388	(1,057,669)
Fund balances, beginning of year	30,908	1,568,366	409,934	5,591
Fund balances, end of year	<u>\$ 10,548</u>	<u>\$ 1,843,264</u>	<u>\$ 464,322</u>	<u>\$ (1,052,078)</u>

(1) - Balance sheet as of September 30, 2016

Macomb County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – NONMAJOR CAPITAL PROJECT FUNDS (CONTINUED)

December 31, 2016

	E-911 Cellular Fee	E-911 Radio Maintenance	Orchard Trail	Youth Home Renovation
REVENUES				
Federal and state grants	\$ 632,196	\$ -	\$ -	\$ -
Charges for services	-	635,104	47,235	-
Interest and rents	-	-	2,041	-
Other revenue	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	632,196	635,104	49,276	-
EXPENDITURES				
Current				
Judicial	-	-	-	-
Public safety	117,610	413,286	-	-
Recreational and cultural	-	-	76,276	-
Capital outlay	26,971	20,030	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	144,581	433,316	76,276	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	487,615	201,788	(27,000)	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(63,243)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	(63,243)	-	-	-
NET CHANGE IN FUND BALANCE	424,372	201,788	(27,000)	-
Fund balances, beginning of year	<hr/> 1,739,187	<hr/> 780,349	<hr/> 512,518	<hr/> 103,230
Fund balances, end of year	<u>\$ 2,163,559</u>	<u>\$ 982,137</u>	<u>\$ 485,518</u>	<u>\$ 103,230</u>

Macomb County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – NONMAJOR CAPITAL PROJECT FUNDS (CONCLUDED)

December 31, 2016

	Total Nonmajor Capital Project Funds
REVENUES	
Federal and state grants	\$ 748,603
Charges for services	812,324
Interest and rents	8,690
Other revenue	<u>1,052,157</u>
 TOTAL REVENUES	 2,621,774
EXPENDITURES	
Current	
Judicial	673
Public safety	2,775,860
Recreational and cultural	76,276
Capital outlay	<u>11,936,803</u>
 TOTAL EXPENDITURES	 <u>14,789,612</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 (12,167,838)
OTHER FINANCING SOURCES (USES)	
Transfers in	42,640,442
Transfers out	<u>(14,962,929)</u>
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>27,677,513</u>
 NET CHANGE IN FUND BALANCE	 15,509,675
 Fund balances, beginning of year	 <u>8,068,072</u>
 Fund balances, end of year	 <u>\$ 23,577,747</u>

FUND DESCRIPTIONS – INTERNAL SERVICE FUNDS

December 31, 2016

INTERNAL SERVICE FUNDS are used to account for the financing of goods or services provided by one county department or agency to other departments or agencies on a cost-reimbursement basis.

Compensated Absences Fund – accumulates the costs of compensated absences, such as accumulated paid time off banks and sick banks for county employees. This service is funded by charge backs to departments based on the number of full time equivalent employees.

Equipment Revolving Fund – accumulates the costs, maintenance, and depreciation of vehicles and other equipment used by various departments throughout the county. This service is funded by charge backs to departments based on both historical and future projected needs of vehicles and equipment.

Fringe Benefits Fund – accumulates the costs of the county employees' fringe benefits. This service is funded by charge backs to departments based on full time equivalent employees receiving benefits.

County General Liability Fund – accumulates funds for the purpose of being used to settle claims against the county when no insurance coverage exists and to make general liability insurance premium payments. The service is funded by charge backs to departments.

Roads General Liability Fund – accumulates funds for the purpose of being used to settle claims against the roads department when no insurance coverage exists and to make general liability insurance premium payments. The service is funded by charge backs to the Department of Roads special revenue fund. Additionally, net position in this fund is considered restricted for roads-related general liability claims as funding is received exclusively from the Department of Roads special revenue fund, from which all revenue sources are restricted to roads-related purposes.

Workers' Compensation Fund – accumulates and disburses funds related to workers' compensation claims. The service is funded by charge backs to departments based on rate schedules for each job title classification within each department.

Macomb County, Michigan

COMBINING STATEMENT OF NET POSITION – INTERNAL SERVICE FUNDS

December 31, 2016

	Compensated Absences	Equipment Revolving	Fringe Benefits	County General Liability
ASSETS				
Current Assets				
Cash and pooled investments	\$ 13,282,784	\$ 5,960,956	\$ -	\$ 8,014,325
Receivables				
Trade accounts, net	-	319,711	-	-
Inventories	-	237,645	-	-
Due from governmental funds	-	-	322,203	-
Due from fiduciary funds	-	-	10,147,737	-
Other assets	-	55,471	1,942,997	441,022
	<u>13,282,784</u>	<u>6,573,783</u>	<u>12,412,937</u>	<u>8,455,347</u>
Total current assets				
Noncurrent assets				
Capital assets, net				
Assets being depreciated	-	1,335,958	-	-
	<u>-</u>	<u>1,335,958</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>13,282,784</u>	<u>7,909,741</u>	<u>12,412,937</u>	<u>8,455,347</u>
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	72,043	230,287	890,582	29,711
Due to governmental funds	-	301,807	3,000,000	-
Claims and judgments	-	-	-	935,000
Long-term liabilities due within one year	1,000,000	-	-	-
	<u>1,072,043</u>	<u>532,094</u>	<u>3,890,582</u>	<u>964,711</u>
Total current liabilities				
Noncurrent liabilities				
Claims and judgments	-	-	-	4,542,555
Long-term liabilities due in more than one year	11,960,741	-	-	-
	<u>11,960,741</u>	<u>-</u>	<u>-</u>	<u>4,542,555</u>
Total noncurrent liabilities				
TOTAL LIABILITIES	<u>13,032,784</u>	<u>532,094</u>	<u>3,890,582</u>	<u>5,507,266</u>
NET POSITION				
Net investment in capital assets	-	1,335,958	-	-
Restricted for:				
Roads general liability insurance	-	-	-	-
Unrestricted (deficit)	250,000	6,041,689	8,522,355	2,948,081
	<u>250,000</u>	<u>6,041,689</u>	<u>8,522,355</u>	<u>2,948,081</u>
TOTAL NET POSITION	<u>\$ 250,000</u>	<u>\$ 7,377,647</u>	<u>\$ 8,522,355</u>	<u>\$ 2,948,081</u>

-CONTINUED-

Macomb County, Michigan

COMBINING STATEMENT OF NET POSITION – INTERNAL SERVICE FUNDS (CONCLUDED)

December 31, 2016

	Roads General Liability (1)	Workers' Compensation	Total Internal Service Funds
ASSETS			
Current Assets			
Cash and pooled investments	\$ 8,267,130	\$ 5,449,519	\$ 40,974,714
Receivables			
Trade accounts, net	-	-	319,711
Inventories	-	-	237,645
Due from governmental funds	-	-	322,203
Due from fiduciary funds	-	-	10,147,737
Other assets	-	152,854	2,592,344
	<u>8,267,130</u>	<u>5,602,373</u>	<u>54,594,354</u>
Total current assets	8,267,130	5,602,373	54,594,354
Noncurrent assets			
Capital assets, net			
Assets being depreciated	-	-	1,335,958
	<u>-</u>	<u>-</u>	<u>1,335,958</u>
TOTAL ASSETS	8,267,130	5,602,373	55,930,312
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	-	81,121	1,303,744
Due to governmental funds	-	-	3,301,807
Claims and judgments	19,270	700,000	1,654,270
Long-term liabilities due within one year	-	-	1,000,000
	<u>19,270</u>	<u>781,121</u>	<u>7,259,821</u>
Total current liabilities	19,270	781,121	7,259,821
Noncurrent liabilities			
Claims and judgments	250,000	1,989,451	6,782,006
Long-term liabilities due in more than one year	-	-	11,960,741
	<u>250,000</u>	<u>1,989,451</u>	<u>18,742,747</u>
Total noncurrent liabilities	250,000	1,989,451	18,742,747
TOTAL LIABILITIES	<u>269,270</u>	<u>2,770,572</u>	<u>26,002,568</u>
NET POSITION			
Net investment in capital assets	-	-	1,335,958
Restricted for:			
Roads general liability insurance	7,997,860	-	7,997,860
Unrestricted (deficit)	-	2,831,801	20,593,926
	<u>-</u>	<u>2,831,801</u>	<u>20,593,926</u>
TOTAL NET POSITION	<u>\$ 7,997,860</u>	<u>\$ 2,831,801</u>	<u>\$ 29,927,744</u>

(1) - Year ended September 30, 2016

Macomb County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION – INTERNAL SERVICE FUNDS

Year Ended December 31, 2016

	Compensated Absences	Equipment Revolving	Fringe Benefits	County General Liability
OPERATING REVENUES				
Charges for services	\$ 1,002,613	\$ 3,853,375	\$ 52,125,190	\$ 2,832,191
OPERATING EXPENSES				
Benefits and claims expenses	3,050,208	-	54,166,018	3,392,253
Supplies and services	-	3,838,060	-	-
Depreciation	-	656,054	-	-
TOTAL OPERATING EXPENSES	3,050,208	4,494,114	54,166,018	3,392,253
OPERATING INCOME (LOSS)	(2,047,595)	(640,739)	(2,040,828)	(560,062)
NONOPERATING REVENUES (EXPENSES)				
Investment income	-	-	-	-
NET INCOME (LOSS) BEFORE TRANSFERS	(2,047,595)	(640,739)	(2,040,828)	(560,062)
TRANSFERS				
Transfers in	2,047,595	-	-	-
Transfers out	-	-	(2,467,919)	-
NET TRANSFERS	2,047,595	-	(2,467,919)	-
CHANGE IN NET POSITION	-	(640,739)	(4,508,747)	(560,062)
Net position, beginning of year	250,000	8,018,386	13,031,102	3,508,143
Net position, end of year	\$ 250,000	\$ 7,377,647	\$ 8,522,355	\$ 2,948,081

-CONTINUED-

Macomb County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION – INTERNAL SERVICE FUNDS (CONCLUDED)

Year Ended December 31, 2016

	Roads General Liability (1)	Workers' Compensation	Total Internal Service Funds
OPERATING REVENUES			
Charges for services	\$ -	\$ 1,137,593	\$ 60,950,962
OPERATING EXPENSES			
Benefits and claims expenses	308,964	713,791	61,631,234
Supplies and services	-	-	3,838,060
Depreciation	-	-	656,054
TOTAL OPERATING EXPENSES	308,964	713,791	66,125,348
OPERATING INCOME (LOSS)	(308,964)	423,802	(5,174,386)
NONOPERATING REVENUES (EXPENSES)			
Investment income	34,799	-	34,799
NET INCOME (LOSS) BEFORE TRANSFERS	(274,165)	423,802	(5,139,587)
TRANSFERS			
Transfers in	-	-	2,047,595
Transfers out	-	-	(2,467,919)
NET TRANSFERS	-	-	(420,324)
CHANGE IN NET POSITION	(274,165)	423,802	(5,559,911)
Net position, beginning of year	8,272,025	2,407,999	35,487,655
Net position, end of year	\$ 7,997,860	\$ 2,831,801	\$ 29,927,744

(1) - Year ended September 30, 2016

Macomb County, Michigan

COMBINING STATEMENT OF CASH FLOWS – INTERNAL SERVICE FUNDS

Year Ended December 31, 2016

	Compensated Absences	Equipment Revolving	Fringe Benefits	County General Liability
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from interfund services	\$ 1,002,613	\$ 3,860,361	\$ 51,562,725	\$ 2,832,191
Cash payments to employees	(2,140,650)	-	-	-
Cash payments to suppliers	-	(3,931,066)	(53,083,916)	(1,544,736)
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	(1,138,037)	(70,705)	(1,521,191)	1,287,455
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	2,047,595	-	-	-
Transfers out	-	-	(2,467,919)	-
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	2,047,595	-	(2,467,919)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	-	(509,386)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	-	-	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	909,558	(580,091)	(3,989,110)	1,287,455
Cash and cash equivalents, beginning of year	12,373,226	6,541,047	3,989,110	6,726,870
Cash and cash equivalents, end of year	<u>\$ 13,282,784</u>	<u>\$ 5,960,956</u>	<u>\$ -</u>	<u>\$ 8,014,325</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ (2,047,595)	\$ (640,739)	\$ (2,040,828)	\$ (560,062)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	-	656,054	-	-
Changes in assets and liabilities:				
Accounts receivable	-	6,986	10,294	-
Inventory	-	30,884	-	-
Due from governmental funds	-	-	(108,984)	-
Due from fiduciary funds	-	-	(3,463,775)	-
Other assets	-	(12,634)	698,749	26,408
Accounts payable and accrued liabilities	72,043	57,239	383,353	(66,568)
Due to other funds	-	126,505	3,000,000	-
Claims and judgments	-	-	-	1,887,677
Long-term liabilities	837,515	-	-	-
Advances from other funds	-	(295,000)	-	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (1,138,037)	\$ (70,705)	\$ (1,521,191)	\$ 1,287,455

-CONTINUED-

Macomb County, Michigan

COMBINING STATEMENT OF CASH FLOWS – INTERNAL SERVICE FUNDS (CONCLUDED)

Year Ended December 31, 2016

	Roads General Liability (1)	Workers' Compensation	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from interfund services	\$ -	\$ 1,137,593	\$ 60,395,483
Cash payments to employees	-	-	(2,140,650)
Cash payments to suppliers	(281,495)	(740,513)	(59,581,726)
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	(281,495)	397,080	(1,326,893)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	-	-	2,047,595
Transfers out	-	-	(2,467,919)
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	-	-	(420,324)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	-	-	(509,386)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments	34,799	-	34,799
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(246,696)	397,080	(2,221,804)
Cash and cash equivalents, beginning of year	8,513,826	5,052,439	43,196,518
Cash and cash equivalents, end of year	<u>\$ 8,267,130</u>	<u>\$ 5,449,519</u>	<u>\$ 40,974,714</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ (308,964)	\$ 423,802	\$ (5,174,386)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	-	-	656,054
Changes in assets and liabilities:			
Accounts receivable	-	-	17,280
Inventory	-	-	30,884
Due from governmental funds	-	-	(108,984)
Due from fiduciary funds	-	-	(3,463,775)
Other assets	-	29,967	742,490
Accounts payable and accrued liabilities	-	(2,354)	443,713
Due to other funds	-	-	3,126,505
Claims and judgments	27,469	(54,335)	1,860,811
Long-term liabilities	-	-	837,515
Advances from other funds	-	-	(295,000)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (281,495)	\$ 397,080	\$ (1,326,893)

(1) - Year ended September 30, 2016

FUND DESCRIPTIONS – FIDUCIARY AND AGENCY FUNDS

December 31, 2016

PENSION AND OTHER POSTEMPLOYMENT BENEFIT FUNDS account for assets held by the county in a trustee capacity for retirement plan systems. Fiduciary funds cannot be used to support county programs.

Employees' Retirement Fund – this fund accounts for the activity of the Macomb County Employees' Retirement System, or MCERS. MCERS administers the county's defined benefit pension plan, which is an Internal Revenue Service qualified plan. MCERS collects contributions from the county and employees, invests funds held in trust by the county, and makes pension payments to eligible beneficiaries. Further information regarding the system can be found in the notes to the basic financial statements, Note 10.

Retiree Health Care Trust Fund – this fund accounts for contributions from the county and employees, tracks investment activity held in trust by the county, and tracks health care benefit payments made on behalf of eligible beneficiaries.

Retiree Health Care Intermediate Trust Fund – this fund was established to account for the proceeds of the 2015 other postemployment benefit (OPEB) bonds. Funds equal to the annual required contribution as calculated by the OPEB plan actuarial valuation are transferred to the Retiree Health Care Trust Fund annually. Further information regarding both the **Retiree Health Care Trust Fund** and the **Retiree Health Care Intermediate Trust Fund** can be found in the notes to the financial statements, Note 11.

AGENCY FUNDS account for assets held by the county in a custodial capacity. Agency funds are generally clearance devices for monies collected for others, held briefly, and then disbursed to authorized recipients.

Trust and Agency Fund – this fund accounts for all tax related funds transmitted to the county and held on behalf of other entities, mainly local governmental units and the state of Michigan.

Payroll and Benefits Agency Fund – this fund accounts for all accumulations of amounts due to various vendors and the federal and state governments for employee benefits and tax withholdings. The amounts collected originate mainly from employee payroll withholdings.

Miscellaneous Agency Funds – this fund accounts for all non-tax related funds transmitted to the county and held on behalf of other entities, mainly local governmental units and the state of Michigan.

Utica Ballpark Cleanup Agency Fund – this fund accounts for all funds collected from a developer, GS Entertainment, LLC, as part of an agreement between that developer and the county to redevelop and environmentally remediate property owned previously by a private party in Macomb County. In accordance with the agreement, funds will either be released back to the developer, or if the loans associated with the project which are issued in the county's name are not repaid by the developer, the funds will be released to the holder of the debt, the Michigan Department of Environmental Quality. This activity has been classified as conduit debt and is described in greater detail within the notes to the basic financial statements, Note 6.

Macomb County, Michigan

COMBINING STATEMENT OF FIDUCIARY NET POSITION –
PENSION AND OTHER POSTEMPLOYMENT BENEFIT FUNDS

December 31, 2016

	Employees' Retirement Fund	Retiree Health Care Trust Fund	Retiree Health Care Intermediate Trust Fund	Total Pension and Other Postemployment Benefit Funds
ASSETS				
Cash and pooled investments	\$ 31,543,531	\$ 12,098,476	\$ 8,087,384	\$ 51,729,391
Investments, at fair value				
US Government securities	-	-	36,238,865	36,238,865
Corporate bonds	794,640	-	21,545,777	22,340,417
Common stock	306,711,318	78,898	169,761,390	476,551,606
Preferred stock	3,099,685	-	1,539,898	4,639,583
Foreign stock	20,040,217	32,607,197	20,580,981	73,228,395
Limited partnership	259,619,925	2,815	-	259,622,740
Real estate investment trusts	-	33,930,028	4,354,230	38,284,258
Fixed income common collective trusts	75,683,812	44,507,394	-	120,191,206
Equity common collective trusts	235,715,668	109,175,425	31,919,282	376,810,375
Total investments, at fair value	901,665,265	220,301,757	285,940,423	1,407,907,445
Receivables				
Accrued interest	473,649	2,335,814	773,495	3,582,958
Other	619,909	-	695,636	1,315,545
Due from primary government	18,039	109,190	-	127,229
Other assets	1,250	351,231	-	352,481
TOTAL ASSETS	934,321,643	235,196,468	295,496,938	1,465,015,049
LIABILITIES				
Accounts payable	1,105,394	12,349,056	109,281	13,563,731
Accrued compensation and benefits	4,416,631	-	-	4,416,631
Due to primary government	-	14,867,999	460,586	15,328,585
TOTAL LIABILITIES	5,522,025	27,217,055	569,867	33,308,947
NET POSITION RESTRICTED FOR PENSION AND OTHER POSTEMPLOYMENT BENEFITS	\$ 928,799,618	\$ 207,979,413	\$ 294,927,071	\$ 1,431,706,102

Macomb County, Michigan

COMBINING STATEMENT OF CHANGES FIDUCIARY NET POSITION –
PENSION AND OTHER POSTEMPLOYMENT BENEFIT FUNDS

Year Ended December 31, 2016

	Employees' Retirement Fund	Retiree Health Care Trust Fund	Retiree Health Care Intermediate Trust Fund	Total Pension and Other Postemployment Benefit Funds
ADDITIONS				
Investment income (loss):				
Interest and dividends	\$ 6,579,557	\$ 13,764,620	\$ 10,175,870	\$ 30,520,047
Net change in fair value of investments	81,258,894	2,405,364	18,032,019	101,696,277
Less investment expenses	(4,908,755)	(112,197)	(438,942)	(5,459,894)
Net investment income (loss)	82,929,696	16,057,787	27,768,947	126,756,430
Contributions				
Employer	20,909,535	-	-	20,909,535
Employee	3,628,768	811,322	-	4,440,090
Contribution from Retiree Health Care Intermediate Trust Fund	-	30,391,139	-	30,391,139
Total contributions	24,538,303	31,202,461	-	55,740,764
TOTAL ADDITIONS	107,467,999	47,260,248	27,768,947	182,497,194
DEDUCTIONS				
Benefit payments	62,983,475	19,216,570	-	82,200,045
Refund of contributions	380,322	-	-	380,322
Administrative expenses	757,087	35,000	48,985	841,072
Contribution to Retiree Health Care Trust Fund	-	-	30,391,139	30,391,139
TOTAL DEDUCTIONS	64,120,884	19,251,570	30,440,124	113,812,578
CHANGE IN NET POSITION	43,347,115	28,008,678	(2,671,177)	68,684,616
Net position - beginning of year	885,452,503	179,970,735	297,598,248	1,363,021,486
Net position - end of year	\$ 928,799,618	\$ 207,979,413	\$ 294,927,071	\$ 1,431,706,102

Macomb County, Michigan

COMBINING STATEMENT OF FIDUCIARY NET POSITION –
AGENCY FUNDS

December 31, 2016

	Trust and Agency Fund	Payroll and Benefits Fund	Utica Ballpark Cleanup Fund	Miscellaneous Agency Funds	Total Agency Funds
ASSETS					
Cash and pooled investments	\$ 8,113,757	\$ 61,335	\$ 9,844	\$ 3,813,716	\$ 11,998,652
Receivables					
Other	187,765	20,045	-	-	207,810
Due from other governments	80,711	-	-	95,803	176,514
Other assets	38,193	194,894	-	2,400	235,487
TOTAL ASSETS	\$ 8,420,426	\$ 276,274	\$ 9,844	\$ 3,911,919	\$ 12,618,463
LIABILITIES					
Accounts payable	\$ 2,236,663	\$ 244,306	\$ 9,844	\$ 822,828	\$ 3,313,641
Accrued compensation and benefits	-	31,968	-	-	31,968
Cash bonds and deposits	5,497,097	-	-	3,043,559	8,540,656
Due to other governments	686,666	-	-	45,532	732,198
TOTAL LIABILITIES	\$ 8,420,426	\$ 276,274	\$ 9,844	\$ 3,911,919	\$ 12,618,463

Macomb County, Michigan

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES –
AGENCY FUNDS

Year Ended December 31, 2016

	Balance, January 1, 2016	Additions	Deductions	Balance, December 31, 2016
ASSETS				
Cash and pooled investments	\$ 11,663,063	\$ 915,367,546	\$ 915,031,957	\$ 11,998,652
Receivables				
Other	682,284	519,647	994,121	207,810
Due from other governments	61,715	1,146,919	1,032,120	176,514
Other assets	383,289	2,417,511	2,565,313	235,487
TOTAL ASSETS	<u>\$ 12,790,351</u>	<u>\$ 919,451,623</u>	<u>\$ 919,623,511</u>	<u>\$ 12,618,463</u>
LIABILITIES				
Accounts payable	\$ 4,981,937	\$ 190,620,343	\$ 192,288,639	\$ 3,313,641
Accrued compensation and benefits	370,394	40,807,428	41,145,854	31,968
Cash bonds and deposits	6,788,141	50,063,264	48,310,749	8,540,656
Due to other governments	649,879	182,157,293	182,074,974	732,198
TOTAL LIABILITIES	<u>\$ 12,790,351</u>	<u>\$ 463,648,328</u>	<u>\$ 463,820,216</u>	<u>\$ 12,618,463</u>

Macomb County, Michigan

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES –
AGENCY FUNDS

Year Ended December 31, 2016

Trust and Agency Fund

	Balance, January 1, 2016	Additions	Deductions	Balance, December 31, 2016
ASSETS				
Cash and pooled investments	\$ 6,787,806	\$ 95,478,320	\$ 94,152,369	\$ 8,113,757
Receivables				
Other	662,239	519,647	994,121	187,765
Due from other governments	12,212	321,463	252,964	80,711
Other assets	192,006	2,405,988	2,559,801	38,193
TOTAL ASSETS	\$ 7,654,263	\$ 98,725,418	\$ 97,959,255	\$ 8,420,426
LIABILITIES				
Accounts payable	\$ 2,645,369	\$ 41,757,128	\$ 42,165,834	\$ 2,236,663
Cash bonds and deposits	4,390,832	47,893,946	46,787,681	5,497,097
Due to other governments	618,062	36,209,966	36,141,362	686,666
TOTAL LIABILITIES	\$ 7,654,263	\$ 125,861,040	\$ 125,094,877	\$ 8,420,426

Payroll and Benefits Agency Fund

	Balance, January 1, 2016	Additions	Deductions	Balance, December 31, 2016
ASSETS				
Cash and pooled investments	\$ 429,682	\$ 42,668,520	\$ 43,036,867	\$ 61,335
Receivables				
Other	20,045	-	-	20,045
Other assets	191,090	9,123	5,319	194,894
TOTAL ASSETS	\$ 640,817	\$ 42,677,643	\$ 43,042,186	\$ 276,274
LIABILITIES				
Accounts payable	\$ 270,423	\$ 948,499	\$ 974,616	\$ 244,306
Accrued compensation and benefits	370,394	40,807,428	41,145,854	31,968
TOTAL LIABILITIES	\$ 640,817	\$ 41,755,927	\$ 42,120,470	\$ 276,274

-CONTINUED-

Macomb County, Michigan

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES –
AGENCY FUNDS (CONCLUDED)

Year Ended December 31, 2016

Utica Ballpark Cleanup Agency Fund

	Balance, January 1, 2016	Additions	Deductions	Balance, December 31, 2016
ASSETS				
Cash and pooled investments	\$ 924,616	\$ -	\$ 914,772	\$ 9,844
LIABILITIES				
Accounts payable	\$ 924,616	\$ -	\$ 914,772	\$ 9,844

Miscellaneous Agency Fund

	Balance, January 1, 2016	Additions	Deductions	Balance, December 31, 2016
ASSETS				
Cash and pooled investments	\$ 3,520,959	\$ 777,220,706	\$ 776,927,949	\$ 3,813,716
Due from other governments	49,503	825,456	779,156	95,803
Other assets	193	2,400	193	2,400
TOTAL ASSETS	\$ 3,570,655	\$ 778,048,562	\$ 777,707,298	\$ 3,911,919
LIABILITIES				
Accounts payable	\$ 1,141,529	\$ 147,914,716	\$ 148,233,417	\$ 822,828
Cash bonds and deposits	2,397,309	2,169,318	1,523,068	3,043,559
Due to other governments	31,817	145,947,327	145,933,612	45,532
TOTAL LIABILITIES	\$ 3,570,655	\$ 296,031,361	\$ 295,690,097	\$ 3,911,919

FUND DESCRIPTION – GOVERNMENTAL FUNDS
DRAINAGE DISTRICTS COMPONENT UNIT

Drainage Districts – This component unit consists of many individual districts created pursuant to Michigan Public Act 40 of 1956, Chapters 20 and 21 for the purpose of alleviating drainage problems. Separate fund types have been established to account for the resources and costs associated with the construction, maintenance, and financing of the individual drainage districts.

Macomb County, Michigan

COMBINING BALANCE SHEET – GOVERNMENTAL FUNDS
DRAINAGE DISTRICTS COMPONENT UNIT

September 30, 2016

	Special Revenue	Capital Projects	Debt Service	Total Drainage Districts Component Unit
ASSETS				
Cash and pooled investments	\$ 4,722,725	\$ 20,468,848	\$ 8,884,394	\$ 34,075,967
Restricted cash - unspent bond proceeds	-	6,006,415	-	6,006,415
Receivables				
Special assessments	-	-	261,677,798	261,677,798
Trade accounts, net	5,513,066	879,330	-	6,392,396
Due from governmental funds	546,633	1,208,250	-	1,754,883
TOTAL ASSETS	\$ 10,782,424	\$ 28,562,843	\$ 270,562,192	\$ 309,907,459
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 6,316,575	\$ 6,456,231	\$ -	\$ 12,772,806
Due to governmental funds	472,428	1,282,455	-	1,754,883
Unearned revenue	-	45,731	6,006,405	6,052,136
TOTAL LIABILITIES	6,789,003	7,784,417	6,006,405	20,579,825
DEFERRED INFLOWS OF RESOURCES				
Unavailable assessments and other charges	337,452	176,032	255,671,393	256,184,877
FUND BALANCES				
Restricted				
Capital projects	-	20,602,394	-	20,602,394
Debt service	-	-	8,884,394	8,884,394
Public works	3,655,969	-	-	3,655,969
TOTAL FUND BALANCES	3,655,969	20,602,394	8,884,394	33,142,757
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 10,782,424	\$ 28,562,843	\$ 270,562,192	\$ 309,907,459

Macomb County, Michigan

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION –
DRAINAGE DISTRICTS COMPONENT UNIT

September 30, 2016

Total fund balances for governmental funds		\$ 33,142,757
<p>Amounts reported for governmental activities in the government-wide statement of net position are different because:</p>		
<p>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.</p>		
Capital assets		
Land	\$ 1,992,428	
Infrastructure	403,146,159	
Construction in progress	37,469,355	
Accumulated depreciation	<u>(126,809,083)</u>	
Capital assets, net of accumulated depreciation		315,798,859
<p>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. This is the net effect of these balances on the statement.</p>		
		(264,284,322)
<p>Special assessments receivable are not available to pay for current expenditures and therefore are recorded as deferred inflows of resources in the governmental funds.</p>		
		256,184,877
<p>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.</p>		
		<u>(3,065,879)</u>
Net position of governmental activities		<u>\$ 337,776,292</u>

Macomb County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
DRAINAGE DISTRICTS COMPONENT UNIT

Year Ended September 30, 2016

	Special Revenue	Capital Projects	Debt Service	Total Governmental Funds
REVENUES				
Federal and state grants	\$ 936,942	\$ 4,396,851	\$ -	\$ 5,333,793
Charges for services	57,955,467	2,361,483	18,139	60,335,089
Interest income	4,652	66,484	8,760,745	8,831,881
Special assessments	-	-	13,600,242	13,600,242
TOTAL REVENUES	58,897,061	6,824,818	22,379,126	88,101,005
EXPENDITURES				
Current				
Public works	59,514,685	-	-	59,514,685
Capital outlay	-	11,887,133	-	11,887,133
Debt service				
Principal	-	-	13,513,523	13,513,523
Interest and fees	-	212,489	9,107,400	9,319,889
TOTAL EXPENDITURES	59,514,685	12,099,622	22,620,923	94,235,230
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(617,624)	(5,274,804)	(241,797)	(6,134,225)
OTHER FINANCING SOURCES (USES)				
Face amount of long-term debt	3,629,949	1,427,864	-	5,057,813
Transfers in	-	-	4,249,523	4,249,523
Transfers out	(4,249,523)	-	-	(4,249,523)
TOTAL OTHER FINANCING SOURCES (USES)	(619,574)	1,427,864	4,249,523	5,057,813
NET CHANGE IN FUND BALANCES	(1,237,198)	(3,846,940)	4,007,726	(1,076,412)
Fund balances, beginning of year	4,893,167	24,449,334	4,876,668	34,219,169
Fund balances, end of year	<u>\$ 3,655,969</u>	<u>\$ 20,602,394</u>	<u>\$ 8,884,394</u>	<u>\$ 33,142,757</u>

Macomb County, Michigan

RECONCILIATION OF THE CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES –
DRAINAGE DISTRICTS COMPONENT UNIT

Year Ended September 30, 2016

Net change in fund balances - total governmental funds \$ (1,076,412)

Amounts reported for governmental activities in the Statement of Activities are different because:

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

Expenditures for capital assets	\$ 10,641,366	
Current year depreciation expense	(7,796,139)	
Net book value of assets disposed	<u>(111,992)</u>	
		2,733,235

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. 13,513,523

The proceeds received as a result of issuing of bonds and loans are recorded as revenue in the governmental funds, but are recorded as increases in long-term liabilities in the statement of net position. (5,057,813)

Bond discounts are recorded as reductions of financial resources in the governmental funds at the time the bonds are issued. However, they are capitalized and allocated over the life of the bonds as amortization expense in the statement of activities. 187,029

Revenues in the statement of activities that do not provide current financial resources are not recorded in the funds. In the current period these amounts consist of:
(Decrease) in unavailable resources (6,481,953)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:
(Increase) in accrued interest payable (881,048)

Change in net position of governmental activities \$ 2,936,561

TABLE OF CONTENTS - STATISTICAL SECTION

STATISTICAL SECTION information contained herein relates to the physical, economic, social, and political characteristics of the county. It is designed to provide a broader and more complete understanding of the county and its financial affairs than is possible from the financial statements, notes, and supporting schedules presented in the financial section of the comprehensive annual financial report.

Financial Trends

These schedules contain trend information to help the reader understand how the county’s financial performance and well-being have changed over time.

Net position by component.....	3
Changes in net position.....	4-5
Fund balance of governmental funds.....	6
*Changes in fund balances of governmental funds.....	7
Changes in fund balances of the general fund.....	8

Revenue Capacity

These schedules contain information to help the reader assess the county’s most significant local revenue source, property taxes.

*Assessed taxable values (History of property values).....	9
*Property tax rates – Direct and overlapping governments.....	10
*Principal property taxpayers (Major taxpayers).....	11
*Property tax levies and collections.....	12

Debt Capacity

These schedules present information to help the reader assess the affordability of the county’s current levels of outstanding debt and the county’s ability to issue additional debt in the future.

Ratios of outstanding debt by type.....	13
Ratios of net general bonded debt outstanding.....	14
*Direct and overlapping governmental activities debt.....	15
*Current and historical legal debt margins.....	16

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the county’s financial activities take place.

*Demographic and economic statistics.....	17
*Concentration of workforce.....	18

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the county’s financial report relates to the services the county provides and the activities it performs.

Full-time equivalent county government employees by function/program.....	19
Operating indicators by function/program.....	20
Capital asset statistics by function.....	21
Schedule of insurance.....	22-23

* Indicates schedules included in the statistical section which fulfill continuing disclosure requirements.

TABLE OF CONTENTS - STATISTICAL SECTION (CONCLUDED)

Continuing Disclosure

Continuing disclosure information contained herein complies with Rule 15c2-12, a federal regulation promulgated by the Securities and Exchange Commission, designed to improve disclosure practices in the municipal bond market. Municipal bonds issued after July 3, 1995 are subject to this mandatory requirement.

Continuing disclosure requires certain annual financial information and operating data, including audited financial statements for the preceding fiscal year. This information is generally consistent with the information contained or cross-referenced in the official statement relating to the bonds.

Tax abatements – Industrial Facilities Tax (IFT).....	24
State Shared Revenues and county residential building permits issued.....	25
Schedule of labor force agreements.....	26

Macomb County, Michigan

NET POSITION BY COMPONENT
LAST TEN YEARS, IN THOUSANDS

(Unaudited)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Net investment in capital assets (1) (5)	\$ 116,043	\$ 137,858	\$ 113,415	\$ 103,709	\$ 833,903	\$ 843,554	\$ 882,572	\$ 897,288	\$ 915,034	\$ 934,211
Restricted (2) (4)	96,409	80,962	67,512	49,849	87,208	89,747	90,301	93,368	141,828	101,239
Unrestricted (2) (3) (4) (5) (6)	7,014	(28,288)	(32,136)	(34,923)	(8,488)	(18,456)	(40,158)	(30,484)	(61,211)	(30,653)
Total governmental activities net position	219,466	190,532	148,791	118,635	912,623	914,845	932,715	960,172	995,651	1,004,797
Business-type activities										
Net investment in capital assets (5)	23,236	1,479	1,460	1,348	1,196	1,252	672	782	1,685	1,807
Restricted	7,049	8,267	10,221	13,303	16,053	18,662	19,713	24,331	28,339	31,556
Unrestricted (2) (4) (5) (6)	87,479	93,449	102,529	110,843	86,389	84,262	101,855	113,487	85,485	85,710
Total business-type units net position	117,764	103,195	114,210	125,494	103,638	104,176	122,240	138,600	115,509	119,073
Primary government										
Net investment in capital assets (1) (5)	139,279	139,337	114,875	105,057	835,099	844,806	883,244	898,070	916,719	936,018
Restricted (2) (4)	103,458	89,229	77,733	63,152	103,261	108,409	110,014	117,699	170,167	132,795
Unrestricted (2) (3) (4) (5) (6)	94,493	65,161	70,393	75,920	77,901	65,806	61,697	83,003	24,274	55,057
Total primary government net position	\$ 337,230	\$ 293,727	\$ 263,001	\$ 244,129	\$1,016,261	\$1,019,021	\$1,054,955	\$1,098,772	\$1,111,160	\$1,123,870

(1) - 2008 restated

(2) - 2009 restated. See Note 14 of the 2010 financial statements.

(3) - 2010 restated. See Note 13 of the 2011 financial statements.

(4) - 2011 restated. See Note 13 of the 2012 financial statements.

(5) - 2013 restated. See Note 14 of the 2014 financial statements.

(6) - 2014 restated. See Note 15 of the 2015 financial statements.

Source: Macomb County Finance Department

Macomb County, Michigan

CHANGES IN NET POSITION
LAST TEN YEARS, IN THOUSANDS

(Unaudited)

	2007	2008	2009	2010	2011 (1)	2012	2013 (4)	2014	2015	2016
Expenses										
Governmental activities										
Legislative	\$ 2,345	\$ 2,354	\$ 2,115	\$ 1,875	\$ 1,182	\$ 1,139	\$ 1,202	\$ 1,191	\$ 1,487	\$ 1,265
Judicial	40,672	39,843	38,342	33,417	41,329	40,636	41,359	42,194	48,334	46,188
General government (2) (3)	94,801	96,873	80,414	78,983	64,687	68,095	68,830	57,780	50,182	39,525
Public safety (2)	76,046	76,264	75,880	71,359	67,994	64,860	79,398	75,849	81,402	82,462
Public works	1,157	873	1,851	887	72,568	69,975	68,159	71,027	71,867	81,973
Health and welfare	89,362	85,570	82,039	90,126	83,260	75,431	72,041	66,909	66,119	79,401
Recreation and culture	2,845	2,308	1,740	1,183	825	62	234	147	139	144
Interest on long-term debt	4,038	3,479	2,849	2,673	2,476	2,244	1,543	1,357	7,542	9,483
Total governmental activities expenses	311,266	307,564	285,230	280,503	334,321	322,442	332,766	316,454	327,072	340,441
Business-type activities										
Delinquent tax collections	868	1,219	2,538	5,495	6,313	8,336	5,495	4,349	4,238	3,382
Community Mental Health (2)	174,125	178,395	188,615	194,117	208,177	211,733	220,322	229,654	245,394	235,220
Martha T Berry Medical Care Facility (2) (3)	21,726	23,393	21,651	22,101	23,848	24,989	-	-	-	-
Freedom Hill Park (2)	1,116	1,080	637	313	377	209	381	467	594	451
Total business-type activities expenses	197,835	204,087	213,441	222,026	238,715	245,267	226,198	234,470	250,226	239,053
Total primary government expenses	\$ 509,101	\$ 511,651	\$ 498,671	\$ 502,529	\$ 573,036	\$ 567,709	\$ 558,964	\$ 550,924	\$ 577,298	\$ 579,494
Program revenues										
Governmental activities										
Charges for services										
Judicial	\$ 7,017	\$ 5,935	\$ 5,972	\$ 6,826	\$ 6,022	\$ 6,114	\$ 5,517	\$ 5,273	\$ 6,306	\$ 6,329
General government	13,288	13,250	15,166	16,697	17,360	19,037	18,929	15,772	17,103	15,289
Public safety	13,864	15,544	13,898	13,280	13,262	14,601	16,542	15,955	20,257	21,329
Public works	-	-	-	-	19,651	27,080	19,693	20,831	20,407	16,182
Health and welfare	12,660	9,758	10,853	13,095	11,195	9,053	7,114	7,770	12,362	14,958
Recreation and culture	120	115	84	86	-	-	6	-	59	47
Operating grants and contributions	59,335	60,072	56,077	62,813	57,693	51,379	50,079	46,665	49,586	48,009
Capital grants and contributions	2,725	1,062	2,161	2,333	56,655	60,427	72,746	76,970	73,402	79,190
Total governmental activities program revenues	109,009	105,736	104,211	115,130	181,838	187,691	190,626	189,236	199,482	201,333
Business-type activities										
Charges for services										
Delinquent tax collections	12,119	14,177	17,524	20,237	21,718	21,999	17,640	14,093	13,723	11,579
Community Mental Health	167,342	173,065	183,698	161,944	168,556	169,395	175,001	196,278	208,844	216,593
Martha T Berry Medical Care Facility (3)	18,609	19,723	20,857	22,761	23,197	23,326	-	-	-	-
Freedom Hill Park	242	255	173	184	173	501	232	400	671	274
Operating grants and contributions	372	415	469	31,625	34,298	34,995	35,802	29,256	17,957	14,444
Total business-type activities program revenues	198,684	207,635	222,721	236,751	247,942	250,216	228,675	240,027	241,195	242,890
Total primary government program revenues	\$ 307,693	\$ 313,371	\$ 326,932	\$ 351,881	\$ 429,780	\$ 437,907	\$ 419,301	\$ 429,263	\$ 440,677	\$ 444,223
Net (expense) revenue										
Governmental activities	\$ (202,257)	\$ (201,828)	\$ (181,019)	\$ (165,373)	\$ (152,483)	\$ (134,751)	\$ (142,140)	\$ (127,218)	\$ (127,590)	\$ (139,108)
Business-type activities	849	3,548	9,280	14,725	9,227	4,949	2,477	5,557	(9,031)	3,837
Total primary government net expenses	\$ (201,408)	\$ (198,280)	\$ (171,739)	\$ (150,648)	\$ (143,256)	\$ (129,802)	\$ (139,663)	\$ (121,661)	\$ (136,621)	\$ (135,271)

(1) - The former Road Commission Discretely Presented Component Unit was dissolved in 2011 and became a department under the direction of the County Executive. Data relative to the Department of Roads is categorized as Public Works. Revenue and expense data for years prior to 2011 does not include information relative to the Department of Roads.

(2) - 2011 restated. See Note 13 of 2012 financial statements.

(3) - 2013 restated. See Note 14 of the 2014 financial statements.

(4) - The Martha T. Berry Medical Care Facility was re-evaluated by management and determined to be a component unit beginning in fiscal year 2013.

-CONTINUED-

Macomb County, Michigan

CHANGES IN NET POSITION
LAST TEN YEARS, IN THOUSANDS (CONCLUDED)

(Unaudited)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General revenues										
Governmental activities										
Property taxes	\$ 141,903	\$ 132,539	\$ 139,470	\$ 127,976	\$ 119,762	\$ 114,894	\$ 109,501	\$ 113,049	\$ 117,745	\$ 115,859
Intergovernmental revenues - unrestricted	2,392	802	2,365	2,215	2,307	19,489	23,252	23,280	22,682	30,357
Investment earnings	10,635	6,644	2,699	1,070	777	663	424	1,793	480	729
Transfers	(325)	(1,486)	(1,909)	3,950	4,175	1,926	(6,065)	(8,571)	21,766	1,309
Total governmental activities general revenues	154,605	138,499	142,625	135,211	127,021	136,972	127,112	129,551	162,673	148,254
Business-type activities										
Investment earnings	2,966	2,164	1,020	137	215	310	309	294	317	894
Transfers	473	519	(1,456)	(3,578)	(3,421)	(4,719)	6,851	7,316	(13,981)	(1,167)
Total business-type activities general revenues	3,439	2,683	(436)	(3,441)	(3,206)	(4,409)	7,160	7,610	(13,664)	(273)
Total primary government general revenues	\$ 158,044	\$ 141,182	\$ 142,189	\$ 131,770	\$ 123,815	\$ 132,563	\$ 134,272	\$ 137,161	\$ 149,009	\$ 147,981
Change in net position										
Governmental activities	\$ (47,652)	\$ (63,329)	\$ (38,394)	\$ (30,162)	\$ (25,462)	\$ 2,221	\$ (15,028)	\$ 2,333	\$ 35,083	\$ 9,146
Business-type activities (1)	4,288	6,231	8,844	11,284	6,021	540	9,637	13,167	(22,695)	3,564
Total primary government change in net position	\$ (43,364)	\$ (57,098)	\$ (29,550)	\$ (18,878)	\$ (19,441)	\$ 2,761	\$ (5,391)	\$ 15,500	\$ 12,388	\$ 12,710

(1) - 2013 restated. See Note 14 of the 2014 financial statements.

Source: Macomb County Finance Department

Macomb County, Michigan

FUND BALANCE OF GOVERNMENTAL FUNDS
LAST TEN YEARS, IN THOUSANDS

(Unaudited)

	2007	2008	2009	2010	2011 (3)	2012	2013	2014	2015	2016
General fund										
Reserved	\$ 300	\$ 295	\$ 295	\$ 295	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved (2)	39,454	32,134	40,241	50,280	-	-	-	-	-	-
Nonspendable	-	-	-	-	295	295	659	596	6,075	4,933
Committed	-	-	-	-	-	-	-	-	6,527	-
Assigned	-	-	-	-	-	-	-	-	11,609	13,672
Unassigned	-	-	-	-	57,639	79,776	81,029	84,650	48,002	43,029
Total general fund	\$ 39,754	\$ 32,429	\$ 40,536	\$ 50,575	\$ 57,934	\$ 80,071	\$ 81,688	\$ 85,246	\$ 72,213	\$ 61,634
All other governmental funds										
Reserved (1)	\$ 96,409	\$ 80,962	\$ 59,906	\$ 49,849	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in										
Special revenue funds	11,011	11,574	6,633	8,536	-	-	-	-	-	-
Debt service funds	-	-	7,037	-	-	-	-	-	-	-
Capital projects funds	15,225	10,668	16,611	22,922	-	-	-	-	-	-
Nonspendable (3)	-	-	-	-	4,555	5,020	5,088	3,886	7,198	5,746
Restricted (3) (4)	-	-	-	-	81,171	75,334	76,122	81,258	106,454	78,367
Assigned (3)	-	-	-	-	34,238	27,291	19,089	10,687	6,397	20,898
Unassigned	-	-	-	-	-	-	(2,970)	(2,508)	(4,400)	(3,730)
Total all other governmental funds	\$ 122,645	\$ 103,204	\$ 90,187	\$ 81,307	\$ 119,964	\$ 107,645	\$ 97,329	\$ 93,323	\$ 115,649	\$ 101,281

(1) - 2009 restated. See Note 14 of the 2010 financial statements.

(2) - 2010 restated. See Note 13 of the 2011 financial statements.

(3) - The County adopted GASB 54 in 2011. That statement created new fund balance classifications that have not been reflected on this schedule in years prior to 2011. In addition, the Health, Library, and Senior Citizens Special Revenue Funds have been combined with the General Fund for financial statement purposes in 2011. Financial data pertaining to those funds is included in the Other Governmental Funds category for years prior to 2011.

(4) - 2011 restated. See Note 13 of the 2012 financial statements.

Source: Macomb County Finance Department

Macomb County, Michigan

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN YEARS, IN THOUSANDS

(Unaudited)

	2007	2008	2009	2010	2011 (1)	2012	2013	2014	2015	2016
Revenues										
Property taxes	\$ 141,903	\$ 132,539	\$ 139,470	\$ 127,976	\$ 119,762	\$ 110,000	\$ 110,952	\$ 113,690	\$ 116,742	\$ 115,175
Licenses and permits	1,653	1,243	1,321	1,427	1,733	1,924	1,985	2,305	2,634	2,831
Federal and state grants (2)	64,143	60,587	58,641	66,498	116,297	130,903	135,606	142,994	144,565	159,199
Other grants	308	1,348	1,963	861	392	391	460	871	605	282
Charges for services (2)	42,484	38,322	42,544	47,067	52,437	57,766	60,094	61,924	77,827	75,079
Charges to other funds for administrative services	11,925	14,522	15,162	10,258	8,250	6,575	7,036	8,070	7,620	14,463
Fines and forfeitures	1,382	3,392	1,923	1,204	1,791	2,469	932	802	1,024	1,148
Interest and rents (2)	10,635	6,645	2,699	1,070	742	635	413	373	2,404	4,926
Other revenue	1,430	1,645	186	286	2,649	2,421	894	1,127	2,059	2,372
Total revenues	275,863	260,243	263,909	256,647	304,053	313,084	318,372	332,156	355,480	375,475
Expenditures										
Current										
Legislative	2,345	2,354	2,115	1,875	1,182	1,139	1,202	1,191	1,289	1,235
Judicial	37,835	37,506	36,286	32,177	40,202	39,553	40,393	41,252	42,334	43,388
General government	58,640	58,809	55,179	50,817	42,330	43,498	46,462	46,957	41,817	44,547
Public safety (2)	72,748	70,692	70,375	65,887	62,770	60,039	76,599	73,041	67,419	75,544
Public works	1,157	873	1,851	887	69,028	69,518	63,038	71,867	84,051	90,053
Health and welfare	87,191	83,292	79,354	87,111	80,209	72,434	69,145	64,107	77,358	73,551
Recreation and cultural	2,782	2,232	1,669	1,113	763	-	172	84	78	76
OPEB contributions	-	-	-	-	-	-	-	-	263,352	-
Other	5,619	5,189	4,985	1,246	963	1,157	781	1,212	957	1,838
Capital outlay	19,321	11,343	6,059	5,388	4,781	6,743	17,813	25,561	38,167	47,724
Debt service										
Principal	4,750	4,690	4,585	5,165	5,666	5,990	4,740	4,007	13,194	14,669
Interest and fees	3,412	3,152	2,883	2,706	2,511	2,251	1,604	1,317	5,842	9,527
Bond issuance costs	114	61	-	-	-	235	-	108	807	-
Total expenditures	295,914	280,193	265,341	254,372	310,405	302,557	321,949	330,704	636,665	402,152
Excess of revenues over (under) expenditures	(20,051)	(19,950)	(1,432)	2,275	(6,352)	10,527	(3,577)	1,452	(281,185)	(26,677)
Other financing sources (uses)										
Face amount of long-term debt	16,895	2,605	-	-	829	22,975	-	15,628	263,004	-
Transfers in	102,574	104,057	87,734	86,547	65,813	51,504	30,414	53,899	77,268	80,488
Transfers out	(103,350)	(107,817)	(90,038)	(82,935)	(68,476)	(50,578)	(35,536)	(56,381)	(50,310)	(78,758)
Bond discounts	(168)	34	-	-	-	150	-	1,404	516	-
Payment to refunding debt escrow agent	(16,614)	(5,696)	-	-	-	(24,760)	-	(16,450)	-	-
Total Other financing sources (uses)	(663)	(6,817)	(2,304)	3,612	(1,834)	(709)	(5,122)	(1,900)	290,478	1,730
Net change in fund balances	\$ (20,714)	\$ (26,767)	\$ (3,736)	\$ 5,887	\$ (8,186)	\$ 9,818	\$ (8,699)	\$ (448)	\$ 9,293	\$ (24,947)
Debt service as % of noncapital expenditures	2.93%	2.91%	2.87%	3.14%	3.00%	3.30%	2.35%	1.97%	3.43%	7.86%

(1) - The former Road Commission Discretely Presented Component Unit was dissolved in 2011 and became a department under the direction of the County Executive. Data relative to the Department of Roads is categorized as Public Works. Revenue and expense data for years prior to 2011 does not include information relative to the Department (2) - 2011 restated. See Note 13 of 2012 financial statements.

Source: Macomb County Finance Department

Macomb County, Michigan

CHANGES IN FUND BALANCES OF THE GENERAL FUND
LAST TEN YEARS, IN THOUSANDS

(Unaudited)

	2007	2008	2009	2010	2011 (1)	2012	2013	2014	2015	2016
Revenues										
Property taxes	\$ 141,691	\$ 132,362	\$ 138,020	\$ 126,587	\$ 118,516	\$ 108,831	\$ 109,895	\$ 112,610	\$ 115,629	\$ 114,025
Licenses and permits	308	348	379	411	1,408	1,510	1,640	1,706	1,714	1,541
Federal and state grants	8,408	7,058	8,095	7,831	12,290	28,455	25,728	30,162	31,406	39,059
Charges for services	27,571	25,952	26,821	28,666	29,453	35,526	36,827	36,856	35,637	38,648
Charges to other funds for administrative services	11,925	14,522	15,162	10,258	8,250	6,575	7,036	8,070	7,620	14,462
Fines and forfeitures	698	672	768	751	729	693	676	590	534	557
Interest and rents	6,591	2,980	1,432	806	339	346	278	226	2,124	4,551
Other revenue	277	200	104	150	162	477	210	155	148	148
Total revenues	197,469	184,094	190,781	175,460	171,147	182,413	182,290	190,375	194,812	212,991
Expenditures										
Current										
Legislative	2,345	2,354	2,115	1,875	1,182	1,139	1,202	1,191	1,289	1,235
Judicial	24,197	24,200	22,854	21,896	28,052	27,745	29,219	29,418	30,189	31,182
General government	57,996	57,492	53,770	49,498	40,998	42,464	44,855	45,220	39,897	42,678
Public safety	63,860	63,924	62,915	57,340	57,420	55,140	58,338	59,562	62,543	64,994
Public works	-	-	-	-	-	-	-	-	5,263	5,339
Health and welfare	697	452	2	1	20,581	18,166	19,090	18,717	19,564	20,406
Recreation and cultural	-	-	-	-	749	-	-	-	-	-
OPEB contributions	-	-	-	-	-	-	-	-	45,320	-
Other	5,619	5,188	4,985	1,246	963	1,157	781	1,212	957	1,838
Capital outlay	617	307	270	360	244	563	1,117	2,229	1,198	871
Total expenditures	155,331	153,917	146,911	132,216	150,189	146,374	154,602	157,549	206,220	168,543
Excess of revenues over (under) expenditures	42,138	30,177	43,870	43,244	20,958	36,039	27,688	32,826	(11,408)	44,448
Other financing sources (uses)										
Transfers in	23,877	27,356	24,818	24,806	24,998	18,254	21	-	35,255	8,063
Transfers out	(72,574)	(64,858)	(60,581)	(53,284)	(40,758)	(32,156)	(26,093)	(29,267)	(36,880)	(63,090)
Total other financing sources (uses)	(48,697)	(37,502)	(35,763)	(28,478)	(15,760)	(13,902)	(26,072)	(29,267)	(1,625)	(55,027)
Net change in fund balances	\$ (6,559)	\$ (7,325)	\$ 8,107	\$ 14,766	\$ 5,198	\$ 22,137	\$ 1,616	\$ 3,559	\$ (13,033)	\$ (10,579)

(1) - The County adopted GASB 54 in 2011. Accordingly, the activity of the Health, Library, and Senior Citizens Special Revenue Funds have been combined with the General Fund for financial statement purposes in 2011. Financial data pertaining to those funds has not been included for years prior to 2011.

Source: Macomb County Finance Department

Macomb County, Michigan

ASSESSED TAXABLE VALUES (HISTORY OF PROPERTY TAXES)
LAST TEN YEARS, IN THOUSANDS

(Unaudited)

Expressed in dollars

Year	Assessed Values							Total Direct Tax Rate
	Agricultural Property	Commercial Property	Industrial Property	Residential Property	Developmental Property	Personal Property	Total Assessed Value	
2007	\$ 266,096	\$ 5,053,235	\$ 2,681,261	\$ 27,627,369	\$ 125,903	\$ 2,603,537	\$ 38,357,401	4.2055
2008	274,992	4,924,851	2,488,333	25,985,673	126,015	2,603,959	36,403,823	4.2455
2009	270,567	4,857,836	2,429,055	23,042,608	121,466	2,676,181	33,397,713	4.6135
2010	248,577	4,676,384	2,175,330	19,618,529	97,475	2,447,867	29,264,162	4.6135
2011	177,967	4,218,452	1,760,665	18,201,017	5,165	2,386,396	26,749,662	4.6135
2012	170,970	3,797,845	1,593,307	17,048,349	25,276	2,385,441	25,021,188	4.6135
2013	170,372	3,557,160	1,512,235	17,377,703	24,071	2,446,743	25,088,284	4.6135
2014	172,965	3,714,340	1,505,560	18,336,828	21,675	2,481,818	26,233,186	4.6135
2015	173,823	4,030,628	1,715,544	20,475,069	23,225	2,611,704	29,029,993	4.6135
2016	208,372	4,241,064	1,828,309	22,478,480	-	1,849,861	30,606,086	4.6014

Source: Macomb County Equalization Department

Expressed in percentage of total assessed taxable value

Year	Assessed Values							Total Assessed Value
	Agricultural Property	Commercial Property	Industrial Property	Residential Property	Developmental Property	Personal Property	Total Assessed Value	
2007	0.69%	13.17%	6.99%	72.03%	0.33%	6.79%	100.00%	
2008	0.76%	13.53%	6.84%	71.37%	0.35%	7.15%	100.00%	
2009	0.81%	14.55%	7.27%	69.00%	0.36%	8.01%	100.00%	
2010	0.85%	15.98%	7.43%	67.05%	0.33%	8.36%	100.00%	
2011	0.67%	15.77%	6.58%	68.04%	0.02%	8.92%	100.00%	
2012	0.68%	15.18%	6.37%	68.14%	0.10%	9.53%	100.00%	
2013	0.68%	14.18%	6.03%	69.26%	0.10%	9.75%	100.00%	
2014	0.66%	14.16%	5.74%	69.90%	0.08%	9.46%	100.00%	
2015	0.60%	13.88%	5.91%	70.53%	0.08%	9.00%	100.00%	
2016	0.68%	13.86%	5.97%	73.45%	0.00%	6.04%	100.00%	

Source: Macomb County Equalization Department

Macomb County, Michigan

PROPERTY TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN YEARS, RATE PER \$1,000 OF TAXABLE VALUE

(Unaudited)

		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
County direct rate											
Operation		4.2000	4.2000	4.5685	4.5685	4.5685	4.5685	4.5685	4.5685	4.5685	4.5566
County drain debt		0.0055	0.0055	0.0050	0.0050	0.0050	0.0050	0.0050	0.0050	0.0050	0.0050
County Veteran		-	0.0400	0.0400	0.0400	0.0400	0.0400	0.0400	0.0400	0.0400	0.0398
Total direct rate		4.2055	4.2455	4.6135	4.6135	4.6135	4.6135	4.6135	4.6135	4.6135	4.6014
Overlapping rates											
Cities:											
Center Line		22.6223	21.2329	23.8266	24.9025	31.7022	38.3328	37.5025	39.1266	38.6503	38.9765
Eastpointe		23.8711	24.1214	24.0133	25.0978	25.2113	26.6102	26.9612	27.1583	40.9612	40.0793
Fraser		18.1382	18.1382	18.1382	18.1382	18.7659	18.8159	20.8359	20.8664	23.2580	25.2780
Grosse Pointe Shores		-	-	15.8900	15.8900	17.1400	18.3800	17.8794	17.8794	17.8794	18.8794
Memphis		14.2953	14.2953	14.2953	14.2953	14.2953	14.2953	14.2953	14.2953	16.2953	16.2953
Mt. Clemens		18.2159	18.2159	18.2159	18.2159	18.3511	18.6639	18.6639	18.6639	24.8062	24.8045
New Baltimore		13.8955	13.9445	14.2795	14.9715	14.9405	15.2135	14.9165	14.9198	14.9003	14.8592
Richmond		18.4826	18.4326	16.6526	16.6526	16.6526	16.6526	16.6526	16.6526	16.6526	16.5593
Roseville		21.3800	21.3800	21.3800	21.3800	21.3800	24.8494	24.8494	24.8494	24.8494	25.1083
St. Clair Shores		18.3316	18.8982	18.2280	18.0406	19.3562	19.4518	20.5388	20.9950	21.2602	21.2309
Sterling Heights		10.7250	10.7858	10.7858	12.6858	12.6858	12.6858	12.6858	15.1858	15.1858	15.1858
Utica		21.4758	21.7201	21.8835	21.9794	21.6998	22.5358	22.617	22.6753	22.5017	20.9864
Warren		16.9424	16.9424	16.9424	17.7924	17.7924	27.8656	27.8656	27.8656	27.7637	27.7742
Townships (rates range)	Low	0.7794	0.7794	2.5558	3.2312	3.2812	3.2812	3.2812	3.2812	3.5529	3.5296
	High	14.7275	15.0575	15.0575	15.3516	15.3816	15.4316	17.7116	17.6816	17.6916	17.6916
Villages (rates range)	Low	15.0794	15.0794	16.5004	16.5004	16.5354	15.5354	16.5354	16.5194	17.4276	17.4276
	High	19.0936	19.0936	18.8436	18.8436	18.8436	18.8436	18.8436	18.8436	19.2550	19.0326
School districts (rates range)	Low	8.9000	8.9000	8.9000	9.7500	9.8500	9.8500	9.8500	9.8500	9.8500	9.8500
	High	35.4143	35.4143	35.4143	35.4143	35.4143	35.4143	35.4143	35.7643	35.7643	37.0000
Intermediate school district		2.9430	2.9430	2.9430	2.9430	2.9430	2.9430	2.9430	2.9430	2.9430	2.9354
Community college		1.4212	1.4212	1.4212	1.4212	1.5712	1.5712	1.5312	1.5262	1.5302	1.4174
SMART Regional Transportation		0.5900	0.5900	0.5900	0.5900	0.5900	0.5900	0.5900	1.0000	1.0000	0.9974
HCM Park Authority		0.2146	0.2146	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	0.1000	0.1000	0.1000	0.0997
ART Authority		-	-	-	-	-	0.2000	0.2000	0.2000	0.2000	0.1994

Source: Macomb County Equalization Department

Macomb County, Michigan

PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO

(Unaudited)

Taxpayer	2016			2007		
	Taxable Value	Rank	Percentage of Total County Taxable Value	Taxable Value	Rank	Percentage of Total County Taxable Value
GENERAL MOTORS	\$ 346,505,654	1	1.37%	\$ 315,556,136	2	0.99%
DETROIT EDISON	333,751,613	2	1.32%	258,682,192	3	0.81%
CONSUMERS ENERGY	197,429,896	3	0.78%	79,978,893	5	0.25%
CHRYSLER	173,598,566	4	0.69%	369,127,166	1	1.16%
FORD	126,276,752	5	0.50%	217,872,283	4	0.68%
INTERNATIONAL TRANS.	88,532,053	6	0.35%	79,412,208	6	0.25%
ENBRIDGE ENERGY	68,298,020	7	0.27%	56,961,879		0.18%
COMCAST	57,493,227	8	0.23%	41,576,501		0.13%
MEIJER	53,874,793	9	0.21%	56,694,959	7	0.18%
WALMART	39,021,305	10	0.15%	-		0.00%
ACH	-		-	52,441,731	8	0.16%
MICHIGAN CONSOLIDATED	-		-	39,865,519	9	0.13%
MT. CLEMENS COATING	-		-	37,652,600	10	0.12%
	<u>\$ 1,484,781,879</u>		<u>5.86%</u>	<u>\$ 1,605,822,067</u>		<u>5.04%</u>

Source: Macomb County Equalization Department

Macomb County, Michigan

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN YEARS

(Unaudited)

Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Subsequent Years Collections	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2007	\$ 136,819,673	\$ 123,526,358	90.28%	\$ 11,472,131	\$ 134,998,489	98.67%
2008	138,024,533	122,395,032	88.68%	8,611,855	131,006,887	94.92%
2009	141,108,452	130,591,323	92.55%	6,700,080	137,291,403	97.29%
2010	129,683,069	115,652,424	89.18%	5,452,483	121,104,907	93.39%
2011	120,899,127	110,808,310	91.65%	4,337,877	115,146,187	95.24%
2012	113,410,640	104,151,427	91.84%	6,463,833	110,615,260	97.54%
2013	112,568,178	104,387,624	92.73%	4,737,833	109,125,457	96.94%
2014	114,319,512	106,683,701	93.32%	4,365,607	111,049,308	97.14%
2015	117,387,793	110,149,786	93.83%	4,188,670	114,338,456	97.40%
2016	116,193,735	108,335,118	93.24%	5,575,174	113,910,292	98.03%

Source: Collections - Macomb County Treasurer Department
Tax Levy - Macomb County Finance Department

Macomb County, Michigan

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN YEARS

(Unaudited)

Year	Population	Assessed Value of Property (in thousands)	Governmental Activities		Business Type	Total Primary Government Debt	Debt to Assessed Value	Debt Per Capita	Percentage of Personal Income Per Capita
			General Obligation Bonds	Infrastructure Loans	General Obligation Bonds				
2007	831,077	\$ 38,357,401	\$ 80,245,000	\$ -	\$ -	\$ 80,245,000	0.21%	\$ 96.56	0.36%
2008	830,663	36,403,823	72,815,000	-	-	72,815,000	0.20%	87.66	0.32%
2009	833,430	33,397,713	68,230,000	-	-	68,230,000	0.20%	81.87	0.30%
2010	840,978	29,264,162	63,065,000	-	-	63,065,000	0.22%	74.99	0.28%
2011	842,145	26,749,662	57,445,000	1,215,344	-	58,660,344	0.22%	69.66	0.28%
2012	847,383	25,021,188	49,670,000	1,091,594	-	50,761,594	0.20%	59.90	0.22%
2013	854,769	25,088,284	44,930,000	966,164	-	45,896,164	0.18%	53.69	0.20%
2014	860,112	26,233,186	39,755,000	1,311,509	-	41,066,509	0.16%	47.75	0.18%
2015	864,840	29,029,993	289,727,371	1,149,313	44,732,825	335,609,509	1.16%	388.06	1.43%
2016	867,730	30,606,086	275,223,098	984,356	42,868,018	319,075,472	1.04%	367.71	1.34%

Source: Macomb County Finance Department and Municipal Advisory Council of Michigan

Macomb County, Michigan

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN YEARS

(Unaudited)

Year	Population	Assessed Value of Property (in thousands)	General Obligation Bonds	Less: Amounts Restricted to Repaying Principal	Net General Bonded Debt	Net Debt to Assessed Value	Net Debt Per Capita	Net Percentage of Personal Income Per Capita
2007	831,077	\$ 38,357,401	\$ 80,245,000	\$ 7,119,808	\$ 73,125,192	0.19%	\$ 87.99	0.33%
2008	830,663	36,403,823	72,815,000	7,227,719	65,587,281	0.18%	78.96	0.29%
2009	833,430	33,397,713	68,230,000	7,037,186	61,192,814	0.18%	73.42	0.27%
2010	840,978	29,264,162	63,065,000	6,248,345	56,816,655	0.19%	67.56	0.25%
2011	842,145	26,749,662	57,445,000	5,131,406	52,313,594	0.20%	62.12	0.25%
2012	847,383	25,021,188	49,670,000	4,068,741	45,601,259	0.18%	53.81	0.20%
2013	854,769	25,088,284	44,930,000	3,049,441	41,880,559	0.17%	49.00	0.18%
2014	860,112	26,233,186	39,755,000	2,599,454	37,155,546	0.14%	43.20	0.16%
2015	864,840	29,029,993	334,460,196	2,617,902	331,842,294	1.14%	383.70	1.41%
2016	867,730	30,606,086	318,091,116	1,994,530	316,096,586	1.03%	364.28	1.32%

Source: Macomb County Finance Department and Municipal Advisory Council of Michigan

Macomb County, Michigan

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

December 31, 2016

(Unaudited)

	<u>Gross Amount Outstanding</u>	<u>Self-Supporting or Paid by Benefiting Entity</u>	<u>Gross, Less Self- Supporting</u>	<u>Share of Overlapping Debt</u>	<u>Percent Overlapping</u>
Direct debt					
Macomb County Building Authority	\$ 30,355,000	\$ -	\$ 30,355,000	\$ 30,355,000	
General County Bonds	243,393,098	-	243,393,098	243,393,098	
Michigan Transportation bonds	1,475,000	-	1,475,000	1,475,000	
Department of Roads infrastructure loans	984,356	724,614	259,742	259,742	
Public Works - water and sewer debt	264,284,322	264,284,322	-	-	
	<u>\$ 540,491,776</u>	<u>\$ 265,008,936</u>	<u>\$ 275,482,840</u>	<u>\$ 275,482,840</u>	
Net direct debt					
Overlapping debt					
School districts			\$ 2,178,468,497	\$ 1,929,296,306	88.6%
Cities			323,379,511	318,257,322	98.4%
Township			236,645,548	236,645,548	100.0%
Villages			14,321,723	14,321,723	100.0%
Intermediate school districts			77,145,000	111,846	0.1%
Macomb Community College			-	-	0.0%
Library			15,830,000	15,830,000	100.0%
			<u>2,845,790,279</u>	<u>2,514,462,745</u>	
Net overlapping debt					88.4%
			<u>\$ 3,121,273,119</u>	<u>\$ 2,789,945,585</u>	89.4%
Net direct and overlapping debt					

The overlapping percentage is calculated by dividing the taxable value of property of the overlapping government located in Macomb County by the total taxable value of all property in the overlapping government.

Source: Macomb County Finance Department and Municipal Advisory Council of Michigan

Macomb County, Michigan

CURRENT AND HISTORICAL LEGAL DEBT MARGINS
LAST TEN YEARS

(Unaudited)

Current Year Legal Debt Margin

2016 Taxable Value		\$ 25,264,565,701
Debt Limit (10% of Assessed Taxable Value) (1)		2,526,456,570
Outstanding Long-term Debt	\$ 580,753,270	
Less:		
Amount available in debt service funds	1,994,530	
Special assessment bonds	<u>264,284,322</u>	
Total amount of debt applicable to debt limit		<u>314,474,418</u>

LEGAL DEBT MARGIN \$ 2,211,982,152

(1) As mandated by Michigan Public Act 293 of 1966, as amended.

Source: Macomb County Finance Department

Historical Legal Debt Margins

<u>Years</u>	<u>Debt Limit</u>	<u>Total Net Debt</u>		<u>Legal Debt Margin</u>	<u>Total Net Debt Applicable to Limit as a Percentage of Debt Limit</u>
		<u>Applicable to Limit</u>			
2007	\$ 3,186,266,993	\$ 67,185,000	\$ 3,026,264,993		2.11%
2008	3,193,793,316	63,880,000	3,007,158,649		2.00%
2009	3,107,998,931	66,826,637	2,930,922,294		2.15%
2010	2,777,336,090	63,065,000	2,492,410,764		2.27%
2011	2,584,044,590	58,660,344	2,296,532,019		2.27%
2012	2,425,570,273	50,761,594	2,120,859,643		2.09%
2013	2,411,394,190	45,896,164	2,111,971,149		1.90%
2014	2,456,385,823	41,066,509	2,456,385,823		1.67%
2015	2,547,537,670	332,991,607	2,214,546,062		13.07%
2016	2,526,456,570	314,474,418	2,211,982,152		12.45%

Source: Macomb County Finance Department

Macomb County, Michigan

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS

(Unaudited)

Demographic and Economic Statistics

<u>Years</u>	<u>Population</u>	<u>Personal Income (Thousands of Dollars)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2007	831,077	\$ 22,272,864	\$ 26,800	9.0%
2008	830,663	22,763,488	27,404	8.9%
2009	833,430	22,533,447	27,037	18.4%
2010	840,978	22,306,100	26,524	14.4%
2011	842,145	20,587,077	24,446	11.5%
2012	847,383	22,592,078	26,661	10.0%
2013	854,769	22,752,241	26,618	9.3%
2014	860,112	23,248,238	27,029	8.2%
2015	864,840	23,476,082	27,145	6.0%
2016	867,730	23,884,268	27,525	5.3%

Source: Macomb County Finance Department and U.S. Bureau of Labor Statistics

Historical census data

<u>Years</u>	<u>Population</u>
1980	694,600
1990	717,400
2000	788,149
2010	840,978

Macomb County, Michigan

CONCENTRATION OF WORKFORCE
CURRENT YEAR AND NINE YEARS AGO

(Unaudited)

Employer	Industry	2016			2007		
		Employees	Rank	Percent of Total County Employment	Employees	Rank	Percent of Total County Employment
General Motors	Automotive	18,407	1	4.48%	14,942	1	3.92%
FCA US LLC (formerly Chrysler)	Automotive	12,063	2	2.93%	12,873	2	3.37%
U.S. Government	Government	6,472	3	1.57%	5,243	4	1.37%
Ford Motor Company	Automotive	4,175	4	1.02%	7,389	3	1.94%
Ascension Michigan (formerly St. John)	Health Care	3,061	5	0.74%	4,544	5	1.19%
Henry Ford Health System	Health Care	2,766	6	0.67%	1,794	9	0.47%
McLaren Health Care Corp	Health Care	2,714	7	0.66%			0.00%
Utica Community Schools	Education	2,654	8	0.65%	3,688	6	0.97%
Macomb County	Government	2,325	9	0.57%	3,069	7	0.80%
General Dynamics Land Systems	Defense	1,658	10	0.40%	2,454	8	0.64%
Chippewa Valley Schools	Education	1,593	11	0.39%	1,781	10	0.47%
Faurecia North America	Automotive	1,391	12	0.34%			0.00%
State of Michigan	Government	1,298	13	0.32%	1,232	14	0.32%
L'Anse Creuse Public Schools	Education	1,215	14	0.30%			0.00%
Art Van Furniture	Retail	1,166	15	0.28%	850	18	0.22%
Macomb Intermediate School District	Education	994	16	0.24%			0.00%
Johnson Controls - Automotive Experience	Automotive	900	17	0.22%			0.00%
U.S. Postal Service	Government	835	18	0.20%	1,519	13	0.40%
Macomb Community College	Education	699	19	0.17%			0.00%
Magna International of America Inc.	Automotive	668	20	0.16%			0.00%
Warren Consolidated Schools	Education	-	-	-	1,531	12	0.40%
Cadence Innovation	Automotive	-	-	-	1,700	11	0.45%
AZ Automotive (formerly Aetna Industries)	Automotive	-	-	-	1,079	16	0.28%
Campbell-Ewald Co.	Advertising	-	-	-	930	17	0.24%
Kroger Co of Michigan	Retail	-	-	-	834	19	0.22%
Mt. Clemens Hospital	Health Care	-	-	-	1,052	15	0.28%
Asset Acceptance Capital	Financial	-	-	-	632	20	0.17%
		<u>67,054</u>		<u>23.33%</u>	<u>69,136</u>		<u>18.12%</u>

Source: Macomb County Finance Department
Crain's Detroit Business

Macomb County, Michigan

FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN YEARS

(Unaudited)

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Legislative										
Board of Commissioners	26	26	26	26	19	19	19	19	19	19
Judicial										
Circuit Court	67	67	67	66	63	65	64	67	80	79
Family Counseling Services	-	1	1	1	1	1	1	1	1	1
District Court Div. 1	13	13	13	13	13	13	13	13	13	14
District Court Div. 2	18	18	18	18	18	17	17	17	17	15
Friend of the Court	126	125	121	121	121	121	118	107	107	107
Family Court - Juvenile	62	62	59	56	51	50	50	46	46	46
Probate Court	31	31	31	30	29	27	31	28	28	28
Probate Court - Mental Division	12	11	10	8	8	7	-	-	-	-
Probation - District Court	19	19	16	14	12	6	5	5	5	5
General Government										
County Administration	9	9	7	7	6	9	9	9	9	10
Corporation Counsel	9	9	8	8	8	8	8	8	8	8
Finance	27	27	26	20	20	20	21	21	22	22
Purchasing	23	23	21	18	18	17	16	16	16	16
Reimbursement	15	15	13	13	12	12	11	11	-	-
Information Technology	49	49	42	35	36	36	36	36	36	38
Equalization	14	13	11	11	11	10	10	10	10	10
Human Resources	28	28	25	22	22	22	22	24	22	24
Clerk/Register	99	99	89	82	79	78	80	81	85	83
Treasurer	34	34	32	31	31	26	26	26	28	28
Public Works	58	60	59	55	55	59	60	60	63	64
M.S.U. County Extension	76	76	51	50	50	8	8	8	7	7
Planning & Econ Dev	37	36	33	33	33	31	26	26	27	26
Risk Management	4	4	4	4	4	-	-	-	-	-
Facilities & Operations	127	126	114	104	99	99	95	95	95	95
Prosecuting Attorney	141	141	117	107	122	104	104	106	106	109
Department of Roads	-	-	-	-	-	233	232	232	250	255
Public Safety										
Sheriff	503	503	498	487	477	487	486	492	499	516
Technical Services	10	10	9	8	8	8	8	11	12	13
Emergency Services	4	7	6	6	6	3	3	7	7	7
Community Corrections	11	11	11	11	11	11	11	11	10	11
Health										
Environmental Health	50	50	-	-	-	-	-	-	-	-
Public Health	223	223	251	241	239	232	228	220	226	231
Community Mental Health	333	333	334	334	334	335	335	341	345	345
Substance Abuse	10	10	10	10	10	10	10	10	13	13
Health & Community Services	-	-	-	-	-	2	2	2	2	2
Social Services										
Child Care - Youth Home	141	141	146	138	137	129	123	121	121	121
Medical Care Facility	244	243	231	231	231	231	238	245	238	273
Veterans Services	6	6	10	10	10	10	10	11	11	11
Senior Citizen Services	38	38	32	32	30	16	15	3	3	-
Community Services Agency	257	243	253	283	193	184	182	171	172	213
Macomb/St. Clair Employment	41	41	68	68	68	68	68	68	68	43
Culture & Recreation										
Parks & Recreation	9	9	-	-	-	-	-	-	-	-
Library	65	57	16	11	10	-	-	-	-	-
Total	3,069	3,047	2,889	2,823	2,705	2,824	2,801	2,785	2,827	2,908

Source: Macomb County Budget

Macomb County, Michigan

OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN YEARS

(Unaudited)

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Judicial:										
Circuit Court										
Caseload	23,988	24,030	23,001	22,793	20,788	20,022	19,375	19,243	19,329	19,149
District Court - Romeo										
Caseload	8,637	9,950	9,502	9,819	9,760	9,396	7,917	8,306	8,772	8,549
District Court - New Baltimore										
Caseload	15,141	15,000	15,607	15,175	14,405	12,751	12,300	9,833	12,937	15,625
General Government:										
County Clerk										
Birth records	3,866	3,539	2,837	6,052	5,768	5,604	5,453	6,492	6,111	5,825
Death records	5,465	4,943	4,881	4,791	5,065	5,107	5,158	5,001	5,713	5,943
Marriage licenses	5,111	4,947	4,625	4,864	5,169	5,291	4,877	4,996	5,180	5,142
Public Works										
Inspections	12,092	14,197	8,021	6,451	6,037	5,955	6,718	5,777	5,043	16,107
Public Safety:										
Sheriff										
Complaints handled	105,323	103,115	100,603	98,189	94,821	94,451	93,701	101,029	87,090	105,993
Inmate bookings	22,059	21,706	20,166	19,814	18,464	19,709	18,732	17,881	17,291	17,170
Arrests made	9,370	8,679	8,139	7,249	6,602	6,617	6,206	5,601	3,316	4,822
Crashes investigated	4,874	4,898	2,971	4,042	4,048	3,924	3,880	4,120	1,563	1,421
Health and Welfare:										
Health Department										
Vaccines administered	79,136	75,036	114,953	100,036	70,711	58,253	59,726	45,048	44,711	39,492
Animals received at animal control	12,856	13,571	12,900	7,146	7,520	5,782	3,219	2,009	4,276	4,678
Food service inspections	4,460	4,423	4,420	4,368	4,374	5,452	4,645	4,578	4,634	4,652
Forensic examinations	365	509	582	533	625	571	648	649	643	686

Source: Macomb County Finance Department

Macomb County, Michigan

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN YEARS

(Unaudited)

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Judicial										
Number of court buildings	5	5	5	5	5	5	5	5	5	5
Vehicles	7	7	7	6	6	6	4	4	4	4
General Government										
Number of buildings	7	7	7	7	7	6	7	7	7	7
Vehicles	54	57	55	54	54	54	55	54	63	60
Public Safety										
Number of jails	1	1	1	1	1	1	1	1	1	1
Stations and substations	6	6	6	6	6	6	6	6	6	6
Marine patrol substations	2	2	2	2	2	2	2	2	2	2
Vehicles	134	95	155	149	141	141	157	147	168	173
Public Works										
Lane miles of roads	2,335	2,335	2,335	2,335	2,335	2,335	2,335	2,393	2,397	2,823
Number of buildings	9	9	9	9	9	9	9	9	9	9
Vehicles	32	33	37	38	36	34	36	38	74	262
Health and Welfare										
Number of buildings	7	7	7	7	7	8	8	8	8	8
Vehicles	88	89	96	91	88	87	89	88	92	95
Recreation and Culture										
Number of buildings	1	1	1	1	1	1	1	1	1	1
County parks	1	1	1	1	1	1	1	1	1	1

Source: Macomb County Finance Department

Macomb County, Michigan
SCHEDULE OF INSURANCE

As of December 31, 2016

(Unaudited)

Type of Coverage / Name of Company	Policy Period	Premium	Description
Public Entity Liability Pennsylvania Manufacturers	7-1-16 to 7-1-17	\$636,132	Includes auto liability, general liability, law enforcement liability and public officials liability/errors and omissions. \$11,000,000 each occurrence or wrongful act subject to a \$750,000 self-insured retention.
Excess Workers' Compensation Insurance Safety National Casualty Corp	5-1-15 to 5-1-17	\$143,563 (excess premium) annually	Statutory liability \$1,000,000. Self-insured retention \$600,000 each occurrence.
Property Affiliated FM Insurance Co	7-1-16 to 7-1-17	\$184,988	Covers buildings & contents. Limit - up to \$300,000,000 - deductible \$100,000
Boiler & Machinery Affiliated FM Insurance Co	7-1-16 to 7-1-17	Included in property	Repair or replacement of insured property, expediting expenses, liability for injury, damage to property of others, defense costs resulting from an accident to injured object - \$10,000 deductible - \$300,000,000 limit
Electronic Data Processing Affiliated FM Insurance Co	7-1-16 to 7-1-17	Included in property	Replacement cost for damaged equipment and media; extra expense to resume operations; all risk less certain excluded perils.
Public Entity Fiduciary Liability Federal Insurance Co.	8-1-16 to 7-31-17	\$26,686	County employees retirement system - \$5,000,000 aggregate, \$50,000 deductible
Crime National Union Fire Ins	8-1-16 to 7-31-17	\$7,283	Employee theft - disappearance and destruction in/out premises. LIMITS: \$1,500,000 Crime; \$200,000 Forgery;\$200,000 Inside the Premises- Theft of Money and Securities;\$200,000 Outside the Premises; \$1,000,000 Computer Fraud; \$1,000,000 Funds Transfer Fraud; \$200,000 Money Orders & counterfeit currency; \$200,000 Theft & destruction - \$25,000 deductible
Cyber Travelers	7-01-16 to 7-01-17	\$29,790	Includes computer fraud, funds transfer fraud, computer program and electronic data restoration expenses, security breach remediation and notification expenses, regulatory defense expenses, crisis management event expenses, communications and media liability, and network and information security liability.
Life Insurance The Hartford	1-1-16 to 12-31-16	\$318,598 County Active \$75,718 County Retirees \$9,173 Roads Active \$50,475 Roads Retirees	Death Benefit equals one year salary

-CONTINUED-

Macomb County, Michigan

SCHEDULE OF INSURANCE (CONCLUDED)

As of December 31, 2016

(Unaudited)

Type of Coverage / Name of Company	Policy Period	Premium	Description
Dental Insurance Delta Dental	1-1-16 to 12-31-16	\$1,316,407 County Active \$971,548 County Retirees \$152,199 Roads Active \$129,890 Roads Retirees	\$1,000 annual maximum per individual/ calendar year
Dental Insurance Golden Dental	1-1-16 to 12-31-16	\$149,866 County Active \$16,073 Roads Active \$1,405 Roads Retirees	Unlimited annual benefit
Short Term Disability Insurance NGS	1-1-16 to 12-31-16	\$249,412 Roads Active	100% of salary for up to 6 months
Long Term Disability Insurance The Hartford	1-1-16 to 12-31-16	\$377,507 County Active \$23,785 Roads Retirees	60% of salary to age 65; up to \$4,500 per month subject to coordination of benefits
Health/Hospital Insurance Blue Care Network	1-1-16 to 12-31-16	\$10,265,685 County Active \$4,585,568 County Retirees \$2,206,463 Roads Active \$179,276 Roads Retirees	HMO offers primary care physicians, network hospitals, affiliated pharmacies and labs and other providers within the particular HMO network
Health/Hospital Insurance HAP	1-1-16 to 12-31-16	\$13,227,089 County Active \$382,018 County Retirees \$568,392 Roads Active \$69,872 Roads Retirees	HMO offers primary care physicians, network hospitals, affiliated pharmacies and labs and other providers within the particular HMO network - Includes vision
Health/Hospital Insurance BCBS of Michigan	1-1-16 to 12-31-16	\$2,661,739 County Active \$5,556,630 County Retirees \$104,411 Roads Active \$1,751,840 Roads Retirees	Self insured medical plan - \$1,000,000 lifetime maximum; includes vision
Health/Hospital Insurance BCBS Medicare Advantage	1-1-16 to 12-31-16	\$8,952,680 County Retirees \$1,296,449 Roads Retirees	Partially self insured medical plan
Vision Care SVS Vision	1-1-16 to 12-31-16	\$93,149 County Active \$112,193 County Retirees \$15,669 Roads Active \$18,967 Roads Retirees	Vision care pays for certain tests & supplies when obtained by participating provider
Hearing Care EPIC Hearing	1-1-16 to 12-31-16	\$32,641 County Retirees \$1,945 Roads Retirees	Retiree hearing care

Source: Macomb County Risk Management & Safety Department

Macomb County, Michigan

TAX ABATEMENTS – INDUSTRIAL FACILITIES TAX (IFT)

As of December 31, 2016

(Unaudited)

The Michigan Plant Rehabilitation and Industrial Development District Act (Michigan Public Act 198 of 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 twelve years. For rehabilitated plants and equipment, the assessed value is frozen at previous levels. New plants and equipment are taxed at one-half of the recalculated IFT rate using 1993 school operating mills and current year mills for all other taxing jurisdictions.

Ad valorem property taxes and land and inventory are specifically excluded under Act 198.

Abatements under Act 198 have been granted to properties in the county with a total taxable value of real and personal property in the amount of \$603,645,941. For the fiscal year ended December 31, 2016, the county’s property tax revenues were reduced by \$930,339 under these programs.

Macomb County, Michigan

STATE SHARED REVENUES AND COUNTY RESIDENTIAL BUILDING PERMITS ISSUED
LAST TEN YEARS

(Unaudited)

State shared revenues

Fiscal Year Ended	Amount Drawn from Revenue Sharing Reserve Fund	State Revenue Sharing Payments
2007	\$ 15,071,560	\$ -
2008	15,418,206	-
2009	16,096,607	-
2010	16,048,317	-
2011	16,321,138	-
2012	4,956,671	15,264,877
2013	-	12,529,729
2014	-	13,152,353
2015	-	16,403,775
2016	-	16,504,824

Source: Macomb County Finance Department

County residential building permits issued

Year	Building Permits
2006	2,626
2007	1,247
2008	506
2009	346
2010	933
2011	1,145
2012	1,342
2013	1,865
2014	1,800
2015	1,884
2016	1,881

Source: SEMCOG Community Profile Report for Macomb County

Macomb County, Michigan

SCHEDULE OF LABOR FORCE AGREEMENTS

Year Ended December 31, 2016

(Unaudited)

<u>Union Group</u>	<u>Employee Classifications Covered</u>	<u>Number of Employees Covered</u>	<u>Contract Expiration Date</u>
ADTECH	Dept. of Roads and Technical Emp.	97	12/31/2019
AFSCME Local 411	Clerical	639	12/31/2019
Building Trades Association	Carpenters, electricians, etc.	24	12/31/2019
Command Officers Association of Michigan	Sheriff - Lieutenants and Captains	59	12/31/2016
IUOE Local 547	Boiler Operators	8	12/31/2016
Macomb County Environmental Health Assoc.	Environmentalists	29	12/31/2019
MCPDSA	Correction officers	156	12/31/2016
Michigan Nurses Assoc. Unit 1	Nurses	34	12/31/2019
POAM	Deputies and Dispatchers	251	12/31/2016
POAM	Juvenile Justice Center	83	12/31/2019
POLC	Captains and Jail Administrator	4	12/31/2019
Road Technicians Association	Dept. of Road technicians	127	12/31/2019
Teamsters Local 214	Circuit Court / Friend of the Court	72	12/31/2019
Teamsters Local 214	Court Reporters	6	12/31/2019
TPOAM	Circuit Court Officers & Professional	50	12/31/2019
TPOAM	Juvenile Court and Justice Center	16	12/31/2019
UAW Local 412 - Unit 46	APAs	56	12/31/2019
UAW Local 412 - Unit 49	IT	27	12/31/2019
UAW Local 412 - Unit 39	Tech and Admin (General)	26	12/31/2019
UAW Local 412 - Unit 75	Supervisors	80	12/31/2019
UAW Local 412 - Unit 95	Corporation Counsel	4	12/31/2019
UAW Local 412 - Unit 98	Headstart Prof.	17	12/31/2019
UAW Local 889	Specialized Offices	65	12/31/2019
UAW Local 889	Animal Shelter	10	12/31/2019
UAW Local 889	Macomb Community Action	198	12/31/2019
UAW Local 889	Probate Court / Corporation Counsel	13	12/31/2019
Non-Affiliated		620	N/A
Total Employee Count		2,771	

Source: Macomb County Human Resources and Labor Relations