



Comprehensive Annual Financial Report

Year Ended December 31, 2017

Macomb County Finance Department
Stephen Smigel, Director

MACOMB COUNTY, MICHIGAN

Comprehensive Annual Financial Report

Year ended December 31, 2017

Prepared by:

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Macomb County, Michigan

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Macomb County Executive

Mark A. Hackel

Mark F. Deldin
Deputy County Executive

June 25, 2018

To the citizens of Macomb County,

The Comprehensive Annual Financial Report (CAFR) of Macomb County, Michigan for the fiscal year ended December 31, 2017 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, 2017 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, 2017 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 2017 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 2017 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 directly north of the city of Detroit and Wayne County, it is to the east of Oakland County, south of Lapeer County, southwest of St. Clair County and directly west of Lake St. Clair. Part of metropolitan Detroit, Macomb County is home to a wide 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 2017, United States Census Bureau American Community Survey placed Macomb County's population at 871,634, an increase of increase of 30,656 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 with 133,277), and Clinton Township (#10). Macomb County is also home to some of the state's fastest growing communities. 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 363,986 housing units, with a median home value of \$157,700 reflecting an astounding 25 percent increase in value over the previous year. Currently, nearly 90 percent of the County's total housing units are occupied. It is also significant to note that the vast majority of Macomb's occupied housing units are owner occupied (73.4 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 2017 was approximately \$32.3 billion, an increase from the prior year of about \$1 billion.

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 442,063 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 in 2016 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 operates a corporate services office in Macomb County. This 57,000 square foot facility consolidates 13 centers from around the state and improves insurance billing effectiveness 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.

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.

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 since 2000.

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 Axle – 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.

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 include 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, 2016. 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 32 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**

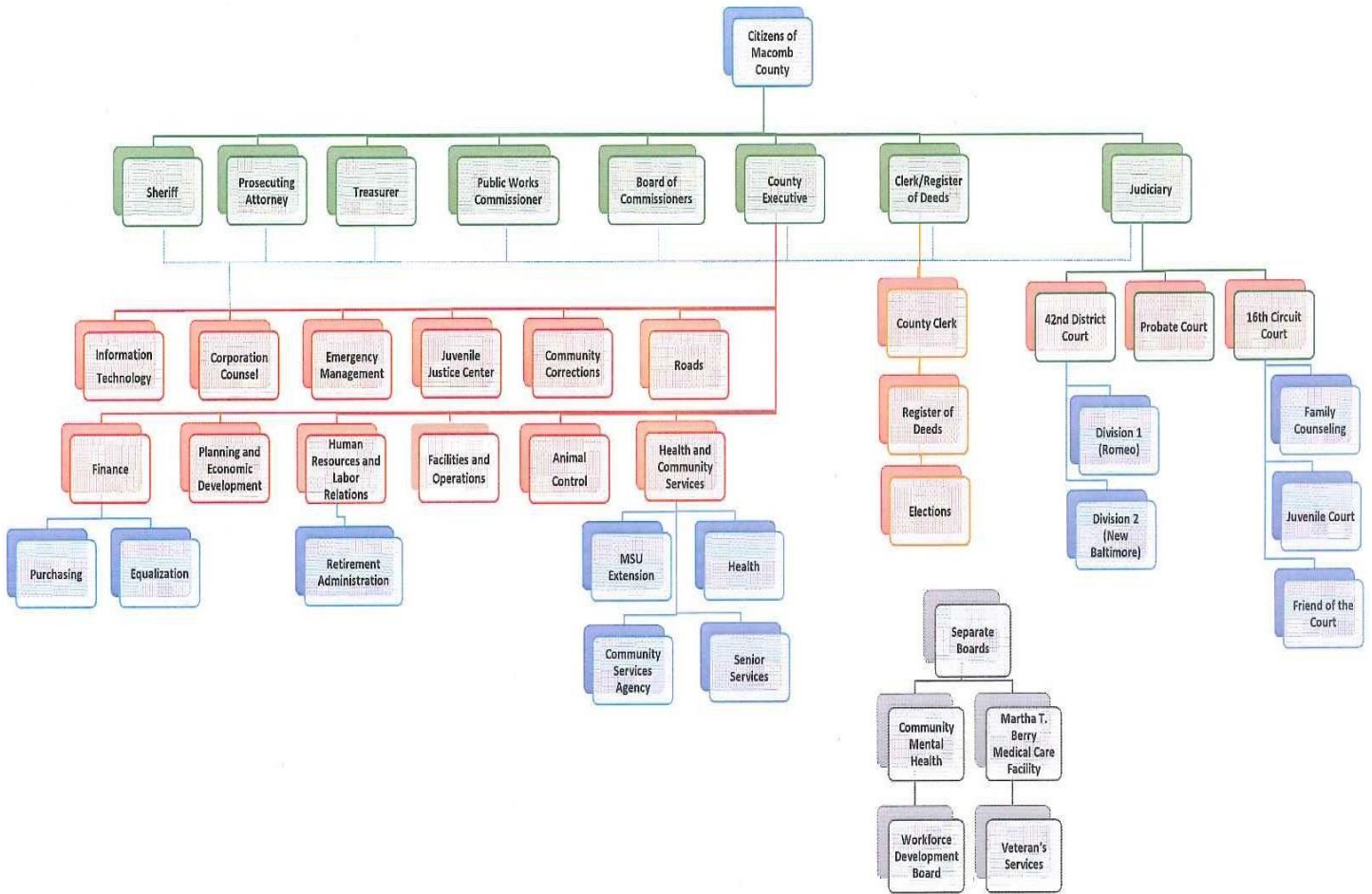
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2016

Christopher P. Morill

Executive Director/CEO

Macomb County, Michigan
 ORGANIZATIONAL CHART
 Year Ended December 31, 2017



Macomb County, Michigan

LIST OF ELECTED AND APPOINTED OFFICIALS

Year Ended December 31, 2017

County Executive's Office

County Executive	Mark Hackel
Chief Deputy County Executive	Mark Deldin
Deputy County Executive	Pam Lavers
Deputy County Executive	Al Lorenzo

2016-2017 Board of Commissioners

Bob Smith, (Chair) District 12	Robert Mijac, District 5
James Carabelli, (Vice-Chair) District 6	Don Brown, District 7
Elizabeth Lucido (Sergeant-At-Arms), District 9	Phil Kraft, District 8
Andrey Duzyj, District 1	Robert Leonetti, District 10
Marvin Sauger, District 2	Kathy Tocco, District 11
Veronica Klinefelt, District 3	Leon Drolet, District 13
Joseph Romano, District 4	

Elected County Officials

16th Judicial Circuit Court/Probate Court/42 nd District	
Court Chief Judge	Honorable James Biernat, Jr.
County Clerk/Register of Deeds	Kathy Smith (interim)
Prosecuting Attorney	Eric Smith
Public Works Commissioner	Candice Miller
Sheriff	Anthony Wickersham
Treasurer	Lawrence Rocca

County Department Heads

Chief Animal Control Officer	Jeff Randazzo
Community Services Agency Director	Ernest Cawvey
Corporation Counsel	John Schapka
Emergency Management & Communications Director	Vicki Wolber
Facilities & Operations Director	Lynn Arnott-Bryks
Finance Director	Stephen Smigiel
Health & Community Services Director	Rhonda Powell
Health Officer	William Ridella
Human Resources and Labor Relations Director	Karlyn Semlow (interim)
Chief Information Officer	Jako van Blerk
Juvenile Justice Center Director	Rhonda Westphal
Planning & Economic Development Director	John Paul Rea
Chief Veterans Service Officer	Laura Rios

Independent Auditor's Report

To the Board of Commissioners
County of Macomb, Michigan

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, Michigan as of and for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise the County of Macomb, Michigan'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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Macomb, Michigan as of December 31, 2017 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Commissioners
County of Macomb, Michigan

Emphasis of Matter

Effective December 31, 2017, the County adopted the provisions of GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as discussed in Note 19. Adopting this new accounting standard resulted in significant changes to the basic financial statements, other postemployment benefit plan footnote disclosures, and required supplemental information schedules. As a result of this new accounting standard, the Retiree Health Care Intermediate Trust Fund has been reclassified from a fiduciary fund type to an internal service fund type. As further discussed in Note 19, the beginning net position of the governmental activities, the business-type activities, Community Mental Health, and the aggregate remaining fund information of the County of Macomb, Michigan have been restated. Our opinion is not modified with respect to this matter.

As explained in Note 3, the financial statements include investments valued at approximately \$300.0 million at year end (17.1 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.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of changes in the county net pension liability and related ratios, retiree pension schedules of employer contributions and investment returns, retiree healthcare plans' schedules of funding progress and employer contributions, schedules of changes in the County net OPEB liability and related ratios, retiree healthcare plans' pension schedules of employer contributions and investment returns, and 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, Michigan's basic financial statements. The combining and individual nonmajor fund financial statements and nonmajor fund budgetary comparison schedules and introductory section and statistical section are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor 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.

To the Board of Commissioners
County of Macomb, Michigan

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2018 on our consideration of the County of Macomb, Michigan'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, Michigan's internal control over financial reporting and compliance.

Plante & Moran, PLLC

June 25, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2017

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, 2017. 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 \$1.4 billion at year- end.

The net position of the county increased by \$24.2 million in fiscal 2017.

The General Fund reported a deficit of \$8.0 million for the year. Unassigned fund balance was \$45.7 million, or 19.3% of 2017 General Fund budgeted expenditures. Total fund balance was \$53.6 million. The \$7.9 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 \$16.8 million in long term debt and took on no new long term debt during fiscal year 2017. At year end, the county is \$2.3 billion below its authorized debt limit.

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

In 2017, the county implemented Governmental Accounting Standards Board Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. As a result of this, the county was required to change the way it accounts for other postemployment healthcare obligations and assets. Most significantly, Statement No. 74 requires the county to account for the Retiree Health Care Intermediate Trust as net position of the primary government. \$294.9 million of net position restricted for other postemployment benefits as of December 31, 2016 has been reclassified into the beginning net position of the primary government in 2017, with \$243.1 million allocated to governmental activities, and \$51.8 million allocated to business-type activities. For purposes of enhancing the usefulness of the management discussion and analysis, the county updated the prior year comparative financial data contained herein.

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.

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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 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. The governmental funds financial statements begin on page B-3.

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, employee fringe benefits, and debt service related to 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, and the Retiree Health Care 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

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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-13 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-17 of this report.

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

Other Supplementary Information, which includes 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 \$1.4 billion at December 31, 2017 and increased by approximately \$24.2 million for the year then ended. (See page A-7)

Macomb County Primary Government Net Position

	Governmental Activities		Business-type Activities		Totals	
	2016	2017	2016	2017	2016	2017
Current and other assets	\$ 528,168,057	\$ 529,230,029	\$ 242,394,905	\$ 238,708,940	\$ 770,562,962	\$ 767,938,969
Net OPEB asset	46,207,194	47,775,004	5,882,789	6,236,301	52,089,983	54,011,305
Capital assets	1,005,322,460	1,029,507,921	1,806,927	1,774,048	1,007,129,387	1,031,281,969
Total assets	1,579,697,711	1,606,512,954	250,084,621	246,719,289	1,829,782,332	1,853,232,243
Deferred outflows of resources	68,935,746	40,754,125	7,943,507	4,946,784	76,879,253	45,700,909
Current liabilities	38,785,137	38,763,169	35,447,356	32,847,029	74,232,493	71,610,198
Long-term liabilities						
Due within one year	18,767,534	20,155,474	1,750,902	1,862,795	20,518,436	22,018,269
Due in more than one year	278,894,627	266,476,903	42,693,003	40,883,166	321,587,630	307,360,069
Net Pension liability	63,130,830	6,243,155	7,274,604	757,802	70,405,434	7,000,957
Total liabilities	399,578,128	331,638,701	87,165,865	76,350,792	486,743,993	407,989,493
Deferred inflows of resources	1,120,296	42,958,075	-	4,986,332	1,120,296	47,944,407
Net position						
Net investment in capital assets	934,211,338	962,906,343	1,806,927	1,774,048	936,018,265	964,680,391
Restricted	188,666,451	219,967,908	50,178,686	36,702,649	238,845,137	256,670,557
Unrestricted	125,057,244	89,796,052	118,876,650	131,852,252	243,933,894	221,648,304
Total Net Position	\$1,247,935,033	\$1,272,670,303	\$ 170,862,263	\$ 170,328,949	\$ 1,418,797,296	\$ 1,442,999,252

Approximately \$964.7 million, or 66.9%, 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 \$256.7 million, or 17.8%, 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, Capital Projects, and Internal Service funds whose use is

Macomb County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2017.

As indicated in the following schedule, the net position of the county increased by \$24.2 million for the year ended December 31, 2017. The components of this change was an increase of \$24.7 million in governmental activities and a decrease of \$0.5 million in business-type activities.

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	
	2016	2017	2016	2017	2016	2017
Revenues						
Program revenue						
Charges for services	\$ 74,135,255	\$ 73,958,296	\$ 228,446,816	\$ 213,586,161	\$ 302,582,071	\$ 287,544,457
Operating grants and contributions	48,007,691	55,244,142	14,443,836	15,927,220	62,451,527	71,171,362
Capital grants and contributions	79,190,137	78,703,755	-	-	79,190,137	78,703,755
General revenue						
Property taxes	115,858,582	118,648,866	-	-	115,858,582	118,648,866
Intergovernmental revenues	30,356,763	29,903,709	-	-	30,356,763	29,903,709
Investment earnings	23,983,702	44,375,868	5,847,764	10,697,753	29,831,466	55,073,621
	<u>371,532,130</u>	<u>400,834,636</u>	<u>248,738,416</u>	<u>240,211,134</u>	<u>620,270,546</u>	<u>641,045,770</u>
Expenses						
Legislative	1,362,308	1,645,101	-	-	1,362,308	1,645,101
Judicial	49,742,499	52,196,731	-	-	49,742,499	52,196,731
General government	42,566,158	38,460,211	-	-	42,566,158	38,460,211
Public safety	88,807,768	91,771,360	-	-	88,807,768	91,771,360
Public works	88,281,399	85,649,643	-	-	88,281,399	85,649,643
Health and welfare	85,510,617	91,920,027	-	-	85,510,617	91,920,027
Community and economic development	-	3,715,096	-	-	-	3,715,096
Recreation and culture	143,867	174,758	-	-	143,867	174,758
Interest and fees on long-term debt	9,482,977	9,277,723	1,543,724	1,461,665	11,026,701	10,739,388
Delinquent tax collections	-	-	3,459,604	2,930,869	3,459,604	2,930,869
Community Mental Health	-	-	239,010,867	235,201,026	239,010,867	235,201,026
Freedom Hill Park	-	-	461,617	351,096	461,617	351,096
	<u>365,897,593</u>	<u>374,810,650</u>	<u>244,475,812</u>	<u>239,944,656</u>	<u>610,373,405</u>	<u>614,755,306</u>
Increase (decrease) in net position before transfers	5,634,537	26,023,986	4,262,604	266,478	9,897,141	26,290,464
Net transfers	<u>1,309,494</u>	<u>(1,288,716)</u>	<u>(1,167,926)</u>	<u>(799,792)</u>	<u>141,568</u>	<u>(2,088,508)</u>
Increase (decrease) in net position	6,944,031	24,735,270	3,094,678	(533,314)	10,038,709	24,201,956
Net position, beginning of year as restated	<u>1,240,991,002</u>	<u>1,247,935,033</u>	<u>167,767,585</u>	<u>170,862,263</u>	<u>1,408,758,587</u>	<u>1,418,797,296</u>
Net position, end of year	<u>\$1,247,935,033</u>	<u>\$1,272,670,303</u>	<u>\$ 170,862,263</u>	<u>\$ 170,328,949</u>	<u>\$1,418,797,296</u>	<u>\$1,442,999,252</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 \$24.7 million increase in net position of governmental activities was significantly larger than the increase in net position of \$6.9 million in the prior year. The change of \$17.8 million between the prior year's increase and the current year's larger increase is the result of historically strong stock market performance in 2017. The county's investments earned \$44.4 million in 2017, which was \$20.4 million higher than prior year. Additionally, a strong housing

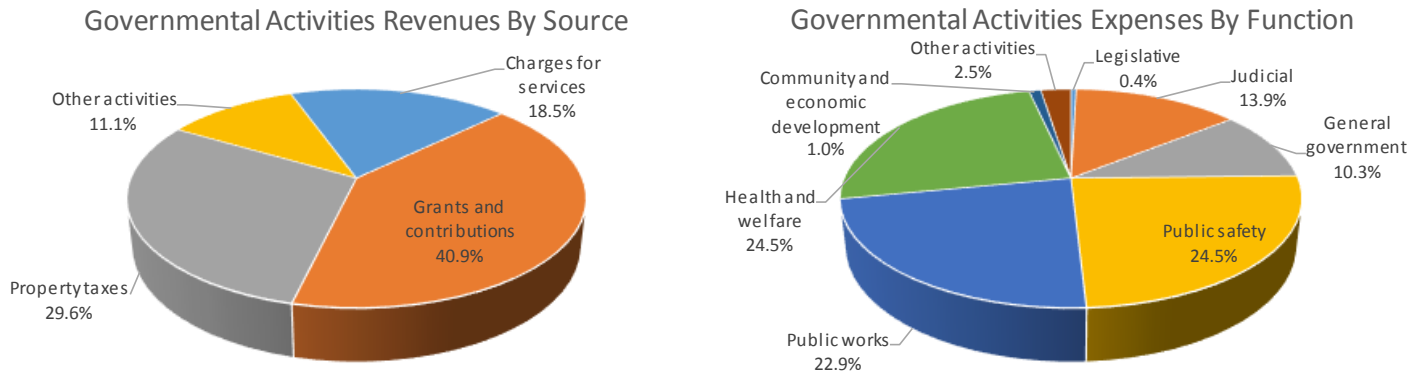
MANAGEMENT’S DISCUSSION AND ANALYSIS

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market in Macomb County led to higher home values and taxable values, which led to an increase of \$2.8 million in property tax collections as compared to 2016.

Total expenses increased \$8.9 million, the largest portion of which was attributable to an increase in grant-funded services provided, mainly related to the county child care program, community corrections, and community action agency. Additionally, expenses increased because of lump sum payments and one percent raises given to all employees at the county in 2017 as a result of previously negotiated labor contracts.

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



Business-type activities. The net position of the county’s business-type activities decreased approximately \$0.5 million during the year. The decrease in net position was mainly driven by a combination of an increase in investment earnings of \$4.8 million, while the county’s Community Mental Health agency experienced a loss of \$5.7 million for the year. Community Mental Health experienced a loss of \$5.7 million because of significant decreases in state funding, which outpaced responsible decreases in costs achieved by a combination of service cuts and program reorganization.

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 \$153.0 million at December 31, 2017, a decrease of \$9.9 million over the prior year. The decrease consists of an \$8.0 million decrease in the General Fund, a \$3.4 million increase in the Roads Major Special Revenue Fund, and a combined decrease of \$5.3 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:

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General Fund Revenue By Source and Expenditures By Function

	2016	2017	Increase (Decrease)	
			\$ Change	% Change
Revenues				
Property taxes	\$ 114,025,390	\$ 118,423,150	\$ 4,397,760	3.86%
Licenses and permits	1,541,116	1,577,397	36,281	2.35%
Federal and state grants	39,059,427	38,951,867	(107,560)	-0.28%
Charges for services	38,647,691	41,917,709	3,270,018	8.46%
Charges to other funds for administrative services	14,461,742	14,482,179	20,437	0.14%
Fines and forfeitures	557,405	586,741	29,336	5.26%
Interest and rents	4,550,981	3,809,574	(741,407)	-16.29%
Other revenue	148,279	177,465	29,186	19.68%
Transfers from other funds	8,063,243	8,158,203	94,960	1.18%
Total revenues	221,055,274	228,084,285	7,029,011	3.18%
Expenditures				
Current				
Legislative	1,234,851	1,481,976	247,125	20.01%
Judicial	31,182,105	33,262,954	2,080,849	6.67%
General government	39,892,539	41,019,308	1,126,769	2.82%
Public safety	64,993,982	69,453,561	4,459,579	6.86%
Public works	5,339,112	5,744,645	405,533	7.60%
Health and welfare	20,407,594	21,733,867	1,326,273	6.50%
Community and economic development	2,785,134	3,133,710	348,576	12.52%
Other / Non-departmental	1,838,367	1,854,569	16,202	0.88%
Capital outlay	870,607	2,054,059	1,183,452	135.93%
Transfers out	63,089,748	56,388,457	(6,701,291)	-10.62%
Total expenditures	231,634,039	236,127,106	4,493,067	1.94%
Net change in fund balance	\$ (10,578,765)	\$ (8,042,821)	\$ 2,535,944	-23.97%

Property tax revenue increased by \$4.4 million, or 3.86%, due to a robust housing market in 2017, which led to increased taxable values and associated property tax revenue collections for the year.

Charges for services increased by \$3.3 million, or 8.46%, with significant increases attributable to real estate driven fee collections, increases in contract revenues as a result of expansion of agreements with local communities for sheriff road patrols, and increases in inmate housing fees charged to the state. Real estate driven fees, such as recording fees and real estate transfer taxes, increased by \$1.4 million because of the robust housing market. Recording fees are based on a fee per real estate transaction, while real estate transfer taxes are based on the value of the property being sold. Both experienced growth in 2017 due to higher home values and a more active real estate market. Several communities contracted with the county sheriff department for increased patrols, which increased road patrol contract revenues by \$0.9 million in 2017. Finally, the Michigan Department of Corrections (MDOC) increased the number of inmates housed at the Macomb County Jail. Inmate housing is charged to the MDOC based on number of inmates, which drove the increase of \$0.6 million in these revenues in 2017.

Interest and rents decreased by \$0.7 million, or 16.29%, as a result of a combination of a decrease in rents of \$1.2 million and an increase in investment income of \$0.5 million. Rents as reported in the comprehensive annual financial report decreased as a result of a timing issue in 2016, where two years of revenue was recognized in that year's financials as a result of the timing of the payment of one of the county's component units. Investment income increased by \$0.5 million as a result of better interest rates on allowable investment products, such as certificates of deposit, certain money market accounts, and municipal bonds. In Michigan, governments can invest surplus deposits in generally conservative, low risk,

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investment vehicles as outlined in Michigan Public Act 20 of 1943, as amended. Further detail on this topic can be found in footnote 2 to the notes to the basic financial statements.

Expenditures increased approximately \$4.5 million across all functional categories in 2017. Roughly half of the increase was due to a 1% across the board wage increase to all employees at the county, at a General Fund cost of approximately \$0.7 million. Additionally, each full time employee received a \$1,000 lump sum payment, and each part time employee received a \$500 lump sum payment, which was an additional cost to the General Fund of \$1.7 million. In addition to increased wage and lump sum costs of \$2.4 million, costs of operations increased most significantly in the county's court system, sheriff department, and health department.

Judicial expenditures increased by \$2.1 million mainly as the result of a net increase of 6.8 full time equivalent employees added within judicial departments in 2017. The new employees added were mainly to staff two new judgeships that were established in 2017.

The sheriff department's (public safety) costs increased by \$4.5 million partially as a result of increased overtime, new positions, and increased operating costs associated with the expanded road patrol contracts signed with several local governments in the county. Additionally, jail medical costs were \$5.5 million in 2017, an increase of \$0.6 million over prior year. The additional medical costs were the direct result of our nation's growing opioid crisis, with many newly-detained inmates coming into the jail suffering from withdrawals from various forms of opioids and requiring substantial medical attention, including hospitalization, which is paid from the county jail budget in the sheriff's department.

The county health department's (health and welfare) costs increased by \$1.3 million. In addition to increased personnel costs, the health department saw increased costs as a result of expansion of services in the amount of \$0.3 million. The department's vision and hearing program, which provides vision and hearing screenings to low income children, received increased funding of approximately \$0.1 million to provide additional screenings. The department began a new nurse family partnership program, which provides nurse visits to low income families in order to provide preventative and/or routine checkups. The cost of the program was \$0.2 million in 2017. The department's medical examiner's costs increased by \$0.2 million, which was mainly attributed to the cost of a new medical examiner position, as well as additional indirect and operating costs.

The county's capital outlay costs in the General Fund increased by \$1.2 million as a result of sheriff-related capital outlay requests throughout the year. Most notably, the sheriff department purchased a \$330,000 armored vehicle and body cameras for road patrol deputies at a cost of \$225,000. The remaining balance of the increase over prior year is the result of increases in vehicle purchases, the majority of which were sheriff patrol cars.

Finally, transfers out decreased by \$6.7 million compared to prior year. The main driver of the decrease was a \$10.4 million decrease in the general fund's contribution to the capital projects fund. While capital project funding remains a significant need in the county, the general fund's contribution to capital projects was lower as there was adequate reserve in the capital project funds to cover 2017's projects. Most of the other grant funds that receive funding from the general fund each year saw increases in contributions to those programs, most notably Friend of the Court (\$0.3 million increase), Child Care Fund (\$0.4 million increase), Macomb Community Action Agency (\$0.4 million increase), Health Grants Programs (\$0.4 million increase), and Community Mental Health (\$0.8 million increase). Each of these programs requested additional funding because of a combination of decreasing funding from state and federal sources, as well as increased demand for services. This was most notable in programs such as Macomb Community Action's Meals on Wheels program, which requested \$100,000 of additional county funding in an attempt to curtail a rising wait list for those services. Community Mental Health also saw significant external funding decreases as a result of state Medicaid funding decisions, which decreased funding for all mental health agencies state-wide.

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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

	2016	2017	Increase (Decrease)	
			\$ Change	% Change
Revenues				
Licenses and permits	\$ 824,183	\$ 707,846	\$ (116,337)	-14.12%
Federal and state grants	73,221,621	74,246,919	1,025,298	1.40%
Charges for services	11,760,697	9,894,619	(1,866,078)	-15.87%
Interest and rents	292,689	478,700	186,011	63.55%
Other revenue	445,226	353,674	(91,552)	-20.56%
Total revenues	86,544,416	85,681,758	(862,658)	-1.00%
Expenditures				
Current				
Public works	84,560,594	78,182,030	(6,378,564)	-7.54%
Capital outlay	3,952,304	3,397,899	(554,405)	-14.03%
Debt service				
Principal	164,957	167,778	2,821	1.71%
Interest and fees	23,364	20,543	(2,821)	-12.07%
Transfers out	268,249	457,029	188,780	70.37%
Total expenditures	88,969,468	82,225,279	(6,744,189)	-7.58%
Net change in fund balance	\$ (2,425,052)	\$ 3,456,479	\$ 5,881,531	-242.53%

Decreases in both revenues as well as expenditures are the result of decreased roads projects throughout the county in 2017 as compared to 2016.

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

The fund balances of the county's nonmajor governmental funds were approximately \$32.6 million at year-end, a decrease of approximately \$5.3 million over the prior year. The increase consists of a decrease of \$0.2 million in the special revenue funds, an increase of \$0.1 million in the debt service fund, and a decrease of \$5.6 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 a decrease of \$5.6 million in 2017 because of a decrease in the funding contribution from the county's General Fund for anticipated and planned future capital projects in 2018 and beyond.

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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

	2016	2017	Increase (Decrease)	
			\$ Change	% Change
Revenues				
Charges for services	\$ 11,579,426	\$ 10,829,988	\$ (749,438)	-6.47%
Investment income	680,454	1,209,080	528,626	77.69%
Transfer in	-	5,534	5,534	100.00%
Total revenues	12,259,880	12,044,602	(215,278)	-1.76%
Expenses				
Wages and fringe benefits	475,670	469,595	(6,075)	-1.28%
Supplies and services	2,906,714	2,461,274	(445,440)	-15.32%
Transfers out	8,000,000	8,000,000	-	0.00%
Total expenditures	11,382,384	10,930,869	(451,515)	-3.97%
Change in net position	\$ 877,496	\$ 1,113,733	\$ 236,237	26.92%

The most notable change in operating results was a \$0.7 million decrease in charges for services as a result of less delinquent tax collections. This was mainly because of less properties in the county becoming delinquent in recent years. The decrease was mostly offset by a \$0.5 million increase in investment income, which was the result of a better performing investment portfolio in 2017 as compared to 2016.

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2017

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

	2016	2017	Increase (Decrease)	
			\$ Change	% Change
Revenues				
Federal and state grants	\$ 14,443,836	\$ 15,927,220	\$ 1,483,384	10.27%
Charges for services	216,342,607	198,920,345	(17,422,262)	-8.05%
Other	250,996	467,389	216,393	86.21%
Investment income	214,005	323,364	109,359	51.10%
Transfers in	6,495,655	7,162,189	666,534	10.26%
Total revenues	237,747,099	222,800,507	(14,946,592)	-6.29%
Expenses				
Wages and fringe benefits	24,571,177	28,285,365	3,714,188	15.12%
Contractual services	182,718,177	184,452,956	1,734,779	0.95%
Utilities	373,405	349,489	(23,916)	-6.40%
Repairs and maintenance	32,353	53,808	21,455	66.32%
Supplies and services	25,289,460	15,404,816	(9,884,644)	-39.09%
Interest expense	1,543,724	-	(1,543,724)	-100.00%
Total expenditures	234,528,296	228,546,434	(5,981,862)	-2.55%
Change in net position	\$ 3,218,803	\$ (5,745,927)	\$ (8,964,730)	-278.51%

Community Mental Health is funded primarily by Medicare and Medicaid. Revenue from charges for services (primarily Medicare and Medicaid) decreased by \$17.4 million due to less Medicaid funding availability. A portion of Medicaid revenue is subsequently passed through to the State Department of Treasury and recorded as an expense of Community Mental Health.

Supplies and services decreased by \$9.9 million primarily as the result of less claims tax being paid, which was driven by the corresponding decrease in Medicaid funding. Finally, interest expense was reclassified out of Community Mental Health in 2017 because of implementation of Governmental Accounting Standards Board Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The county's other postemployment benefits bonds, a portion of which had been recorded in Community Mental Health in previous years, is now recorded in an internal service fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2017

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

	2016	2017	Increase (Decrease)	
			\$ Change	% Change
Revenues				
Charges for services	\$ 250,139	\$ 239,918	\$ (10,221)	-4.09%
Other	23,648	11,092	(12,556)	-53.10%
Transfers in	336,419	39,956	(296,463)	-88.12%
Total revenues	610,206	290,966	(319,240)	-52.32%
Expenses				
Wages and fringe benefits	17,097	-	(17,097)	-100.00%
Utilities	111,366	88,181	(23,185)	-20.82%
Repairs and maintenance	119,148	81,067	(38,081)	-31.96%
Supplies and services	62,558	50,447	(12,111)	-19.36%
Depreciation	119,872	126,786	6,914	5.77%
Interest expense	21,272	-	(21,272)	-100.00%
Transfer out	-	7,471	7,471	100.00%
Total expenditures	451,313	353,952	(97,361)	-21.57%
Change in net position	\$ 158,893	\$ (62,986)	\$ (221,879)	-139.64%

Total revenue decreased \$0.3 million as a result of a decrease in transfers in. In 2016, transfers were made to fund capital asset additions. This activity did not occur in 2017, so transfers into the Park Fund were lower as a result.

Because of less events at Freedom Hill Park, total expenses decreased by \$0.2 million in 2017. Event-driven expenses, such as personnel costs, utilities, repairs and maintenance, and supplies all decreased in 2017 as compared to 2016.

Finally, interest expense was reclassified out of the Freedom Hill Park Fund in 2017 because of implementation of Governmental Accounting Standards Board Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The county's other postemployment benefits bonds, a portion of which had been recorded in the Freedom Hill Park Fund in previous years, is now recorded in an internal service fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2017

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

	Original Budget	Final Amended Budget	Actual	Variance, Favorable (Unfavorable)	
				\$ Difference	% Difference
Revenues					
Property taxes	\$ 117,561,032	\$ 117,561,032	\$ 118,423,150	\$ 862,118	0.73%
Licenses and permits	1,385,664	1,399,664	1,577,397	177,733	12.70%
Federal and state grants	36,069,712	36,096,273	38,951,867	2,855,594	7.91%
Charges for services	38,212,703	38,854,909	41,917,709	3,062,800	7.88%
Charges to other funds for administrative services	14,516,589	14,516,589	14,482,179	(34,410)	-0.24%
Fines and forfeitures	467,750	467,750	586,741	118,991	25.44%
Interest and rents	3,238,135	3,238,135	3,809,574	571,439	17.65%
Other revenue	118,200	128,200	177,465	49,265	38.43%
Transfers in	8,153,000	8,153,000	8,158,203	5,203	0.06%
Total revenues	\$ 219,722,785	\$ 220,415,552	\$ 228,084,285	\$ 7,668,733	3.48%

The federal and state grants favorable variance of \$2.9 million was mainly the result of the state personal property tax reimbursement program, which was budgeted at \$3.9 million while the county received reimbursement of \$7.0 million. This program reimburses local units of government for losses experienced as a result of state-legislated personal property tax reforms. Reimbursement is based in part on the state's collection of use taxes. When the collection of use tax is higher than anticipated, the state distributes the funds to the local units of government, even when that cumulative amount is in excess of calculated reimbursement amount for personal property taxes. In 2017, use tax collections at the state level were high enough to allow for a surplus reimbursement to the county.

The charges for services favorable variance of \$3.1 million was mainly the result of real estate transfer taxes, recording fees, inmate housing, soil erosion fees, and Medicare/Medicaid collections. The county collected \$4.5 million of real estate transfer fees, which was \$1.5 million more than budgeted. The county collected \$3.6 million of recording fees, which was \$0.2 million more than budgeted. Real estate transfer taxes are based on the sale price of a property, while recording fees are collected when transactions are recorded, so both of these revenues were better than initially budgeted due to the robust real estate market in 2017. Other increases included an increase in jail population from Michigan Department of Corrections, which led to an increase in inmate housing fees to \$2.2 million in 2017, \$0.5 million more than budgeted.

Macomb County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2017

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		\$ Unused	% Unused
Current					
Legislative					
Board of commissioners	\$ 1,799,128	\$ 1,620,653	\$ 1,481,976	\$ 138,677	8.56%
Judicial					
Circuit court	12,490,901	12,078,825	12,088,799	(9,974)	-0.08%
District court - 3rd class	25,000	25,000	15,876	9,124	36.50%
District court - New Baltimore	1,344,070	1,300,501	1,272,279	28,222	2.17%
District court - Romeo	1,045,089	989,963	944,920	45,043	4.55%
Family counseling	74,291	66,224	20,899	45,325	68.44%
Family court - Juvenile division	5,302,533	5,144,305	5,144,304	1	0.00%
Jury commission	183,475	183,475	163,941	19,534	10.65%
Law library	36,337	36,337	36,052	285	0.78%
Probate court	3,249,295	3,050,412	3,018,724	31,688	1.04%
Probation - Circuit court	118,500	118,500	111,039	7,461	6.30%
Probation - District court	481,064	481,324	481,324	-	0.00%
Prosecuting attorney	9,983,849	9,909,376	9,964,797	(55,421)	-0.56%
Total judicial	34,334,404	33,384,242	33,262,954	121,288	0.36%
General government					
Building authority	\$ 1,300	\$ 1,300	\$ 140	\$ 1,160	89.23%
County clerk	4,988,655	4,594,338	4,421,816	172,522	3.76%
County executive	1,586,503	1,545,961	1,495,453	50,508	3.27%
Corporation counsel	1,083,998	1,037,355	1,037,355	-	0.00%
Elections	29,763	29,763	13,621	16,142	54.24%
Ethics board	19,000	19,000	2,901	16,099	84.73%
Equalization	960,249	858,886	814,191	44,695	5.20%
Facilities and operations	15,485,731	15,019,717	14,857,828	161,889	1.08%
Finance	2,260,418	2,222,489	2,159,575	62,914	2.83%
Human resources	2,342,287	2,258,627	2,230,304	28,323	1.25%
Information technology	7,929,488	7,927,088	7,927,517	(429)	-0.01%
MSU extension	934,440	921,632	910,909	10,723	1.16%
Purchasing	1,441,710	1,360,672	1,273,828	86,844	6.38%
Register of deeds	1,915,789	1,760,179	1,714,969	45,210	2.57%
Treasurer	2,363,970	2,236,371	2,158,901	77,470	3.46%
Total general government	43,343,301	41,793,378	41,019,308	774,070	1.85%
Public safety					
Civil service commission	60,925	60,925	51,404	9,521	15.63%
Emergency management	1,252,245	1,182,402	1,127,071	55,331	4.68%
Sheriff department	66,831,195	66,405,479	68,275,086	(1,869,607)	-2.82%
Total public safety	68,144,365	67,648,806	69,453,561	(1,804,755)	-2.67%

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2017

General Fund Expenditures - Budgetary Comparison Schedule (concluded)

Expenditures (concluded)	Original	Final Amended	Actual	Variance, Positive (Negative)	
	Budget	Budget		\$ Unused	% Unused
Current (concluded)					
Public works	6,672,678	5,759,220	5,744,645	14,575	0.25%
Health and welfare					
Animal shelter	2,058,090	2,043,502	2,046,851	(3,349)	-0.16%
Health & community services	297,082	296,969	301,455	(4,486)	-1.51%
Health department	20,301,223	19,664,758	19,327,204	337,554	1.72%
Social services	72,472	72,472	58,357	14,115	19.48%
Total health and welfare	22,728,867	22,077,701	21,733,867	343,834	1.56%
Community and economic development					
Planning and economic development	3,398,359	3,197,492	3,133,710	63,782	1.99%
Other current operations					
Non-departmental appropriations	2,343,585	2,506,848	1,854,569	652,279	26.02%
Vacant position turnover factor	(6,636,273)	-	-	-	0.00%
Total other current operations	(4,292,688)	2,506,848	1,854,569	652,279	26.02%
Capital outlay	1,350,796	2,111,930	2,054,059	57,871	2.74%
Transfers out	55,915,540	56,445,594	56,388,457	57,137	0.10%
Total expenditures	<u>\$ 233,394,750</u>	<u>\$ 236,545,864</u>	<u>\$ 236,127,106</u>	<u>\$ 418,758</u>	<u>0.18%</u>

The total budget for the General Fund was increased by \$3.1 million during the year. While there was no single significant budget amendment in the General Fund in 2017, \$0.8 million was budgeted as an increase in capital outlay for various equipment purchases, mainly for sheriff items such as a new armored transport vehicle and additional body cameras for road patrol deputies.

The \$1.9 million unfavorable variance in the Sheriff Department was due primarily to overtime charges.

In summary, General Fund expenditures exceeded revenues by \$8.0 million for the year ended December 31, 2017. Unassigned fund balance was \$45.7 million or 19.3% of 2017 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 as shown on the following page.

Macomb County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2017

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

	Governmental Activities		Business-type Activities		Totals	
	2016	2017	2016	2017	2016	2017
Land	\$ 244,411,342	\$ 249,770,756	\$ 50,000	\$ 50,000	\$ 244,461,342	\$ 249,820,756
Land improvements	5,812,251	6,014,265	252,526	348,181	6,064,777	6,362,446
Buildings and improvements	171,953,468	177,618,175	1,486,492	1,359,163	173,439,960	178,977,338
Machinery, equipment and vehicles	19,695,931	19,503,241	17,909	16,704	19,713,840	19,519,945
Infrastructure	534,112,845	539,927,697	-	-	534,112,845	539,927,697
Construction in progress	29,336,623	36,673,787	-	-	29,336,623	36,673,787
Total assets	<u>\$ 1,005,322,460</u>	<u>\$ 1,029,507,921</u>	<u>\$ 1,806,927</u>	<u>\$ 1,774,048</u>	<u>\$ 1,007,129,387</u>	<u>\$ 1,031,281,969</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 \$302.3 million at December 31, 2017. 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	\$ 276,207,454	\$ -	\$ 15,135,280	\$ 261,072,174	\$ 15,388,246
Business-type activities	42,868,018	-	1,650,902	41,217,116	1,662,795
Total general obligation bonds	<u>\$ 319,075,472</u>	<u>\$ -</u>	<u>\$ 16,786,182</u>	<u>\$ 302,289,290</u>	<u>\$ 17,051,041</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, 2017 was \$26.0 billion. After adjustments as shown on page E-16, the county's debt limitation was \$2.3 billion at year-end. The county's outstanding debt of \$302.3 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 2018 budget:

Property values were projected to increase 2.5% in 2018.

Across the board wage increases of 1% were factored into the 2018 budget.

Health care costs are anticipated to increase 4% for employees and 8% for retirees in 2018.

Market interest rates in 2018 are expected to remain consistent with 2017 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, 2017

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, 2017

	Primary Government		Total	Component Units
	Governmental Activities	Business-type Activities		
ASSETS				
Cash and pooled investments	\$ 201,084,676	\$ 138,117,437	\$ 339,202,113	\$ 54,632,355
Restricted cash	-	-	-	24,115,907
Investments, at fair value	244,865,340	52,157,148	297,022,488	-
Receivables				
Property taxes, net	6,640,550	23,874,715	30,515,265	-
Accrued interest	654,859	204,099	858,958	-
Trade accounts, net	15,476,308	15,759,201	31,235,509	9,946,180
Special assessments	-	-	-	309,135,083
Inventories	4,874,853	-	4,874,853	-
Due from other governments	30,276,793	2,001,899	32,278,692	4,876,039
Due from component units	17,787,200	-	17,787,200	-
Internal balances	(4,581,934)	2,384,218	(2,197,716)	-
Due from fiduciary funds	4,476,646	-	4,476,646	-
Other assets	7,674,738	4,210,223	11,884,961	510,737
Assets held for sale	-	-	-	2,932,930
Capital assets, net				
Assets not being depreciated	286,444,543	50,000	286,494,543	67,213,957
Assets being depreciated	743,063,378	1,724,048	744,787,426	283,506,854
Net other post-employment benefits asset	47,775,004	6,236,301	54,011,305	2,632,765
TOTAL ASSETS	1,606,512,954	246,719,289	1,853,232,243	759,502,807
DEFERRED OUTFLOWS OF RESOURCES				
Related to pension	40,754,125	4,946,784	45,700,909	1,279,871
LIABILITIES				
Accounts payable and accrued liabilities	32,011,032	27,214,265	59,225,297	26,322,454
Accrued wages payable	4,632,375	330,374	4,962,749	648,060
Accrued interest payable	1,543,443	603,106	2,146,549	3,134,435
Due to other governments	293,077	4,646,147	4,939,224	1,817,231
Unearned revenue	283,242	53,137	336,379	17,590,817
Long-term liabilities				
Due within one year	20,155,474	1,862,795	22,018,269	17,355,418
Due within more than one year	266,476,903	40,883,166	307,360,069	333,490,211
Net pension liability	6,243,155	757,802	7,000,957	196,064
TOTAL LIABILITIES	331,638,701	76,350,792	407,989,493	400,554,690
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied in advance	1,878,134	-	1,878,134	-
Related to pension	41,079,941	4,986,332	46,066,273	1,290,104
TOTAL DEFERRED INFLOWS OF RESOURCES	42,958,075	4,986,332	47,944,407	1,290,104
NET POSITION				
Net investment in capital assets	962,906,343	1,774,048	964,680,391	105,251,359
Restricted for:				
Capital projects	73,027,624	-	73,027,624	41,604,140
Debt service	2,038,746	-	2,038,746	205,549,601
General government	2,443,505	-	2,443,505	-
Health and welfare	9,030,596	-	9,030,596	-
Planning and economic development	82,311	-	82,311	-
Judicial	699,978	-	699,978	-
Housing rehabilitation loans	6,537,177	-	6,537,177	-
Mental health and substance abuse	-	22,531,263	22,531,263	-
Public safety	2,786,452	-	2,786,452	-
Public works	-	-	-	13,955,479
Department of Roads liability insurance	7,853,010	-	7,853,010	-
Other postemployment benefits	115,468,509	14,171,386	129,639,895	-
Unrestricted (deficit)	89,796,052	131,852,252	221,648,304	(7,422,695)
TOTAL NET POSITION	\$ 1,272,670,303	\$ 170,328,949	\$ 1,442,999,252	\$ 358,937,884

See accompanying notes to the financial statements.

Macomb County, Michigan

STATEMENT OF ACTIVITIES

Year Ended December 31, 2017

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities					
Legislative	\$ 1,645,101	\$ 675	\$ -	\$ -	\$ (1,644,426)
Judicial	52,196,731	6,349,229	13,762,378	-	(32,085,124)
General government	38,460,211	15,534,837	303,336	-	(22,622,038)
Public safety	91,771,360	21,642,106	4,237,184	4,456,836	(61,435,234)
Public works	85,649,643	14,219,413	-	74,246,919	2,816,689
Health and welfare	91,920,027	15,955,342	36,703,192	-	(39,261,493)
Community and economic development	3,715,096	209,389	238,052	-	(3,267,655)
Recreation and culture	174,758	47,305	-	-	(127,453)
Interest and fees on long-term debt	9,277,723	-	-	-	(9,277,723)
Total governmental activities	374,810,650	73,958,296	55,244,142	78,703,755	(166,904,457)
Business-type activities					
Delinquent tax collections	2,930,869	10,829,988	-	-	7,899,119
Community mental health	235,201,026	202,458,599	15,927,220	-	(16,815,207)
Freedom hill park	351,096	297,574	-	-	(53,522)
Interest and fees on long-term debt	1,461,665	-	-	-	(1,461,665)
Total business-type activities	239,944,656	213,586,161	15,927,220	-	(10,431,275)
Total primary government	\$ 614,755,306	\$ 287,544,457	\$ 71,171,362	\$ 78,703,755	\$ (177,335,732)
Component units					
Drainage districts	\$ 114,475,765	\$ 118,550,793	\$ -	\$ 13,727,434	\$ 17,802,462
Martha T. Berry medical care facility	27,644,680	27,355,949	-	-	(288,731)
Workforce development board	27,741,924	406,727	27,308,895	-	(26,302)
Total component units	\$ 169,862,369	\$ 146,313,469	\$ 27,308,895	\$ 13,727,434	\$ 17,487,429
		Governmental Activities	Business-Type Activities	Total	Component Units
Changes in net position					
Net (expense) revenue from above		\$ (166,904,457)	\$ (10,431,275)	\$ (177,335,732)	\$ 17,487,429
General revenues					
Property taxes		118,648,866	-	118,648,866	-
Intergovernmental revenues - unrestricted		29,903,709	-	29,903,709	-
Investment earnings		44,375,868	10,697,753	55,073,621	9,052,970
Transfers - internal activities		(1,288,716)	(799,792)	(2,088,508)	-
Total general revenues and transfers		191,639,727	9,897,961	201,537,688	9,052,970
CHANGE IN NET POSITION		24,735,270	(533,314)	24,201,956	26,540,399
Net position, beginning of year as restated*		1,247,935,033	170,862,263	1,418,797,296	332,397,485
Net position, end of year		\$ 1,272,670,303	\$ 170,328,949	\$ 1,442,999,252	\$ 358,937,884

*See footnote 19 of the notes to the basic financial statements

See accompanying notes to the financial statements.

Macomb County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS

December 31, 2017

	Major Governmental Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Special Revenue Fund Road Fund (1)		
ASSETS				
Cash and pooled investments	\$ 45,616,887	\$ 68,750,543	\$ 36,774,583	\$ 151,142,013
Receivables				
Property taxes, net	4,896,861	-	1,743,689	6,640,550
Accrued interest	132,021	168,009	-	300,030
Trade accounts, net	4,801,756	2,977,375	7,294,355	15,073,486
Inventories	-	4,661,548	-	4,661,548
Due from other governments	13,384,042	6,559,982	10,332,366	30,276,390
Due from governmental funds	1,477,881	-	-	1,477,881
Due from proprietary funds	301,807	-	-	301,807
Due from component units	3,292,200	-	-	3,292,200
Other assets	951,638	1,334,848	177,343	2,463,829
TOTAL ASSETS	\$ 74,855,093	\$ 84,452,305	\$ 56,322,336	\$ 215,629,734
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 4,116,373	\$ 16,444,652	\$ 9,599,424	\$ 30,160,449
Accrued liabilities	-	-	349,259	349,259
Accrued compensation and benefits	3,606,452	413,554	612,369	4,632,375
Due to other governments	3,326	-	289,751	293,077
Due to governmental funds	-	-	3,914,208	3,914,208
Accrued workers compensation claims	-	341,976	-	341,976
Unearned revenue	-	-	283,242	283,242
TOTAL LIABILITIES	7,726,151	17,200,182	15,048,253	39,974,586
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied in advance	-	-	1,878,134	1,878,134
Unavailable property taxes	3,574,423	-	-	3,574,423
Unavailable grants and other charges	9,962,867	409,992	6,837,202	17,210,061
TOTAL DEFERRED INFLOWS OF RESOURCES	13,537,290	409,992	8,715,336	22,662,618
FUND BALANCES				
Nonspendable	4,243,838	5,996,396	177,343	10,417,577
Restricted	-	60,845,735	21,928,546	82,774,281
Assigned	-	-	15,035,086	15,035,086
Unassigned	49,347,814	-	(4,582,228)	44,765,586
TOTAL FUND BALANCES	53,591,652	66,842,131	32,558,747	152,992,530
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 74,855,093	\$ 84,452,305	\$ 56,322,336	\$ 215,629,734

(1) - Balance Sheet as of September 30, 2017

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, 2017

Total fund balances for governmental funds \$ 152,992,530

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	\$ 249,770,756
Land improvements	14,002,353
Buildings and improvements	318,066,785
Machinery, equipment, and vehicles	90,150,285
Infrastructure	1,282,122,467
Construction in progress	36,673,787
Accumulated depreciation	<u>(962,340,734)</u>

Capital assets, net of accumulated depreciation 1,028,445,699

Internal service funds are used by management to charge the costs of certain activities such as insurance, compensated absences, workers' compensation, certain benefit-related debt service, 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. 134,623,238

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. 20,784,484

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 inflows related to pension	(41,079,941)
Deferred outflows related to pension	40,754,125

Net pension liability is not due and payable in the current year and is not reported in the governmental funds. (6,243,155)

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. (67,606,578)

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. (415,318)

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. (1,378,178)

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. (227,531)

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. 12,020,928

Net position of governmental activities \$ 1,272,670,303

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, 2017

	Major Governmental Funds			Total Governmental Funds
	General Fund	Special Revenue Fund Road Fund (1)	Nonmajor Governmental Funds	
REVENUES				
Property taxes	\$ 118,423,150	\$ -	\$ 1,139,358	\$ 119,562,508
Licenses and permits	1,577,397	707,846	396,548	2,681,791
Federal and state grants	38,951,867	74,246,919	52,193,057	165,391,843
Other grants	-	-	398,261	398,261
Charges for services	41,917,709	9,894,619	11,485,265	63,297,593
Charges to other funds for administrative services	14,482,179	-	-	14,482,179
Fines and forfeitures	586,741	-	512,988	1,099,729
Interest and rents	3,809,574	478,700	39,126	4,327,400
Other revenue	177,465	353,674	1,476,624	2,007,763
TOTAL REVENUES	219,926,082	85,681,758	67,641,227	373,249,067
EXPENDITURES				
Current				
Legislative	1,481,976	-	-	1,481,976
Judicial	33,262,954	-	12,778,345	46,041,299
General government	41,019,308	-	1,438,188	42,457,496
Public safety	69,453,561	-	9,263,360	78,716,921
Public works	5,744,645	78,182,030	136,913	84,063,588
Health and welfare	21,733,867	-	58,582,446	80,316,313
Community and economic development	3,133,710	-	211,860	3,345,570
Recreational and cultural	-	-	98,645	98,645
Other	1,854,569	-	-	1,854,569
Capital outlay	2,054,059	3,397,899	28,195,117	33,647,075
Debt service				
Principal	-	167,778	6,840,000	7,007,778
Interest and fees	-	20,543	2,153,037	2,173,580
TOTAL EXPENDITURES	179,738,649	81,768,250	119,697,911	381,204,810
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	40,187,433	3,913,508	(52,056,684)	(7,955,743)
OTHER FINANCING SOURCES (USES)				
Transfers in	8,158,203	-	73,235,560	81,393,763
Transfers out	(56,388,457)	(457,029)	(26,515,252)	(83,360,738)
TOTAL OTHER FINANCING SOURCES (USES)	(48,230,254)	(457,029)	46,720,308	(1,966,975)
NET CHANGE IN FUND BALANCES	(8,042,821)	3,456,479	(5,336,376)	(9,922,718)
Fund balances, beginning of year	61,634,473	63,385,652	37,895,123	162,915,248
Fund balances, end of year	\$ 53,591,652	\$ 66,842,131	\$ 32,558,747	\$ 152,992,530

(1) - Year ended September 30, 2017

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, 2017

Net change in fund balances - total governmental funds	\$ (9,922,718)
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	\$ 81,810,395
Current year depreciation expense	(56,959,416)
Net book value of assets disposed	<u>(391,781)</u>
	24,459,198
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	(624,272)
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.	
	7,007,778
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.	
	(12,373,887)
Internal service funds are used by management to charge the costs of certain activities such as insurance, compensated absences, workers' compensation, certain benefit-related debt service, 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.	
	14,095,209
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 compensated absences	(47,049)
(Increase) in workers' compensation claims	(128,068)
Decrease in accrued interest payable	98,583
Increase in other postemployment benefit assets	<u>2,170,496</u>
	<u>2,093,962</u>
Change in net position of governmental activities	<u>\$ 24,735,270</u>

See accompanying notes to the financial statements.

Macomb County, Michigan

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

December 31, 2017

	Major Business-Type Activities - Enterprise Funds	
	Delinquent Tax Revolving	Community Mental Health (1)
ASSETS		
Current Assets		
Cash and pooled investments	\$ 95,133,326	\$ 41,042,224
Investments, at fair value	-	-
Receivables		
Property taxes, net	23,874,715	-
Accrued interest	90,739	37,780
Trade accounts, net	4,265,493	11,318,561
Inventories	-	-
Due from other governments	-	2,001,899
Due from component unit	-	-
Due from governmental funds	-	-
Due from fiduciary funds	-	-
Other assets	-	3,593,631
Total current assets	123,364,273	57,994,095
Noncurrent assets		
Capital assets, net		
Assets not being depreciated	-	-
Assets being depreciated	-	-
Net other post-employment benefits asset	-	-
Total noncurrent assets	-	-
TOTAL ASSETS	123,364,273	57,994,095
DEFERRED OUTFLOWS OF RESOURCES		
Related to pension	-	4,946,784
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	1,399,125	25,713,970
Accrued wages payable	13,022	317,352
Accrued interest payable	-	-
Due to other governments	13,178	4,632,969
Due to governmental funds	-	-
Unearned revenue	-	53,137
Long-term liabilities due within one year	-	-
Total current liabilities	1,425,325	30,717,428
Noncurrent liabilities		
Long-term liabilities due in more than one year	-	-
Net pension liability	-	757,802
Total noncurrent liabilities	-	757,802
TOTAL LIABILITIES	1,425,325	31,475,230
DEFERRED INFLOWS OF RESOURCES		
Related to pension	-	4,986,332
NET POSITION		
Net investment in capital assets	-	-
Restricted for:		
Mental health and substance abuse	-	22,531,263
Department of Roads liability insurance	-	-
Other postemployment benefits	-	-
Unrestricted (deficit)	121,938,948	3,948,054
TOTAL NET POSITION	\$ 121,938,948	\$ 26,479,317

(1) - Year ended September 30, 2017

See accompanying notes to the financial statements.

-CONTINUED-

Macomb County, Michigan

STATEMENT OF NET POSITION – PROPRIETARY FUNDS (CONCLUDED)

December 31, 2017

	Nonmajor Enterprise Fund		Governmental Activities
	Freedom Hill Park	Enterprise Fund Totals	Internal Service Funds
ASSETS			
Current Assets			
Cash and pooled investments	\$ 446,038	\$ 136,621,588	\$ 51,438,512
Investments, at fair value	-	-	297,022,488
Receivables			
Property taxes, net	-	23,874,715	-
Accrued interest	-	128,519	430,409
Trade accounts, net	91,958	15,676,012	486,011
Inventories	-	-	213,305
Due from other governments	-	2,001,899	403
Due from component unit	-	-	14,495,000
Due from governmental funds	-	-	238,611
Due from fiduciary funds	-	-	4,476,646
Other assets	-	3,593,631	5,827,501
Total current assets	537,996	181,896,364	374,628,886
Noncurrent assets			
Capital assets, net			
Assets not being depreciated	50,000	50,000	-
Assets being depreciated	1,724,048	1,724,048	1,062,222
Net other post-employment benefits asset	-	-	41,990,377
	1,774,048	1,774,048	43,052,599
TOTAL ASSETS	2,312,044	183,670,412	417,681,485
DEFERRED OUTFLOWS OF RESOURCES			
Related to pension	-	4,946,784	-
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	12,744	27,125,839	1,589,751
Accrued wages payable	-	330,374	-
Accrued interest payable	-	-	1,731,230
Due to other governments	-	4,646,147	-
Due to governmental funds	-	-	301,807
Unearned revenue	-	53,137	-
Long-term liabilities due within one year	-	-	13,410,628
Total current liabilities	12,744	32,155,497	17,033,416
Noncurrent liabilities			
Long-term liabilities due in more than one year	-	-	246,413,447
Net pension liability	-	757,802	-
Total noncurrent liabilities	-	757,802	246,413,447
TOTAL LIABILITIES	12,744	32,913,299	263,446,863
DEFERRED INFLOWS OF RESOURCES			
Related to pension	-	4,986,332	-
NET POSITION			
Net investment in capital assets	1,774,048	1,774,048	1,062,222
Restricted for:			
Mental health and substance abuse	-	22,531,263	-
Department of Roads liability insurance	-	-	7,853,010
Other postemployment benefits	-	-	129,639,895
Unrestricted (deficit)	525,252	126,412,254	15,679,495
TOTAL NET POSITION	\$ 2,299,300	\$ 150,717,565	\$ 154,234,622
RECONCILIATION OF THE STATEMENT OF NET POSITION FOR PROPRIETARY FUNDS			
Total net position of enterprise funds / internal service funds		\$ 150,717,565	\$ 154,234,622
Add (subtract): Business-type equity in the net position of internal service funds		19,611,384	(19,611,384)
Net position reported in the government-wide statement of net position		<u>\$ 170,328,949</u>	<u>\$ 134,623,238</u>

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, 2017

	Major Business-Type Activities - Enterprise Funds	
	Delinquent Tax Revolving	Community Mental Health (1)
OPERATING REVENUES		
Federal and state grants	\$ -	\$ 15,927,220
Charges for services	10,829,988	198,920,345
Other	-	467,389
TOTAL OPERATING REVENUES	10,829,988	215,314,954
OPERATING EXPENSES		
Wages and fringe benefits	469,595	28,285,365
Contractual services	-	184,452,956
Utilities	-	349,489
Repairs and maintenance	-	53,808
Benefits and claims expenses	-	-
Supplies and services	2,461,274	15,404,816
Depreciation	-	-
TOTAL OPERATING EXPENSES	2,930,869	228,546,434
OPERATING INCOME (LOSS)	7,899,119	(13,231,480)
NONOPERATING REVENUES (EXPENSES)		
Investment income	1,209,080	323,364
Interest expense	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	1,209,080	323,364
NET INCOME (LOSS) BEFORE TRANSFERS	9,108,199	(12,908,116)
TRANSFERS		
Transfers in	5,534	7,162,189
Transfers out	(8,000,000)	-
NET TRANSFERS	(7,994,466)	7,162,189
CHANGE IN NET POSITION	1,113,733	(5,745,927)
Net position, beginning of year as restated*	120,825,215	32,225,244
Net position, end of year	<u>\$ 121,938,948</u>	<u>\$ 26,479,317</u>

(1) - Year ended September 30, 2017

* See footnote 19 in the notes to the basic financial statements

Macomb County, Michigan

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

Year Ended December 31, 2017

	Nonmajor Enterprise Fund	Enterprise Fund Totals	Governmental Activities
	Freedom Hill Park		Internal Service Funds
OPERATING REVENUES			
Federal and state grants	\$ -	\$ 15,927,220	\$ -
Charges for services	239,918	209,990,251	81,796,560
Other	11,092	478,481	21,678
TOTAL OPERATING REVENUES	251,010	226,395,952	81,818,238
OPERATING EXPENSES			
Wages and fringe benefits	-	28,754,960	-
Contractual services	-	184,452,956	-
Utilities	88,181	437,670	-
Repairs and maintenance	81,067	134,875	-
Benefits and claims expenses	-	-	102,807,335
Supplies and services	50,447	17,916,537	4,528,364
Depreciation	126,786	126,786	549,095
TOTAL OPERATING EXPENSES	346,481	231,823,784	107,884,794
OPERATING INCOME (LOSS)	(95,471)	(5,427,832)	(26,066,556)
NONOPERATING REVENUES (EXPENSES)			
Investment income	-	1,532,444	52,247,838
Interest expense	-	-	(8,602,466)
TOTAL NONOPERATING REVENUES (EXPENSES)	-	1,532,444	43,645,372
NET INCOME (LOSS) BEFORE TRANSFERS	(95,471)	(3,895,388)	17,578,816
TRANSFERS			
Transfers in	39,956	7,207,679	2,915,248
Transfers out	(7,471)	(8,007,471)	(2,236,989)
NET TRANSFERS	32,485	(799,792)	678,259
CHANGE IN NET POSITION	(62,986)	(4,695,180)	18,257,075
Net position, beginning of year as restated*	2,362,286	155,412,745	135,977,547
Net position, end of year	<u>\$ 2,299,300</u>	<u>\$ 150,717,565</u>	<u>\$ 154,234,622</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		\$ (4,695,180)	\$ 18,257,075
Add (subtract): Increase (decrease) in business-type activities' equity of internal service funds		4,161,866	(4,161,866)
Net income (loss) in the government-wide statement of activities		<u>\$ (533,314)</u>	<u>\$ 14,095,209</u>

See accompanying notes to the financial statements.

Macomb County, Michigan

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

Year Ended December 31, 2017

	Major Business-Type Activities - Enterprise Funds	
	Delinquent Tax Revolving	Community Mental Health (1)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 49,766,558	\$ 209,911,876
Cash received from interfund services	-	-
Cash payments for delinquent taxes	(38,074,147)	-
Cash payments to employees and employee trusts	(470,066)	(26,875,034)
Cash payments to suppliers	(1,657,292)	(205,197,080)
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	9,565,053	(22,160,238)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Principal and interest paid on long-term debt	-	-
Transfers in	5,534	7,162,189
Transfers out	(16,000,000)	-
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	(15,994,466)	7,162,189
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	-	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	1,173,425	303,410
Realized gain on investments	-	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	1,173,425	303,410
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,255,988)	(14,694,639)
Cash and pooled investments, beginning of year	100,389,314	55,736,863
Cash and pooled investments, end of year	<u>\$ 95,133,326</u>	<u>\$ 41,042,224</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	\$ 7,899,119	\$ (13,231,480)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	-	-
Changes in net pension liability	-	1,466,253
Changes in net other post-employment benefits asset	-	-
Changes in assets and liabilities:		
Taxes receivable	766,953	-
Accounts receivable	123,742	(3,932,553)
Inventory	-	-
Due from other governments	-	(1,446,163)
Due from other funds	-	-
Due from fiduciary funds	-	-
Other assets	-	(1,652,648)
Accounts payable	803,982	(5,666,131)
Accrued employee benefits	(471)	(55,922)
Due to other governments	(28,272)	2,382,768
Due to other funds	-	-
Unearned revenue	-	(24,362)
Long term liabilities	-	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 9,565,053	\$ (22,160,238)

(1) - Year ended September 30, 2017

See accompanying notes to the financial statements.

-CONTINUED-

Macomb County, Michigan

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONCLUDED)

Year Ended December 31, 2017

	Nonmajor Enterprise Fund	Enterprise Fund Totals	Governmental Activities Internal Service Funds
	Freedom Hill Park		
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 232,386	\$ 259,910,820	\$ -
Cash received from interfund services	-	-	85,340,951
Cash payments for delinquent taxes	-	(38,074,147)	-
Cash payments to employees and employee trusts	-	(27,345,100)	(1,935,475)
Cash payments to suppliers	(215,110)	(207,069,482)	(104,441,107)
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	17,276	(12,577,909)	(21,035,631)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Principal and interest paid on long-term debt	-	-	(18,452,018)
Transfers in	39,956	7,207,679	2,915,248
Transfers out	(7,471)	(16,007,471)	(2,236,989)
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	32,485	(8,799,792)	(17,773,759)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(93,907)	(93,907)	(275,359)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments	-	1,476,835	1,485,774
Realized gain on investments	-	-	40,000,000
	-	1,476,835	41,485,774
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(44,146)	(19,994,773)	2,401,025
Cash and pooled investments, beginning of year	490,184	156,616,361	49,037,487
Cash and pooled investments, end of year	<u>\$ 446,038</u>	<u>\$ 136,621,588</u>	<u>\$ 51,438,512</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ (95,471)	\$ (5,427,832)	\$ (26,066,556)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	126,786	126,786	549,095
Changes in net pension liability	-	1,466,253	-
Changes in net other post-employment benefits asset	-	-	249,174
Changes in assets and liabilities:			
Taxes receivable	-	766,953	-
Accounts receivable	(18,624)	(3,827,435)	307,444
Inventory	-	-	24,340
Due from other governments	-	(1,446,163)	(403)
Due from other funds	-	-	83,592
Due from fiduciary funds	-	-	5,671,091
Other assets	-	(1,652,648)	(3,235,157)
Accounts payable	4,585	(4,857,564)	176,817
Accrued employee benefits	-	(56,393)	-
Due to other governments	-	2,354,496	-
Due to other funds	-	-	(2,539,414)
Unearned revenue	-	(24,362)	-
Long term liabilities	-	-	3,744,346
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 17,276</u>	<u>\$ (12,577,909)</u>	<u>\$ (21,035,631)</u>

See accompanying notes to the financial statements.

Macomb County, Michigan

STATEMENT OF FIDUCIARY NET POSITION

December 31, 2017

	Pension and Other Postemployment Benefit Funds	Agency Funds
ASSETS		
Cash and pooled investments	\$ 45,731,603	\$ 10,449,684
Investments, at fair value		
US Government securities	-	-
Corporate bonds	13,586,530	-
Common stock	367,632,847	-
Preferred stock	291,307	-
Foreign stock	54,492,774	-
Limited partnership	266,271,591	-
Real estate investment trusts	39,798,732	-
Fixed income common collective trusts	107,436,559	-
Equity common collective trusts	425,069,953	-
	<hr/>	<hr/>
Total investments, at fair value	1,274,580,293	-
Receivables		
Accrued interest	1,564,224	-
Other	172,497	293,020
Due from other governments	-	219,150
Other assets	1,504	311,830
	<hr/>	<hr/>
TOTAL ASSETS	1,322,050,121	<u>\$ 11,273,684</u>
LIABILITIES		
Accounts payable	19,835,281	\$ 4,306,226
Accrued compensation and benefits	4,875,190	9,668
Cash bonds and deposits	-	5,779,291
Due to other governments	-	1,178,499
Due to primary government	4,476,646	-
	<hr/>	<hr/>
TOTAL LIABILITIES	29,187,117	<u>\$ 11,273,684</u>
NET POSITION RESTRICTED FOR PENSION AND OTHER POSTEMPLOYMENT BENEFITS	<u>\$ 1,292,863,004</u>	

See accompanying notes to the financial statements.

Macomb County, Michigan

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended December 31, 2017

	Pension and Other Postemployment Benefit Funds
ADDITIONS	
Investment income (loss):	
Interest and dividends	\$ 29,619,147
Net increase in fair value of investments	161,158,340
Less investment expenses	<u>(7,254,289)</u>
Net investment income (loss)	183,523,198
Contributions	
Employer	21,672,813
Employee	3,451,637
Contribution from Retiree Healthcare Intermediate Trust Fund	<u>36,488,654</u>
Total contributions	<u>61,613,104</u>
TOTAL ADDITIONS	245,136,302
DEDUCTIONS	
Benefit payments	88,029,965
Withdrawals and refunds of contributions	327,067
Administrative expenses	695,297
Contribution to Retiree Healthcare Trust Fund	<u>-</u>
TOTAL DEDUCTIONS	<u>89,052,329</u>
CHANGE IN NET POSITION	156,083,973
Net Position - beginning of year as restated*	<u>1,136,779,031</u>
Net Position - end of year	<u><u>\$ 1,292,863,004</u></u>

* See footnote 19 of the notes to the basic financial statements

See accompanying notes to the financial statements.

Macomb County, Michigan

COMBINING STATEMENT OF NET POSITION – COMPONENT UNITS

December 31, 2017

	Drainage Districts (1)	Martha T. Berry Medical Care Facility	Workforce Development Board (2)	Total
ASSETS				
Cash and pooled investments	\$ 46,248,520	\$ 8,383,543	\$ 292	\$ 54,632,355
Restricted cash	24,097,426	18,481	-	24,115,907
Receivables				
Trade accounts, net	6,967,004	2,979,176	-	9,946,180
Special assessments	309,135,083	-	-	309,135,083
Due from other governments	-	-	4,876,039	4,876,039
Other assets	-	438,396	72,341	510,737
Assets held for sale	2,932,930	-	-	2,932,930
Capital assets, net				
Assets not being depreciated	66,659,477	554,480	-	67,213,957
Assets being depreciated	282,263,751	1,243,103	-	283,506,854
Net other post-employment benefits asset	-	2,632,765	-	2,632,765
TOTAL ASSETS	738,304,191	16,249,944	4,948,672	759,502,807
DEFERRED OUTFLOWS OF RESOURCES				
Related to pension	-	1,279,871	-	1,279,871
LIABILITIES				
Accounts payable and accrued liabilities	20,608,982	1,105,115	4,608,357	26,322,454
Accrued wages payable	-	543,072	104,988	648,060
Accrued interest payable	3,044,552	89,883	-	3,134,435
Due to other governments	-	1,707,229	110,002	1,817,231
Unearned revenue	17,499,248	-	91,569	17,590,817
Long-term liabilities				
Due within one year	16,163,854	1,191,564	-	17,355,418
Due within more than one year	316,424,559	17,065,652	-	333,490,211
Net pension liability	-	196,064	-	196,064
TOTAL LIABILITIES	373,741,195	21,898,579	4,914,916	400,554,690
DEFERRED INFLOWS OF RESOURCES				
Related to pension	-	1,290,104	-	1,290,104
NET POSITION				
Net investment in capital assets	103,453,776	1,797,583	-	105,251,359
Restricted for:				
Capital projects	41,604,140	-	-	41,604,140
Debt service	205,549,601	-	-	205,549,601
Public works	13,955,479	-	-	13,955,479
Unrestricted (deficit)	-	(7,456,451)	33,756	(7,422,695)
TOTAL NET POSITION	\$ 364,562,996	\$ (5,658,868)	\$ 33,756	\$ 358,937,884

(1) - Balance Sheet as of September 30, 2017

(2) - Balance Sheet as of June 30, 2017

See accompanying notes to the financial statements.

Macomb County, Michigan

COMBINING STATEMENT OF ACTIVITIES – COMPONENT UNITS

Year Ended December 31, 2017

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	\$ 105,145,895	\$ 118,550,793	\$ -	\$ 13,727,434	\$ 27,132,332
Interest and fees on long-term debt	9,329,870	-	-	-	(9,329,870)
Total Drainage Districts	114,475,765	118,550,793	-	13,727,434	17,802,462
Martha T. Berry Medical Care Facility					
Governmental activities					
Health and welfare	27,109,678	27,355,949	-	-	246,271
Interest and fees on long-term debt	535,002	-	-	-	(535,002)
Total Martha T. Berry Medical Care Facility	27,644,680	27,355,949	-	-	(288,731)
Workforce Development Board (2)					
Governmental activities					
Health and welfare	27,741,924	406,727	27,308,895	-	(26,302)
Total component units	\$ 169,862,369	\$ 146,313,469	\$ 27,308,895	\$ 13,727,434	\$ 17,487,429
		Drainage Districts (1)	Martha T. Berry Medical Care Facility	Workforce Development Board (2)	Total
Changes in net position					
Net (expense) revenue from above		\$ 17,802,462	\$ (288,731)	\$ (26,302)	\$ 17,487,429
General revenues					
Investment earnings		8,984,242	68,728	-	9,052,970
CHANGE IN NET POSITION		26,786,704	(220,003)	(26,302)	26,540,399
Net position, beginning of year		337,776,292	(5,438,865)	60,058	332,397,485
Net position, end of year		\$ 364,562,996	\$ (5,658,868)	\$ 33,756	\$ 358,937,884

(1) - Year ended September 30, 2017

(2) - Year ended June 30, 2017

See accompanying notes to the financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

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, 2017, 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, 2017. 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, 2017.

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, 2017

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 Macomb County Board of Commissioners not only appoints a majority of the facility's board, but also because the facility's budget is approved by the Board of Commissioners. 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, 2017

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, assignments 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 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, 2017

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, certain benefit-related debt service, 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

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 \$31,235,509 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, 2017

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. Prepaid items are accounted for under the consumption method.

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 capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value. 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, 2017

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, 2017

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, 2017 levy (calendar 2017 revenue) was \$25,997,372,246.

The county operating tax rate for the 2017 levy was 4.5242 mills, the Veteran's rate was .0398 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 2017 was \$1,172,525.

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

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	\$ -	\$ 4,661,548	\$ -	\$ 4,661,548
Long-term receivables	3,292,200	-	-	3,292,200
Prepaid items	951,638	1,334,848	177,343	2,463,829
TOTAL NONSPENDABLE	4,243,838	5,996,396	177,343	10,417,577
Restricted for:				
Capital projects	-	60,845,735	5,022,655	65,868,390
Community Action Agency	-	-	866,235	866,235
Community Corrections	-	-	5,751	5,751
Concealed Pistol License	-	-	671,983	671,983
Debt service	-	-	2,038,746	2,038,746
Health Department	-	-	3,324,264	3,324,264
Housing rehabilitation loans	-	-	6,537,177	6,537,177
MSU Extension	-	-	144,262	144,262
Prosecuting Attorney	-	-	55,819	55,819
Sheriff Department	-	-	1,844,914	1,844,914
Technology	-	-	819,569	819,569
Urban County Block Grant	-	-	10,605	10,605
Veterans Affairs	-	-	586,566	586,566
TOTAL RESTRICTED	-	60,845,735	21,928,546	82,774,281
Assigned for:				
Capital projects	-	-	13,948,365	13,948,365
Community Action Agency	-	-	228,940	228,940
MSU Extension	-	-	251,432	251,432
Health Department	-	-	11,634	11,634
Prosecuting Attorney	-	-	8,103	8,103
Sheriff Department	-	-	18,662	18,662
Urban Block Grant	-	-	567,950	567,950
TOTAL ASSIGNED	-	-	15,035,086	15,035,086
Unassigned	49,347,814	-	(4,582,228)	44,765,586
TOTAL FUND BALANCES	\$ 53,591,652	\$ 66,842,131	\$ 32,558,747	\$ 152,992,530

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, 2017

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 2018.

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, 2017

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.

In 2017, the county implemented Governmental Accounting Standards Board Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which required the county to change how it accounts for the county’s Intermediate Retirement Medical Benefits Trust (the “Trust”). The Trust’s assets are now accounted for in the Other Postemployment Benefits Fund, an internal service fund. As a result of this, the Trust’s assets are now included below in primary government cash and investments. In addition to the instruments authorized by Public Act 20 of 1943, the Trust 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 Trust are held in a bank-administered trust fund.

The deposits and investments of the primary government and component units, excluding the pension and other postemployment benefit trust funds, at December 31, 2017 and September 30, 2017 respectively, are presented below.

	Primary Government	Component Units	Percent of Total
Cash on hand	\$ 69,280	\$ 400	0.01%
Bank and money market accounts	85,600,111	49,679,344	18.71%
Certificates of deposit	133,347,981	29,068,518	22.47%
Subtotal - deposits	219,017,372	78,748,262	41.19%
Commercial paper	123,728,293	-	17.11%
US Government securities	11,917,668	-	1.65%
Corporate and municipal bonds	9,025,831	-	1.25%
Common stock	159,261,533	-	22.03%
Foreign stock	43,510,199	-	6.02%
Real estate investment trusts	12,470,119	-	1.72%
Fixed income common collective trusts	5,069,604	-	0.70%
Equity common collective trusts	60,186,688	-	8.33%
Subtotal - investments	425,169,935	-	58.81%
Total deposits and investments	644,187,307	78,748,262	100.00%
Timing effect of different year ends	2,486,978	-	
Amount reported at December 31, 2017	<u>\$ 646,674,285</u>	<u>\$ 78,748,262</u>	
Amount reported in primary government	\$ 636,224,601		
Amount reported in agency funds	10,449,684		
	<u>\$ 646,674,285</u>		

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Primary Government and Component Unit Deposits and Investments (continued)

The following summarizes the restricted cash and cash equivalents as of December 31, 2017:

	Component Units (Total)
Restricted cash and cash equivalents	
Unspent bond proceeds	\$ 24,097,426
Residents' Trust	18,481
	<u>\$ 24,115,907</u>

Deposits – The deposits of the primary government and its component units are subject to custodial credit risk, which is the risk that the deposits may not be returned in the event of a bank failure. The custodial credit risk assumed by the county is measured by categorizing deposits in one of three categories: 1) insured or collateralized with securities held by the county or its agent in the county's name, 2) collateralized with securities held by the counter-party's trust department or agent in the county's name and 3) uninsured and uncollateralized. At year-end, the book value of the deposits was \$277,161,403, with corresponding bank balances of \$293,833,392. Qualifying deposits are insured by the FDIC up to \$250,000. Of the bank balances, \$3,015,325 was insured and the remaining \$290,818,067 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.

Additionally, statutes of the State of Michigan authorize the county's Intermediate Retiree Medical Benefits Trust 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, 2017, the Fund'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, 2017

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Primary Government and Component Unit Deposits and Investments (concluded)

Quality Rating	US Treasury	US Agency	Corporate and Municipal Bonds	Total	Percent of Total	Breakdown of Corporate Portfolio
AAA	\$ 6,272,313	\$ -	\$ 84,509	\$ 6,356,822	24.44%	0.60%
AA+	-	623,982	1,072,338	1,696,320	6.52%	7.61%
AA	-	-	49,473	49,473	0.19%	0.35%
AA-	-	-	354,010	354,010	1.36%	2.51%
A+	-	-	238,397	238,397	0.92%	1.69%
A	-	-	1,127,247	1,127,247	4.33%	8.00%
A-	-	-	826,572	826,572	3.18%	5.86%
BBB+	-	-	2,425,851	2,425,851	9.33%	17.21%
BBB	-	-	756,444	756,444	2.91%	5.37%
BBB-	-	-	485,212	485,212	1.87%	3.44%
BB+	-	-	1,006,960	1,006,960	3.87%	7.14%
BB	-	-	217,356	217,356	0.84%	1.54%
Not Rated	-	5,021,373	5,451,066	10,472,439	40.24%	38.68%
	<u>\$ 6,272,313</u>	<u>\$ 5,645,355</u>	<u>\$ 14,095,435</u>	<u>\$ 26,013,103</u>	<u>100.00%</u>	<u>100.00%</u>

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, 2017.

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's 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 11.1 years.

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, 2017. 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, 2017 are presented on the following page.

	Amount	Percent of Total
Cash and pooled investments	\$ 13,100,720	4.73%
Common stock	64,237	0.02%
Foreign stock	32,321,804	11.66%
Limited partnerships	3,245	0.00%
Real estate investment trusts	39,798,732	14.36%
Fixed income common collective trusts	52,867,543	19.08%
Equity common collective trusts	<u>138,932,029</u>	<u>50.15%</u>
	<u>\$ 277,088,310</u>	<u>100.00%</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

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

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, 2017, 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	\$ 19,983,931	\$ 1,850,364	\$ 15,252,736	\$ 37,087,031	70.15%	49.14%
AA	-	-	3,113,880	3,113,880	5.89%	10.03%
A	-	-	6,438,871	6,438,871	12.18%	20.75%
BAA	-	-	6,227,761	6,227,761	11.78%	20.08%
	<u>\$ 19,983,931</u>	<u>\$ 1,850,364</u>	<u>\$ 31,033,248</u>	<u>\$ 52,867,543</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, 2017.

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.

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 \$31,630,883 with corresponding bank balances of \$32,670,941. 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 \$32,420,941 was uninsured and uncollateralized.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)**Employees' Retirement System Deposits and Investments (continued)***Investments* – A summary of the investments of the System at December 31, 2017 is presented below:

	<u>Amount</u>	<u>Percent of Total</u>
Cash and pooled investments	\$ 32,630,883	3.13%
Corporate bonds	13,586,530	1.30%
Common stock	367,568,610	35.23%
Preferred stock	291,307	0.03%
Foreign stock	22,170,970	2.13%
Limited partnerships	266,268,346	25.52%
Fixed income common collective trusts	54,569,016	5.23%
Equity common collective trusts	286,137,924	27.43%
	<u>\$ 1,043,223,586</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 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, 2017, the System's investments in debt securities were rated by Standard & Poor's as presented below:

Quality Rating	US Treasury	US Agency	Corporate Bonds	Total	Percent of Total	Breakdown of Corporate Portfolio
AAA	\$ 20,627,088	\$ 1,909,916	\$ 17,756	\$ 22,554,760	33.09%	0.04%
AA+	-	-	834,537	834,537	1.22%	1.83%
AA	-	-	1,669,074	1,669,074	2.45%	3.66%
A	-	-	53,268	53,268	0.08%	0.12%
A-	-	-	2,858,733	2,858,733	4.19%	6.27%
BBB	-	-	1,029,854	1,029,854	1.51%	2.26%
BBB-	-	-	3,922,471	3,922,471	5.76%	8.60%
BB	-	-	3,134,612	3,134,612	4.60%	6.87%
BB-	-	-	2,414,830	2,414,830	3.54%	5.29%
B+	-	-	7,102,442	7,102,442	10.42%	15.57%
B	-	-	1,278,440	1,278,440	1.88%	2.80%
B-	-	-	1,438,244	1,438,244	2.11%	3.15%
CCC	-	-	13,326	13,326	0.02%	0.03%
D	-	-	24,288	24,288	0.04%	0.05%
Not Rated	-	-	19,826,667	19,826,667	29.09%	43.46%
	<u>\$ 20,627,088</u>	<u>\$ 1,909,916</u>	<u>\$ 45,618,542</u>	<u>\$ 68,155,546</u>	<u>100.00%</u>	<u>100.00%</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Employees' Retirement System Deposits and Investments (concluded)

Interest Rate Risk is the risk that the fair value of investments in debt securities will be adversely affected by changes in market interest rates and is measured primarily by average days to maturity. The maturities of the System have an average weighted life of 2.8 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 26.4 percent of the Employee's Retirement System assets and 4.2 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.

NOTE 3 – 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.

Primary Government

The primary government of the county had recurring fair value measurements as of December 31, 2017 as presented on the following page:

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 3 – FAIR VALUE MEASUREMENTS (CONTINUED)**Primary Government (continued)**

Assets Measured at Fair Value on a Recurring Basis - Primary Government				
	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	\$ 11,917,668	\$ -	\$ 11,917,668	\$ -
Corporate and municipal bonds	9,025,831	-	9,025,831	-
Total debt securities	20,943,499	-	20,943,499	-
Equity securities				
Common stock	159,261,533	159,261,533	-	-
Foreign stock	22,316,547	22,316,547	-	-
Total equity securities	181,578,080	181,578,080	-	-
Commercial paper	123,728,293	-	123,728,293	-
Fixed income common collective trusts	5,069,604	-	5,069,604	-
Equity common collective trusts	60,186,688	-	60,186,688	-
Total investments by fair value level	391,506,164	<u>\$ 181,578,080</u>	<u>\$ 209,928,084</u>	<u>\$ -</u>
Investments measured at net asset value (NAV)				
Hedge funds	8,675,890			
International equity funds	21,193,652			
Private equity	1,914,027			
Real estate funds	1,880,202			
Total investments measured at NAV	33,663,771			
Total investments measured at fair value	<u>\$ 425,169,935</u>			

Equity securities classified in level 1 are valued using prices quoted in active markets for those securities. Commercial paper classified in level 2 are valued using quoted prices for identical securities in markets that are not active. 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.

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.

At the year ended December 31, 2017, the fair value, unfunded commitments, and redemption rules of those investments are as presented on the following page:

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 3 – FAIR VALUE MEASUREMENTS (CONTINUED)**Primary Government (concluded)**

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
Hedge funds	\$ 8,675,890	\$ -	Daily	3 days
International equity funds	21,193,652	-	None	N/A
Private equity funds	1,914,027	-	None	N/A
Real estate funds	<u>1,880,202</u>	<u>4,143,366</u>	None	N/A
Total investments measured at NAV	<u>\$ 33,663,771</u>	<u>\$ 4,143,366</u>		

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

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 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 is comprised of the Blackstone Strategic Partners Offshore Fund. The fund's portfolio includes investments in funds that achieve capital appreciation through leveraged buyouts and venture and growth equity. The fair value of the investments in this class have been estimated using the net asset value per share of the investments. None 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 2 to 8 years.

The real estate funds class is comprised of the Alidade Capital Fund. The fund's portfolio includes investments in commercial real estate that provide current cash flow yield and upside through future appreciation. The fair value of the investments in this class have been estimated using the net asset value per share of the investments. None 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 2 to 6 years.

Disclosures Regarding Redemption Only Upon Liquidation

The investments in hedge funds, international equity funds, private equity funds, and 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 2 to 8 years.

Fiduciary Trust Funds

The county's fiduciary trust funds, which comprise of the Macomb County Employees' Retirement System, and the Retiree Health Care Trust Fund had recurring fair value measurements as of December 31, 2017 as presented on the following page.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 3 – FAIR VALUE MEASUREMENTS (CONTINUED)**Fiduciary Trust Funds (continued)**

Assets Measured at Fair Value on a Recurring Basis - Fiduciary Trust Funds				
	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				
Corporate bonds	\$ 13,586,530	\$ -	\$ 13,562,242	\$ 24,288
Equity securities				
Common stock	367,632,847	367,632,847	-	-
Foreign stock	54,492,774	54,492,774	-	-
Preferred stock	291,307	-	291,307	-
Total equity securities	422,416,928	422,125,621	291,307	-
Limited Partnership investments	3,245	3,245	-	-
Fixed income common collective trusts	107,436,559	-	107,436,559	-
Equity common collective trusts	425,069,953	30,677,492	394,392,461	-
Real estate investment trust funds	39,798,732	39,798,732	-	-
Total investments by fair value level	1,008,311,947	<u>\$ 492,605,090</u>	<u>\$ 515,682,569</u>	<u>\$ 24,288</u>
Investments measured at net asset value (NAV)				
Fixed income funds	19,236,719			
Hedge funds	62,919,335			
Infrastructure funds	16,446,743			
International equity funds	60,931,748			
Private equity funds	40,431,588			
Real estate funds	58,341,146			
International real estate funds	7,961,067			
Total investments measured at NAV	266,268,346			
Total investments measured at fair value	<u>\$ 1,274,580,293</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, 2017

NOTE 3 – FAIR VALUE MEASUREMENTS (CONTINUED)**Fiduciary Trust Funds (continued)**

At the year ended December 31, 2017, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
Fixed income funds	\$ 19,236,719	\$ -	Daily	3 days
Hedge funds	62,919,335	143,325	None	N/A
Infrastructure funds	16,446,743	13,839,282	None	N/A
International equity funds	60,931,748	-	None	N/A
Private equity funds	40,431,588	27,971,963	None	N/A
Real estate funds	58,341,146	20,344,039	None	N/A
International real estate funds	<u>7,961,067</u>	<u>9,240,000</u>	None	N/A
Total investments measured at NAV	<u>\$ 266,268,346</u>	<u>\$ 71,538,609</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 14 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

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 3 – FAIR VALUE MEASUREMENTS (CONCLUDED)

Fiduciary Trust Funds (concluded)

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.

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 8 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, \$14,495,000 was outstanding at December 31, 2017 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, 2017, the amount of \$3,292,200 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.

At December 31, 2017, the county has recorded a total due from component unit on the governmental activities statement of net position in the amount of \$17,787,200, which will be paid back to the county with installment payments due each May 1 and November 1 of each year through 2035.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

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, 2017:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases and Transfers</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 244,411,342	\$ 5,359,414	\$ -	\$ 249,770,756
Construction in progress	29,336,623	18,870,959	11,533,795	36,673,787
Total capital assets not being depreciated	273,747,965	24,230,373	11,533,795	286,444,543
Capital assets being depreciated:				
Land improvements	13,349,373	759,457	106,477	14,002,353
Buildings and building improvements	306,593,369	14,952,310	3,478,894	318,066,785
Machinery, equipment, and vehicles	93,607,116	6,938,136	3,862,232	96,683,020
Infrastructure	1,235,367,787	46,754,680	-	1,282,122,467
Total capital assets being depreciated	1,648,917,645	69,404,583	7,447,603	1,710,874,625
Less accumulated depreciation for:				
Land Improvements	7,537,122	557,442	106,476	7,988,088
Buildings and building improvements	134,639,901	9,000,642	3,191,933	140,448,610
Machinery, equipment, and vehicles	73,911,185	7,010,599	3,742,005	77,179,779
Infrastructure	701,254,942	40,939,828	-	742,194,770
Total accumulated depreciation	917,343,150	57,508,511	7,040,414	967,811,247
Net capital assets being depreciated	731,574,495	11,896,072	407,189	743,063,378
Net governmental capital assets	\$ 1,005,322,460	\$ 36,126,445	\$ 11,940,984	\$ 1,029,507,921

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	1,057,110	-	1,057,110
General government	4,374,826	549,095	4,923,921
Health and welfare	2,707,015	-	2,707,015
Recreation and culture	65,211	-	65,211
Public safety	4,333,253	-	4,333,253
Public works	44,415,597	-	44,415,597
	\$ 56,959,416	\$ 549,095	\$ 57,508,511

A summary of capital asset activity of the business-type activities of the county for the year ended December 31, 2017 is presented on the following page.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 5 – CAPITAL ASSETS (CONTINUED)

	<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
Capital assets being depreciated:				
Land improvements	395,655	95,655	-	491,310
Buildings and building improvements	2,491,373	-	42,200	2,449,173
Machinery, equipment, and vehicles	374,283	66,733	24,930	416,086
Total capital assets being depreciated	3,261,311	162,388	67,130	3,356,569
Less accumulated depreciation for:				
Land Improvements	143,129	-	-	143,129
Buildings and building improvements	1,004,881	125,579	40,450	1,090,010
Machinery, equipment, and vehicles	356,374	67,940	24,932	399,382
Total accumulated depreciation	1,504,384	193,519	65,382	1,632,521
Net capital assets being depreciated	1,756,927	(31,131)	1,748	1,724,048
Net business-type capital assets	<u>\$ 1,806,927</u>	<u>\$ (31,131)</u>	<u>\$ 1,748</u>	<u>\$ 1,774,048</u>

Depreciation expense of the business-type activities by function totaled \$126,786 for recreation and culture. The above capital asset activity schedule also includes \$66,733 of historical cost and accumulated depreciation transfers from governmental activities to business-type activities, for a total reported increase in accumulated depreciation in business-type activities of \$193,519.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 5 – CAPITAL ASSETS (CONCLUDED)

The following is a summary of changes in the Drainage Districts Component Unit capital assets for the year ended September 30, 2017:

	<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	37,469,355	43,738,350	16,540,656	64,667,049
Total capital assets not being depreciated	39,461,783	43,738,350	16,540,656	66,659,477
Capital assets being depreciated:				
Machinery, equipment, and vehicles	-	1,194,277	-	1,194,277
Infrastructure	403,146,159	15,848,837	3,277,256	415,717,740
Total capital assets being depreciated	403,146,159	17,043,114	3,277,256	416,912,017
Less accumulated depreciation for:				
Machinery, equipment, and vehicles	-	109,357	-	109,357
Infrastructure	126,809,083	8,221,414	491,588	134,538,909
Total accumulated depreciation	126,809,083	8,330,771	491,588	134,648,266
Net capital assets being depreciated	276,337,076	8,712,343	2,785,668	282,263,751
Net drainage district capital assets	<u>\$ 315,798,859</u>	<u>\$ 52,450,693</u>	<u>\$ 19,326,324</u>	<u>\$ 348,923,228</u>

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, 2017:

	<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	\$ 172,719	\$ 381,761	\$ -	\$ 554,480
Capital assets being depreciated:				
Buildings and building improvements	1,031,327	-	-	1,031,327
Machinery, equipment, and vehicles	768,690	190,857	-	959,547
Total capital assets being depreciated	1,800,017	190,857	-	1,990,874
Less accumulated depreciation for:				
Buildings and building improvements	231,987	73,955	-	305,942
Machinery, equipment, and vehicles	346,833	94,996	-	441,829
Total accumulated depreciation	578,820	168,951	-	747,771
Net capital assets being depreciated	1,221,197	21,906	-	1,243,103
Net Martha T. Berry capital assets	<u>\$ 1,393,916</u>	<u>\$ 403,667</u>	<u>\$ -</u>	<u>\$ 1,797,583</u>

Macomb County, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 6 – LONG-TERM DEBT

The following is a summary of the long-term liability transactions for the year ended December 31, 2017:

	<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	\$ 1,075,000	\$ -	\$ 285,000	\$ 790,000	\$ 280,000
Series 2012 Public Works / Warehouse Refunding	4,435,000	-	525,000	3,910,000	515,000
Series 2012A 800Mhz/NB Court Refunding	13,050,000	-	1,320,000	11,730,000	1,360,000
Series 2014 MTB / Youth Home Refunding	11,795,000	-	1,780,000	10,015,000	1,860,000
General County					
Series 2015 Capital Improvement Bonds	41,800,000	-	2,460,000	39,340,000	2,510,000
Series 2015 Retiree Health Care Bonds	201,593,098	-	8,127,502	193,465,596	8,222,581
Michigan Transportation Fund					
Series 2012 - Bridge Refunding Bonds	1,475,000	-	470,000	1,005,000	470,000
Department of Roads					
2007 MDOT Infrastructure Loan	148,336	-	48,956	99,380	49,445
2010 MDOT Infrastructure Loan	171,363	-	33,589	137,774	33,929
2010 MDOT Infrastructure Loan	259,742	-	49,912	209,830	50,910
2014 MDOT Infrastructure Loan	404,915	-	35,321	369,594	36,381
Total bonded debt and loans	276,207,454	-	15,135,280	261,072,174	15,388,246
Other liabilities					
Compensated absences					
General County	11,384,854	3,098,200	1,727,631	12,755,423	1,500,000
Department of Roads	1,331,129	1,504,418	1,457,369	1,378,178	1,200,000
General liability claims					
General County	5,477,555	5,452,519	2,755,067	8,175,007	1,103,000
Department of Roads	269,270	7,744	7,762	269,252	19,252
Workers' compensation claims					
General County	2,689,451	876,221	1,152,836	2,412,836	603,000
Department of Roads	302,448	470,212	203,153	569,507	341,976
Total other liabilities	21,454,707	11,409,314	7,303,818	25,560,203	4,767,228
Total governmental activities	297,662,161	11,409,314	22,439,098	286,632,377	20,155,474
Business-Type Activities					
Series 2015 Retiree Health Care Bonds	42,868,018	-	1,650,902	41,217,116	1,662,795
Compensated absences	1,575,887	188,977	236,019	1,528,845	200,000
Total business-type activities	44,443,905	188,977	1,886,921	42,745,961	1,862,795
TOTAL PRIMARY GOVERNMENT	\$ 342,106,066	\$ 11,598,291	\$ 24,326,019	\$ 329,378,338	\$ 22,018,269
DISCRETELY PRESENTED COMPONENT UNITS					
Martha T. Berry Medical Care Facility					
Notes payable to Macomb County	\$ 18,580,100	\$ -	\$ 792,900	\$ 17,787,200	\$ 797,900
Compensated absences	381,761	810,816	722,561	470,016	393,664
Total Martha T. Berry Medical Care Facility	18,961,861	810,816	1,515,461	18,257,216	1,191,564
Drainage Districts					
Special assessment debt	261,677,798	138,647,705	91,190,420	309,135,083	15,100,415
Unamortized premiums	3,850,725	21,910,245	1,159,146	24,601,824	1,159,146
Unamortized discounts	(1,244,201)	-	(95,707)	(1,148,494)	(95,707)
Total Drainage Districts	264,284,322	160,557,950	92,253,859	332,588,413	16,163,854
TOTAL COMPONENT UNITS	\$ 283,246,183	\$ 161,368,766	\$ 93,769,320	\$ 350,845,629	\$ 17,355,418

Macomb County, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

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	4.15 - 5.00	12/01/05	05/01/20	\$ 2,875,000	\$ 790,000
Series 2012 Public Works / Warehouse Refunding	2.00 - 2.50	03/01/12	05/01/24	6,550,000	3,910,000
Series 2012A 800Mhz/NB Court Refunding	2.00 - 2.50	10/01/12	11/01/25	14,160,000	11,730,000
Series 2014 MTB / Youth Home Refunding	4.00	09/01/14	03/01/22	15,155,000	10,015,000
General County					
Series 2015 Capital Improvement Bonds	2.00 - 4.00	06/23/15	05/01/30	44,210,000	39,340,000
Series 2015 Retiree Health Care Bonds	1.731 - 4.416	03/10/15	11/01/35	218,794,324	193,465,596
Michigan Transportation Fund					
Series 2012 - Bridge Refunding Bonds	2.00	11/01/12	12/01/19	2,265,000	1,005,000
Department of Roads					
2007 MDOT Infrastructure Loan	1.00	11/14/08	11/14/18	477,720	99,380
2010 MDOT Infrastructure Loan	1.00	10/29/10	10/29/20	334,405	137,774
2010 MDOT Infrastructure Loan	2.00	12/22/10	12/22/20	495,000	209,830
2014 MDOT Infrastructure Loan	3.00	07/01/14	07/01/16	569,620	369,594
Total governmental activities				305,886,069	261,072,174
Business-Type Activities					
Series 2015 Retiree Health Care Bonds	1.731 - 4.416	03/10/15	11/01/35	44,760,676	41,217,116
TOTAL PRIMARY GOVERNMENT				350,646,745	302,289,290
DISCRETELY PRESENTED COMPONENT UNIT					
Drainage District					
Special assessment debt with governmental commitment					
8.5 Mile Relief					
State Revolving Fund Loan (5306-01)	2.50	Various	10/01/29	4,025,000	2,640,000
State Revolving Fund Loan (5393-01)	2.50	Various	10/01/30	1,246,579	873,579
State Revolving Fund Loan (5460-01)	2.50	Various	04/01/31	418,488	319,994
State Revolving Fund Loan (5579-01)	2.50	Various	10/01/34	445,000	340,106
Lake St. Clair Clean Water Initiative					
State Revolving Fund Series #1 (5186-01)	2.50	Various	10/01/22	20,670,000	6,180,000
State Revolving Fund Series #2 (5186-02)	2.50	Various	04/01/22	13,630,000	4,075,000
State Revolving Fund Series #3 (5186-03)	2.50	Various	04/08/22	2,640,000	790,000
State Revolving Fund Series #4 (5186-04)	2.50	Various	10/01/22	5,550,000	1,660,000
State Revolving Fund Series #5 (5186-05)	2.50	Various	10/01/23	975,000	345,000
Series 2010 refunding	4.00 - 5.00	08/03/10	10/01/29	12,270,000	8,825,000
Series 2013 refunding	5.00	12/19/13	10/01/29	13,725,000	11,085,000
Macomb Interceptor Drain Drainage District					
State Revolving Fund Loan (5487-01)	2.50	Various	04/01/34	8,565,000	7,408,928
State Revolving Fund Loan (5540-01)	2.00	Various	10/01/33	2,250,000	1,864,999
State Revolving Fund Loan (5605-01)	2.50	03/30/16	10/01/36	3,145,000	2,946,331
State Revolving Fund Loan (5624-01)	2.50	Various	10/01/35	3,675,000	2,600,019
Series 2010A	3.45 - 5.50	08/30/10	05/01/35	95,620,000	-
Series 2011	5.00	10/18/11	05/01/31	30,800,000	25,450,000
Series 2017A refunding	3.00 - 5.00	06/07/17	05/01/42	126,425,000	126,425,000
North Gratiot Interceptor					
Series 2006 (Phase 5)	4.00 - 4.20	11/01/06	05/01/32	3,380,000	2,575,000
Lenox Local	4.00 - 4.125	03/01/07	05/01/31	15,200,000	10,545,000
Series 2010	4.55 - 6.35	05/11/10	05/01/35	16,965,000	13,390,000
Series 2015 refunding	3.50 - 5.00	08/06/15	05/01/33	16,990,000	16,290,000
Oakland-Macomb Interceptor					
State Revolving Fund Loan (5368-01)	2.50	Various	04/01/31	13,429,140	10,078,550
State Revolving Fund Loan (5368-02)	2.50	Various	10/01/20	12,532,062	10,494,923
State Revolving Fund Loan (5368-03)	2.00	Various	10/01/34	31,966,690	27,940,186
Series 2010B	4.35 - 5.90	04/15/10	04/01/30	3,450,500	2,593,025
Series 2014	2.00 - 3.125	10/15/14	10/01/34	5,150,335	4,541,691
SAW Program Loan 2001-01	2.50	Various	04/01/36	6,638,642	6,638,642
Richmond-Columbus - Series 2010	4.70	11/23/10	06/01/21	547,778	219,110
TOTAL DISCRETELY PRESENTED COMPONENT UNIT				472,325,214	309,135,083
TOTAL REPORTING ENTITY				\$ 822,971,959	\$ 611,424,373

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 6 – LONG-TERM DEBT (CONTINUED)

All long-term obligations are presented as of December 31, 2017 except for the Special Assessment Debt with Governmental Commitment and Department of Road obligations, which are presented as of September 30, 2017. 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
2018	\$ 15,388,246	\$ 9,036,525	\$ 1,662,795	\$ 1,450,308	\$ 17,051,041	\$ 10,486,833	\$ 15,898,315	\$ 12,151,229
2019	15,806,306	8,699,219	1,682,865	1,425,393	17,489,171	10,124,612	16,447,448	12,403,190
2020	15,482,653	8,304,096	1,712,841	1,392,278	17,195,494	9,696,374	17,012,622	11,798,556
2021	15,737,661	7,900,111	1,749,155	1,352,664	17,486,816	9,252,775	17,582,595	11,167,931
2022	15,966,876	7,465,730	1,791,795	1,307,472	17,758,671	8,773,202	18,167,963	10,501,870
2023 - 2027	70,794,646	30,439,863	9,781,382	5,679,169	80,576,028	36,119,032	86,058,236	42,285,119
2028 - 2032	69,864,408	17,661,032	11,649,968	3,732,274	81,514,376	21,393,306	91,414,765	24,177,002
2033 - 2037	42,031,378	3,765,544	11,186,315	1,014,508	53,217,693	4,780,052	46,270,345	8,409,646
2038 - 2042	-	-	-	-	-	-	18,069,994	2,798,499
	<u>\$ 261,072,174</u>	<u>\$ 93,272,120</u>	<u>\$ 41,217,116</u>	<u>\$ 17,354,066</u>	<u>\$ 302,289,290</u>	<u>\$ 110,626,186</u>	<u>\$ 326,922,283</u>	<u>\$ 135,693,042</u>

New Debt Issued

On June 7, 2017, the Macomb Interceptor Drain Drainage District (the "Drainage District") issued \$126,425,000 of Series 2017A drain and refunding bonds for the purposes of paying a portion of the cost of construction and repairs related to the collapsed portion of the Macomb Sewage Interceptor Drain. Additionally, a portion of the bonds were used to refund the principal and interest on all of the Drainage District's 2010A Series Drain Bonds. The bonds were issued pursuant to Section 476 of Michigan Public Act 40, Michigan Public Act 34 of 2001, and a resolution of the Drainage Board of the Drainage District dated March 13, 2017.

For the refunding portion of the bond, \$77,926,979 were placed in an irrevocable trust with an escrow agent and either held in uninvested cash or used to purchase obligations of the U.S. Treasury. Those funds were kept in escrow until the 2010A Series Drain Bonds were called on July 20, 2017. The economic gain realized by the Drainage District as a result of the refunding was \$4,727,646, which represents the difference between the present value of the debt service payments on the old and new debt.

The Series 2017A bonds bear interest from 3% to 5% and are due semiannually each May 1 and November 1, commencing November 1, 2017 and concluding on May 1, 2042. The bonds will be payable from installments of special assessments from district member communities, which are Chesterfield Township, Clinton Township, the City of Fraser, Harrison Township, Lenox Township, Macomb Township, New Haven, Shelby Township, the City of Sterling Heights, the City of Utica, and Washington Township. The bonds are subject to redemption prior to maturity only with the prior written consent of the Drainage District.

On April 9, 2015, the Oakland-Macomb Interceptor Drain Drainage District (the "District") entered into a loan agreement with the Michigan Finance Authority (the "Authority"), through its Stormwater, Asset Management, and Wastewater Fund, to borrow up to \$8,490,000 for the purpose of defraying a portion of the cost of certain inter-county drain projects located in various cities, villages, and townships (the "Local Units") located in Macomb County as well as Oakland County, its neighboring county to the west. The loan is evidenced by a single bond issued by the District and purchased by the Authority. The bond bears interest at a rate of 2.50% and is due by semiannually each April 1 and October 1, commencing on April 1, 2017 and concluding on April 1, 2036. The proceeds of the bond are drawn down as construction costs are

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 6 – LONG-TERM DEBT (CONCLUDED)

New Debt Issued (concluded)

incurred and approved by the District and the Authority. As of September 30, 2017, the District had drawn down a total of \$6,907,116. The bond is to be repaid from assessments against the Local Units. Oakland and Macomb counties have pledged their full faith and credit as additional security for the payment of the principal and interest on the bond when due. The bond is subject to redemption prior to maturity only with the prior written consent of the Authority. The Local Units located in Macomb County are responsible for repaying 81.3559% of the amounts drawn down. As such, Macomb County has pledged its full faith and credit on up to \$6,907,116 of the \$8,490,000 total. The county made principal payments of \$268,474 on the debt during the current year. At year end, a liability for \$6,638,642 representing 81.3559% of the total drawn down has been recorded by Macomb County.

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 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.

Macomb County, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 8 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONCLUDED)

Interfund receivables, payables, and transfers are reported below.

	Due From			
	Major Governmental Fund	Nonmajor Governmental Funds	Internal Service Funds	Total
	Roads Fund			
Due to				
General Fund	\$ -	\$ 1,477,881	\$ 301,807	\$ 1,779,688
Internal Service	238,611	-	-	238,611
	238,611	1,477,881	301,807	2,018,299
Timing differences as a result of interfund transactions occurring in funds with different fiscal year ends	(238,611)	2,436,327	-	2,197,716
	<u>\$ -</u>	<u>\$ 3,914,208</u>	<u>\$ 301,807</u>	<u>\$ 4,216,015</u>

Interfund transfers are reported below.

	Transfers In						Total
	Major Governmental Fund	Nonmajor Governmental Funds	Internal Service	Major Enterprise Funds		Nonmajor Enterprise Funds	
	General Fund			Delinquent Tax Revolving	Community Mental Health		
Transfers Out							
Major governmental funds							
General Fund	\$ -	\$ 48,401,643	\$ 678,259	\$ 5,534	\$ 7,303,021	\$ -	\$ 56,388,457
Roads	-	457,029	-	-	-	-	457,029
Nonmajor governmental funds	150,732	26,324,564	-	-	-	39,956	26,515,252
Internal service funds	-	-	2,236,989	-	-	-	2,236,989
Major enterprise fund							
Delinquent Tax Revolving	8,000,000	-	-	-	-	-	8,000,000
Nonmajor enterprise fund	7,471	-	-	-	-	-	7,471
Subtotal	8,158,203	75,183,236	2,915,248	5,534	7,303,021	39,956	93,605,198
Timing differences as a result of interfund transactions occurring in funds with different fiscal year ends	-	(1,947,676)	-	-	(140,832)	-	(2,088,508)
	<u>\$ 8,158,203</u>	<u>\$ 73,235,560</u>	<u>\$ 2,915,248</u>	<u>\$ 5,534</u>	<u>\$ 7,162,189</u>	<u>\$ 39,956</u>	<u>\$ 91,516,690</u>

NOTE 9 - LEASES

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

Year	Amount
2018	\$ 5,547,116
2019	4,684,742
2020	4,105,891
2021	3,280,828
2022	1,853,403
2023	64,112
	<u>\$ 19,536,092</u>

Rental expense totaled \$4,905,499 for the year ended December 31, 2017.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

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 \$1,398,178 during the current year. Additionally, eligible employees contributed \$354,130 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.

Plan Membership

At December 31, 2016 (date of the most recent actuarial valuation), the System's membership consisted of:

	Primary Government	Component Unit	Total
Retirees and beneficiaries currently receiving benefits	2,729	197	2,926
Deferred members entitled to benefits but not yet receiving them	532	127	659
Active employees covered by the plan	1,891	129	2,020
	<u>5,152</u>	<u>453</u>	<u>5,605</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 12 – EMPLOYEES’ RETIREMENT SYSTEM (CONTINUED)**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 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 2017 was \$19,920,483. The county contributed \$21,672,813 for the year ended December 31, 2017, which represents an excess contribution of \$1,752,330.

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 \$35,796,486 accumulated in DROP accounts at December 31, 2017.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 12 – EMPLOYEES’ RETIREMENT SYSTEM (CONTINUED)

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, 2017 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, 2017 was 17.44%. The money-weighted rate of return expressed investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 12 – EMPLOYEES’ RETIREMENT SYSTEM (CONTINUED)

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

Pension Plan Reserves (concluded)

The balances of the reserve accounts at December 31, 2017 are as follows:

Primary Government Reserves

	<u>Required</u>	<u>Actual</u>	<u>Over (Under) Funded</u>
Retiree reserve	\$ 658,887,460	\$ 658,887,460	\$ -
Employee reserve	45,304,277	45,304,277	-
Employer reserve	N/A	299,405,195	N/A

Component Unit Reserves

	<u>Required</u>	<u>Actual</u>	<u>Over (Under) Funded</u>
Retiree reserve	\$ 27,566,867	\$ 27,566,867	\$ -
Employee reserve	1,759,773	1,759,773	-
Employer reserve	N/A	4,449,293	N/A

Total Reserves, Employees' Retirement System

	<u>Required</u>	<u>Actual</u>	<u>Over (Under) Funded</u>
Retiree reserve	\$ 686,454,327	\$ 686,454,327	\$ -
Employee reserve	47,064,050	47,064,050	-
Employer reserve	N/A	303,854,488	N/A

Net Pension Liability of the County

The December 31, 2017 total pension liability was determined by an actuarial valuation dated December 31, 2016 and rolled forward to the measurement date. The components of the net pension liability of the county at December 31, 2017 were as follows:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Total</u>
Total pension liability	\$ 1,023,600,051	\$ 20,969,835	\$ 1,044,569,886
Plan fiduciary net position	1,016,599,094	20,773,771	1,037,372,865
County's net pension liability	<u>\$ 7,000,957</u>	<u>\$ 196,064</u>	<u>\$ 7,197,021</u>
Plan fiduciary net position as a percentage of the total pension liability	99.32%	99.07%	99.31%

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 12 – EMPLOYEES’ RETIREMENT SYSTEM (CONTINUED)**Net Pension Liability of the County (concluded)**

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

	Primary Government	Component Unit	Total
Total Pension Liability			
Service cost	\$ 18,253,702	\$ 511,202	\$ 18,764,904
Interest	69,818,491	1,774,841	71,593,332
Difference between expected and actual experience of the total pension liability	18,650,468	522,314	19,172,782
Benefit payments, including refunds of member contributions	<u>(63,450,584)</u>	<u>(2,771,686)</u>	<u>(66,222,270)</u>
Net change in total pension liability	43,272,077	36,671	43,308,748
Total pension liability - beginning of year	<u>980,327,974</u>	<u>20,933,164</u>	<u>1,001,261,138</u>
Total pension liability - end of year (a)	<u>\$ 1,023,600,051</u>	<u>\$ 20,969,835</u>	<u>\$ 1,044,569,886</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 21,228,348	\$ 444,465	\$ 21,672,813
Contributions - employee	3,305,129	146,508	3,451,637
Net investment income	146,248,922	4,095,757	150,344,679
Benefit payments, including refunds of member contributions	(63,450,584)	(2,771,686)	(66,222,270)
Administrative expense	<u>(655,261)</u>	<u>(18,351)</u>	<u>(673,612)</u>
Net change in plan fiduciary net position	106,676,554	1,896,693	108,573,247
Plan fiduciary net position - beginning of year	<u>909,922,540</u>	<u>18,877,078</u>	<u>928,799,618</u>
Plan fiduciary net position - end of year (b)	<u>\$ 1,016,599,094</u>	<u>\$ 20,773,771</u>	<u>\$ 1,037,372,865</u>
County's net pension liability - end of year (a) - (b)	<u>\$ 7,000,957</u>	<u>\$ 196,064</u>	<u>\$ 7,197,021</u>
Plan fiduciary net position as a percent of total pension liability	99.32%	99.07%	99.31%
Covered employee payroll	\$ 99,396,859	\$ 5,857,665	\$ 105,254,524
County's net pension liability as a percent of covered employee payroll	7.04%	3.35%	6.84%

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

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, 2017, the county recognized pension expense of \$35,908,308 and reported deferred outflows and inflows of resources related to pensions from the following sources:

Primary Government	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual liability experience	\$ 29,369,737	\$ 1,505,066
Differences between projected and actual earnings on pension plan investments	-	44,561,207
Changes in assumptions	<u>16,331,172</u>	<u>-</u>
Totals, Primary Government	<u>\$ 45,700,909</u>	<u>\$ 46,066,273</u>
Component Unit	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual liability experience	\$ 822,553	\$ 42,266
Differences between projected and actual earnings on pension plan investments	-	1,247,838
Changes in assumptions	<u>457,318</u>	<u>-</u>
Totals, Component Unit	<u>\$ 1,279,871</u>	<u>\$ 1,290,104</u>
Totals, Employees' Retirement System	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual liability experience	\$ 30,192,290	\$ 1,547,332
Differences between projected and actual earnings on pension plan investments	-	45,809,045
Changes in assumptions	<u>16,788,490</u>	<u>-</u>
Totals	<u>\$ 46,980,780</u>	<u>\$ 47,356,377</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 12 – EMPLOYEES’ RETIREMENT SYSTEM (CONTINUED)**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (concluded)**

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

Primary Government

Year Ending December 31,	<u>Pension Revenue</u>	<u>Pension Expense</u>
2018	\$ 5,387,684	\$ 19,251,590
2019	3,882,503	19,251,589
2020	20,357,644	7,197,846
2021	16,438,558	-

Component Unit

Year Ending December 31,	<u>Pension Revenue</u>	<u>Pension Expense</u>
2018	\$ 150,870	\$ 539,097
2019	108,721	539,098
2020	570,071	201,560
2021	460,326	-

Total, Employees' Retirement System

Year Ending December 31,	<u>Pension Revenue</u>	<u>Pension Expense</u>
2018	\$ 5,538,554	\$ 19,790,687
2019	3,991,224	19,790,687
2020	20,927,715	7,399,406
2021	16,898,884	-

Actuarial Assumptions

The December 31, 2017 total pension liability was determined by an actuarial valuation as of December 31, 2016, which used updated procedures to roll forward the estimated liability to December 31, 2017. 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

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 12 – EMPLOYEES’ RETIREMENT SYSTEM (CONTINUED)

Discount Rate (concluded)

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 3.16% would have been used in the development of the blended GASB discount rate after that point. The 3.16% is based on the S&P Municipal Bond 20 Year High Grade Rate Index.

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, 2017 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	0.00%
US large cap	7.00%
International equities	8.00%
Aggregate bonds	2.00%
Global debt excluding US	3.00%
Real estate investment trusts	4.00%

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>
Primary Government Net Pension Liability	\$ 115,865,524	\$ 7,000,957	\$ (84,719,935)
Component Unit Net Pension Liability	<u>3,244,559</u>	<u>196,064</u>	<u>(2,372,395)</u>
Total Net Pension Liability	\$ 119,110,083	\$ 7,197,021	\$ (87,092,330)

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

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

The System does not issue separate independently audited financial statements; therefore, financial statements as of and for the year ended December 31, 2017 are presented below.

<u>Statement of Fiduciary Net Position</u>		<u>Statement of Changes in Fiduciary Net Position</u>	
ASSETS		ADDITIONS	
Cash and pooled investments	\$ 32,630,883	Investment income (loss):	
Investments, at fair value		Interest and dividends	\$ 8,278,371
Corporate bonds	13,586,530	Net change in fair value of investments	149,198,452
Common stock	367,568,610	Less investment expenses	<u>(7,132,144)</u>
Preferred stock	291,307		
Foreign stock	22,170,970	Net investment income (loss)	150,344,679
Limited partnership	266,268,346		
Fixed income common collective trusts	54,569,016	Contributions	
Equity common collective trusts	<u>286,137,924</u>	Employer	21,672,813
		Employee	<u>3,451,637</u>
Total investments	1,010,592,703	Total contributions	25,124,450
Receivables		TOTAL ADDITIONS	175,469,129
Accrued interest	837,471		
Other	172,497	DEDUCTIONS	
Other assets	<u>1,504</u>	Benefit payments	65,895,203
		Withdrawals and refunds of contributions	327,067
TOTAL ASSETS	1,044,235,058	Administrative expenses	<u>673,612</u>
LIABILITIES		TOTAL DEDUCTIONS	<u>66,895,882</u>
Accounts payable	1,987,003		
Accrued compensation and benefits	<u>4,875,190</u>	CHANGE IN NET POSITION	108,573,247
		Net position - beginning of year	<u>928,799,618</u>
TOTAL LIABILITIES	<u>6,862,193</u>	Net position - end of year	<u>\$ 1,037,372,865</u>
NET POSITION RESTRICTED FOR PENSION BENEFITS	<u>\$ 1,037,372,865</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 “Plan”) that provides certain health care benefits for general county (including the Martha T. Berry Medical Care Facility) and sheriff department retirees and their spouses so long as the retiree is currently receiving a pension from the Macomb County Employees Retirement System.

The Plan does not cover employees and retirees of the Department of Roads as the department participates in a separate agent multiple-employer plan disclosed in Note 14.

Plan assets are held in the Retiree Health Care 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

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

Plan Description (concluded)

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

Retirees and beneficiaries currently receiving benefits	2,028
Deferred members entitled to benefits but not yet receiving them	230
Active employees covered by the plan	<u>2,173</u>
	<u><u>4,431</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 (the "Intermediate Trust"), 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 Intermediate Trust. 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 Intermediate Trust. In 2017, as a result of the county's implementation of Governmental Accounting Standards Board Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, the county moved the Intermediate Trust into the Other Postemployment Benefits Internal Service 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, 2015 by county department. As mandated in the county's intermediate trust agreement, the county contributes to the Macomb County Retiree Healthcare Trust an amount equal to at least the annual actuarially determined contribution each year. The county makes the annual contribution from its Other Postemployment Benefits Internal Service Fund.

The county contributed \$36,488,654 to the Macomb County Retiree Health Care Trust Fund for the year ended December 31, 2017. Employee contributions for the year totaled \$792,740, for total contributions to the Macomb County Retiree Health Care Trust Fund in the amount of \$37,281,394. The total cost of retiree health care benefits, administrative expenses of the plan and investment management fees for the year ended December 31, 2017 was \$23,071,332.

Net OPEB Liability

The County Retiree Health Care Plan reports OPEB expense based on funding requirements, as directed by GASB Statement No. 45. Beginning next year, the County Retiree Health Care Plan will adopt GASB Statement No. 75, which will require the measurement of OPEB expense as it is earned, rather than as it is funded. The net OPEB liability of the County Retiree Health Care Plan has been measured as of December 31, 2017 and is presented on the following page:

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

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

Actuarial Assumptions for Determining the Total OPEB Liability

Total OPEB liability	\$ 550,168,310
Plan fiduciary net position	<u>255,490,138</u>
County's net OPEB liability	<u>\$ 294,678,172</u>
Plan fiduciary net position as a percentage of the total OPEB liability	46.44%

The total OPEB liability was calculated as of December 31, 2017 using the County Retiree Health Care Plan valuation as of December 31, 2015. Key actuarial assumptions are as follows:

Expected Point in Time at Which Benefit Payments will Begin to be Made	All groups: Age-based table of rates specific to the type of eligibility condition. Sheriff: Experienced-based table of rates specific to the type of eligibility condition.
Marital Status and Dependency Status	Marital status of members at the calculation date was assumed to continue throughout retirement. Aging factors were based on the 2013 SOA study "Health Care Costs – From Birth to Death"
Mortality	RP-2014 Healthy Annuitant Mortality Tables projected to 2025 using a static projection based on the 2-dimensional MP-2014 improvement scales.
Turnover	Experienced-based table of rates. Assumed turnover rates are based on years of service for members with less than 5 years' service and are based on age for members with more than 5 years' service.
Healthcare Cost Trend Rate	Medical and Prescription Drug – 9% trend, gradually decreasing in 0.5% increments to 3.75% in year 12. Dental and Vision – 3.75% trend for all years.
Health Insurance Premiums	2017 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.
Coverage Options	Determined by union membership and original date of hire at the date of retirement. 85% of males and 70% of females were assumed to elect two-person health care coverage at retirement.
Inflation Rate	3.75%
Payroll Growth Rate	General County (including Martha T. Berry) – 3.75% to 6.75% Sheriff – 3.75% to 10.75% All percentages include inflation
Investment Rate of Return	7.50%, net of OPEB plan expenses

Inactive plan members do not share in the cost of OPEB. The actuarial assumptions in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period from December 31, 2001 to December 31, 2004.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

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

Discount Rate

A single discount rate of 7.50% was used to measure the total OPEB 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 actuarially determined contribution rates.

Investment Rate of Return and Investment Policy

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates or return (expected returns, net of 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.

The Retiree Health Care Plan’s investment policy in regard to the allocation of invested assets is established and may be amended by the Retiree Health Care Plan’s board by a majority vote of its members. For the year ended December 31, 2017, there were no changes to the Retiree Health Care Plan’s investment policy.

Best estimates of arithmetic real rates of return for each major asset class as well as the board’s adopted asset allocation policy as of December 31, 2017 are summarized in the following table.

	<u>Long-Term Expected Rate of Return</u>	<u>Targeted Asset Allocation Policy</u>
Cash and cash equivalents	0.00%	2.00%
Fixed income	2.50%	20.00%
Domestic equity	7.00%	51.00%
International equities	8.00%	12.00%
Real estate investment trusts	4.00%	15.00%

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

The following presents the net OPEB liability of the county, calculated using the discount rate of 7.50% percent, as well as what that same liability would be if it were calculated using a discount rate that is one percentage-point lower (6.50%) or one percentage-point higher (8.50%) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Net OPEB liability	\$ 366,147,966	\$ 294,678,172	\$ 235,699,157

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend

The table on the following page presents the net OPEB liability of the Plan, calculated using the healthcare cost trend rate of 9% percent, as well as what that same liability would be if it were calculated using a healthcare trend rate that is one percentage-point lower (8%) or one percentage-point higher (10%) than the current rate.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

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

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend (concluded)

	1% Decrease (8.00%)	Current Rate (9.00%)	1% Increase (10.00%)
Net OPEB liability	\$ 223,001,782	\$ 294,678,172	\$ 382,983,559

Rate of Return

The annual money-weighted rate of return on Plan investments for the year ended December 31, 2017 was 19.09%. The money-weighted rate of return expressed investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Annual OPEB Cost and Net OPEB Asset

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, 2017.

Annual required contribution	\$ 36,488,654
Interest on net OPEB asset	(3,378,083)
Adjustment to annual required contribution	<u>3,796,049</u>
Annual OPEB cost	36,906,620
Employer contributions	<u>(36,488,654)</u>
Change in OPEB obligation	417,966
Net OPEB obligation (asset), beginning of year	<u>(45,041,108)</u>
Net OPEB obligation (asset), end of year	<u>\$ (44,623,142)</u>

The county's annual OPEB cost, percentage of annual OPEB cost contributed and the net OPEB obligation as of December 31, 2017 are presented below:

	Fiscal Year Ended		
	2017	2016	2015
Annual OPEB costs (AOC)	\$ 36,906,620	\$ 30,768,952	\$ 28,210,880
Percentage of AOC contributed	98.9%	98.8%	1140.1%
Net OPEB obligation (asset)	\$ (44,623,142)	\$ (45,041,108)	\$ (45,418,921)

Of the total OPEB asset of \$44,623,142 at December 31, 2017, \$2,632,765 relates to the Martha T. Berry Discretely Presented Component Unit.

Actuarial Methods and Assumptions for Determining Annual OPEB Cost and the Net OPEB Asset

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

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

Actuarial Methods and Assumptions for Determining Annual OPEB Cost and the Net OPEB Asset (concluded)

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, 2015. 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 0.5% in years 2 and thereafter until an ultimate rate of 3.75% is reached in the twelfth year and beyond, (c) annual covered payroll is assumed to increase 3.75% per year, which includes inflation of 3.00% (d) additional projected salary increases ranging from 1.0% to 10.75% for various members per year, depending on service, attributable to seniority/merit, and (e) active member population was assumed to remain constant. The unfunded liability is being amortized as a level percentage of payroll over a closed period of 27 years.

Funding Status and Progress

As of December 31, 2015, the date of the most recent actuarial valuation, the plan was 35.5% funded. The actuarial accrued liability for benefits was \$507,326,224 and the actuarial value of assets in the plan was \$179,970,735, resulting in an unfunded actuarial accrued liability (UAAL) of \$327,355,489. Covered payroll was \$93,336,709 and the ratio of the UAAL to covered payroll was 350.7 percent. The county made contributions totaling \$30,391,139 in 2016 and \$36,488,654 in 2017, which were not reflected in the funded status of the December 31, 2015 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. In 2017, as a result of the county's implementation of Governmental Accounting Standards Board Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, the county moved the Intermediate Trust into the Other Postemployment Benefits Internal Service Fund. In the following statements, the Retiree Health Care Intermediate Trust Fund was restated, the details of which are explained further in footnote 19.

Separate independently audited financial statements are not issued for either funds. Therefore, financial statements as of and for the year ended December 31, 2017 are presented below and on the following page.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

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	\$ 13,100,720	\$ -	\$ 13,100,720
Investments, at fair value			
US Government securities	-	-	-
Corporate bonds	-	-	-
Common stock	64,237	-	64,237
Preferred stock	-	-	-
Foreign stock	32,321,804	-	32,321,804
Limited partnership	3,245	-	3,245
Real estate investment trusts	39,798,732	-	39,798,732
Fixed income common collective trusts	52,867,543	-	52,867,543
Equity common collective trusts	138,932,029	-	138,932,029
Total investments, at fair value	263,987,590	-	263,987,590
Receivables			
Accrued interest	726,753	-	726,753
Other	-	-	-
Due from primary government	-	-	-
Other assets	-	-	-
TOTAL ASSETS	277,815,063	-	277,815,063
LIABILITIES			
Accounts payable	17,848,278	-	17,848,278
Due to primary government	4,476,646	-	4,476,646
TOTAL LIABILITIES	22,324,924	-	22,324,924
NET POSITION RESTRICTED FOR OTHER POSTEMPLOYMENT BENEFITS			
	\$ 255,490,139	\$ -	\$ 255,490,139

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

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	\$ 21,340,776	\$ -	\$ 21,340,776
Net change in fair value of investments	11,959,888	-	11,959,888
Less investment expenses	(122,145)	-	(122,145)
Net investment income (loss)	33,178,519	-	33,178,519
Contributions			
Contribution from Retiree Health Care Intermediate Trust Fund	36,488,654	-	36,488,654
TOTAL ADDITIONS	69,667,173	-	69,667,173
DEDUCTIONS			
Benefit payments	22,134,762	-	22,134,762
Administrative expenses	21,685	-	21,685
Contribution to Retiree Health Care Trust Fund	-	-	-
TOTAL DEDUCTIONS	22,156,447	-	22,156,447
CHANGE IN NET POSITION	47,510,726	-	47,510,726
Net position - beginning of year as restated*	207,979,413	-	207,979,413
Net position - end of year	<u>\$ 255,490,139</u>	<u>\$ -</u>	<u>\$ 255,490,139</u>

*See footnote 19 in the notes to the basic financial statements

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.

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 \$3,333,061 for the year ended September 30, 2017. The Department of Roads has no

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

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

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, 2017.

Annual OPEB Cost and Net OPEB Obligation

The cost of providing retiree health care benefits (OPEB) for the year ended September 30, 2017 was determined through an actuarial valuation as of December 31, 2015. 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, 2017.

Annual required contribution	\$ 4,006,707
Interest on net OPEB asset	(738,782)
Adjustment to annual required contribution	<u>894,640</u>
Annual OPEB cost	4,162,565
Employer contributions	<u>(6,333,061)</u>
Change in OPEB obligation	(2,170,496)
Net OPEB obligation (asset), beginning of year	<u>(9,850,432)</u>
Net OPEB obligation (asset), end of year	<u><u>\$ (12,020,928)</u></u>

The Department of Roads annual OPEB cost, percentage of annual OPEB cost contributed and the net OPEB obligation as of September 30, 2017 were as follows:

	Fiscal Year Ended		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual OPEB costs (AOC)	\$ 4,162,565	\$ 3,430,505	\$ 3,319,636
Percentage of AOC contributed	152.1%	185.6%	181.5%
Net OPEB obligation (asset)	\$ (12,020,928)	\$ (9,850,432)	\$ (6,915,008)

Funding Status and Progress

As of December 31, 2015, the date of the most recent actuarial valuation, the plan was 60.7% funded.

The actuarial accrued liability for benefits was \$73,051,905 and the actuarial value of assets in the plan was \$44,338,622, resulting in an unfunded actuarial accrued liability (UAAL) of \$28,713,283. Covered payroll was \$11,917,815 and the ratio of the UAAL to covered payroll was 240.9 percent.

Actuarial Methods and Assumptions

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

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

Actuarial Methods and Assumptions (concluded)

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, 2015. 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 22 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, 2017, with estimated total project costs of \$18,366,482. Of the total, \$6,693,312 represents amount previously expended and \$11,673,170 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 \$17,568,990.

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 2017 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, 2017, the county has accrued an aggregate of \$2,412,836 for unresolved workers' compensation claims, exclusive of the Department of Roads.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

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

At September 30, 2017, the Department of Roads has accrued an aggregate of \$569,507 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,	
	2016	2017	2016	2017
Estimated liability - beginning of year	\$ 2,743,786	\$ 2,689,451	\$ 205,353	\$ 302,448
Estimated claims incurred, including changes in estimates	632,670	876,221	185,901	470,212
Claims payments	(687,005)	(1,152,836)	(88,806)	(203,153)
Estimated liability - end of year	<u>\$ 2,689,451</u>	<u>\$ 2,412,836</u>	<u>\$ 302,448</u>	<u>\$ 569,507</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, 2017, the Department of Roads had an accrual of \$269,252 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, 2017, the general county reported a balance of \$8,175,007 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,	
	2016	2017	2016	2017
Estimated liability - beginning of year	\$ 3,589,878	\$ 5,477,555	\$ 241,801	\$ 269,270
Estimated claims incurred, including changes in estimates	3,458,821	5,452,519	120,727	7,744
Claims payments	(1,571,144)	(2,755,067)	(93,258)	(7,762)
Estimated liability - end of year	<u>\$ 5,477,555</u>	<u>\$ 8,175,007</u>	<u>\$ 269,270</u>	<u>\$ 269,252</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.

In 2016, actual claims exceeded amounts paid. In 2017, amounts paid exceeded actual claims incurred. 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, 2017

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

	General County	
	Year Ended December 31,	
	2016	2017
Estimated liability (asset) - beginning of year	\$ (737,272)	\$ 350,291
Estimated claims incurred, including changes in estimates	9,139,440	7,533,201
Claims payments	<u>(8,051,877)</u>	<u>(9,447,351)</u>
Estimated liability (asset) - end of year	<u>\$ 350,291</u>	<u>\$ (1,563,859)</u>

NOTE 17 – NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of December 31, 2017 is presented below:

	Governmental Activities	Business-Type Activities	Component Units
CAPITAL ASSETS			
Capital assets not being depreciated	\$ 286,444,543	\$ 50,000	\$ 67,213,957
Capital assets being depreciated	<u>743,063,378</u>	<u>1,724,048</u>	<u>283,506,854</u>
	1,029,507,921	1,774,048	350,720,811
RELATED DEBT			
Total bonds payable related to capital assets	66,601,578	-	309,135,083
Net bond discounts and premiums	-	-	23,453,330
Less:			
Unspent bond proceeds	-	-	(24,097,426)
Bond proceeds not capitalized	<u>-</u>	<u>-</u>	<u>(63,021,535)</u>
	<u>66,601,578</u>	<u>-</u>	<u>245,469,452</u>
NET INVESTMENT IN CAPITAL ASSETS	<u>\$ 962,906,343</u>	<u>\$ 1,774,048</u>	<u>\$ 105,251,359</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, 2017, the county's property tax revenues were reduced by \$803,259 under these programs.

There were no significant abatements made by the county.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 19 – ACCOUNTING PRONOUNCEMENTS IMPLEMENTED

Effective January 1, 2017, the county implemented the provisions of the following Governmental Accounting Standards Board (GASB) statements:

No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*. This new accounting standard addresses reporting by postemployment benefit plans other than pensions (OPEB) that administer defined benefit OPEB benefits on behalf of governments. 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 statements more extensive footnote disclosures and required supplemental information related to the measurement of the OPEB liabilities for which assets have been accumulated. As a result of implementing this statement, additional disclosures regarding the county's OPEB plan were added to the notes to the basic financial statements as well as to the required supplemental information section of the report.

Additionally, the county was required to change the way it accounts for other postemployment healthcare obligations and assets. Most significantly, Statement No. 74 requires the county to account for the Retiree Health Care Intermediate Trust as net position of the primary government. The following table presents the various activities related to other postemployment benefits at the fund level that have been restated and moved into the newly created Other Postemployment Benefits Fund for the year ending December 31, 2017:

	Fiduciary Trust Funds	Government-wide Funds			Enterprise Funds	
		Governmental Activities	Business Type Activities	Internal Service Funds	Community Mental Health	Freedom Hill Park
Beginning net position as previously reported	\$ 1,431,706,102	\$ 1,004,797,156	\$ 119,073,069	\$ -	\$ (4,837,205)	\$ 1,806,927
Reclassification of the Retiree Health Care Intermediate Trust to the Other Postemployment Benefit Internal Service Fund	(294,927,071)	-	-	294,927,071	-	-
Reclassification of OPEB bond principal balances to the Other Postemployment Benefit Internal Service Fund	-	201,593,098	42,868,018	(244,461,116)	42,253,148	614,870
Reclassification of net OPEB asset balances to the Other Postemployment Benefit Internal Service Fund	-	(36,356,763)	(5,882,789)	42,239,552	(5,795,083)	(87,706)
Reclassification of OPEB bond related note receivable from component unit	-	(15,105,000)	-	15,105,000	-	-
Reclassification of OPEB bond related accrued interest and other miscellaneous OPEB-related equity	-	1,128,125	632,579	(1,760,704)	604,384	28,195
Internal service fund equity in the net position of governmental and business type activities	-	91,878,417	14,171,386	(106,049,803)	-	-
Beginning net position as restated	<u>\$ 1,136,779,031</u>	<u>\$ 1,247,935,033</u>	<u>\$ 170,862,263</u>	<u>\$ -</u>	<u>\$ 32,225,244</u>	<u>\$ 2,362,286</u>

Total internal service funds beginning fund balance as restated is \$135,977,547. This represents an increase in net position of \$106,049,803 as detailed in the table above.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE 19 – ACCOUNTING PRONOUNCEMENTS IMPLEMENTED (CONCLUDED)

In addition to the above changes, the county's debt service payments and interdepartmental charges to county departments were moved to the Other Postemployment Benefits Internal Service Fund. This reclassification of activity resulted in no change in the county's Debt Service Fund's fund balance.

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*. As a result of implementing this statement, principles from this statement were applied when researching proper financial reporting for component units in the county's comprehensive annual financial report.

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. As a result of implementing this statement, principles from this statement were applied when reviewing various county agreements for proper financial reporting within the county's comprehensive annual financial report.

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. As a result of implementing this statement, the county reviewed the statement, finding that no changes to the presentation of the county's pension plans were necessary as the specific issues addressed in the statement are not applicable to the county's pension plans.

NOTE 20 – UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses accounting and reporting by employer governments that provide OPEB benefits to their employees. The statement will further require that employer governments recognize their net OPEB liability on the face of the financial statements. The county is currently evaluating the impact this standard will have on the financial statements when adopted, during the county's 2018 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, 2017

NOTE 20 – 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.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The county is currently evaluating the impact this standard will have on the financial statements when adopted, during the county's 2020 fiscal year.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The county is currently evaluating the impact this standard will have on the financial statements when adopted, during the county's 2019 fiscal year.

Macomb County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)

Year Ended December 31, 2017

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 117,561,032	\$ 117,561,032	\$ 118,423,150	\$ 862,118
Licenses and permits	1,385,664	1,399,664	1,577,397	177,733
Federal grants	2,129,598	2,129,598	1,738,380	(391,218)
State grants				
Revenue sharing	16,432,531	16,432,531	16,667,584	235,053
Court financing	4,698,897	4,698,897	4,612,834	(86,063)
Liquor tax	6,200,000	6,200,000	6,212,667	12,667
Health department	2,139,446	2,139,446	2,168,115	28,669
Personal property tax stabilization	3,928,651	3,928,651	7,023,458	3,094,807
Other	540,589	567,150	528,829	(38,321)
Total state grants	33,940,114	33,966,675	37,213,487	3,246,812
Charges for services				
Attorney fees	1,350,000	1,350,000	1,355,836	5,836
Certified copies	963,620	963,620	1,037,121	73,501
Commissions	1,254,500	1,254,500	1,423,993	169,493
Court costs and fees	1,947,100	1,947,100	1,994,669	47,569
Foster care	360,000	360,000	329,514	(30,486)
Health department	835,500	835,500	831,061	(4,439)
Housing inmates	1,680,000	1,680,000	2,158,356	478,356
Land transfer tax	3,000,000	3,000,000	4,468,553	1,468,553
Medicare / Medicaid	504,200	504,200	729,432	225,232
Other sheriff services	4,590,369	4,590,369	4,556,758	(33,611)
Personal services	1,300,000	1,300,000	1,103,523	(196,477)
Probation oversight fees	475,500	475,500	357,955	(117,545)
Public works - pumping station	2,961,664	3,016,449	2,519,876	(496,573)
Recording fees	3,334,800	3,334,800	3,581,173	246,373
Sheriff road patrol	10,812,000	11,399,196	11,556,130	156,934
Soil erosion fees	930,000	930,000	1,189,020	259,020
Miscellaneous	1,913,450	1,913,675	2,724,739	811,064
Total charges for services	38,212,703	38,854,909	41,917,709	3,062,800
Charges to other funds for				
administrative services	14,516,589	14,516,589	14,482,179	(34,410)
Fines and forfeitures	467,750	467,750	586,741	118,991
Interest and rents	3,238,135	3,238,135	3,809,574	571,439
Other revenue	118,200	128,200	177,465	49,265
TOTAL REVENUES	211,569,785	212,262,552	219,926,082	7,663,530

-CONTINUED-

Macomb County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE (GAAP BASIS) (CONTINUED)

Year Ended December 31, 2017

EXPENDITURES	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
Current				
Legislative - Board of commissioners	\$ 1,799,128	\$ 1,620,653	\$ 1,481,976	\$ 138,677
Judicial				
Circuit court	12,490,901	12,078,825	12,088,799	(9,974)
District court - 3rd class	25,000	25,000	15,876	9,124
District court - New Baltimore	1,344,070	1,300,501	1,272,279	28,222
District court - Romeo	1,045,089	989,963	944,920	45,043
Family counseling	74,291	66,224	20,899	45,325
Family court - Juvenile division	5,302,533	5,144,305	5,144,304	1
Jury commission	183,475	183,475	163,941	19,534
Law library	36,337	36,337	36,052	285
Probate court	3,249,295	3,050,412	3,018,724	31,688
Probation - Circuit court	118,500	118,500	111,039	7,461
Probation - District court	481,064	481,324	481,324	-
Prosecuting attorney	9,983,849	9,909,376	9,964,797	(55,421)
Total judicial	34,334,404	33,384,242	33,262,954	121,288
General government				
Building authority	1,300	1,300	140	1,160
County clerk	4,988,655	4,594,338	4,421,816	172,522
County executive	1,586,503	1,545,961	1,495,453	50,508
Corporation counsel	1,083,998	1,037,355	1,037,355	-
Elections	29,763	29,763	13,621	16,142
Ethics board	19,000	19,000	2,901	16,099
Equalization	960,249	858,886	814,191	44,695
Facilities and operations	15,485,731	15,019,717	14,857,828	161,889
Finance	2,260,418	2,222,489	2,159,575	62,914
Human resources	2,342,287	2,258,627	2,230,304	28,323
Information technology	7,929,488	7,927,088	7,927,517	(429)
MSU extension	934,440	921,632	910,909	10,723
Purchasing	1,441,710	1,360,672	1,273,828	86,844
Register of deeds	1,915,789	1,760,179	1,714,969	45,210
Treasurer	2,363,970	2,236,371	2,158,901	77,470
Total general government	43,343,301	41,793,378	41,019,308	774,070
Public safety				
Civil service commission	60,925	60,925	51,404	9,521
Emergency management	1,252,245	1,182,402	1,127,071	55,331
Sheriff department	66,831,195	66,405,479	68,275,086	(1,869,607)
Total public safety	68,144,365	67,648,806	69,453,561	(1,804,755)

-CONTINUED-

Macomb County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE (GAAP BASIS) (CONCLUDED)

Year Ended December 31, 2017

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES (CONCLUDED)				
Current				
Public works	\$ 6,672,678	\$ 5,759,220	\$ 5,744,645	\$ 14,575
Health and welfare				
Animal shelter	2,058,090	2,043,502	2,046,851	(3,349)
Health & community services	297,082	296,969	301,455	(4,486)
Health department	20,301,223	19,664,758	19,327,204	337,554
Social services	<u>72,472</u>	<u>72,472</u>	<u>58,357</u>	<u>14,115</u>
Total health and welfare	22,728,867	22,077,701	21,733,867	343,834
Community and economic development				
Planning and economic development	3,398,359	3,197,492	3,133,710	63,782
Other current operations				
Non-departmental appropriations	2,343,585	2,506,848	1,854,569	652,279
Vacant position turnover factor	<u>(6,636,273)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other current operations	(4,292,688)	2,506,848	1,854,569	652,279
Capital outlay	<u>1,350,796</u>	<u>2,111,930</u>	<u>2,054,059</u>	<u>57,871</u>
TOTAL EXPENDITURES	<u>177,479,210</u>	<u>180,100,270</u>	<u>179,738,649</u>	<u>361,621</u>
EXCESS OF REVENUES OVER EXPENDITURES	34,090,575	32,162,282	40,187,433	8,025,151
OTHER FINANCING SOURCES (USES)				
Transfers in	8,153,000	8,153,000	8,158,203	5,203
Transfers out	<u>(55,915,540)</u>	<u>(56,445,594)</u>	<u>(56,388,457)</u>	<u>57,137</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(47,762,540)</u>	<u>(48,292,594)</u>	<u>(48,230,254)</u>	<u>62,340</u>
NET CHANGE IN FUND BALANCES	(13,671,965)	(16,130,312)	(8,042,821)	8,087,491
Fund balances, beginning of year	<u>61,634,473</u>	<u>61,634,473</u>	<u>61,634,473</u>	<u>-</u>
Fund balances, end of year	<u>\$ 47,962,508</u>	<u>\$ 45,504,161</u>	<u>\$ 53,591,652</u>	<u>\$ 8,087,491</u>

Macomb County, Michigan

Department of Roads Special Revenue Fund

BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)

Year Ended September 30, 2017

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Licenses and permits	\$ 811,200	\$ 811,200	\$ 707,846	\$ (103,354)
Federal & state grants	80,387,879	80,387,879	74,246,919	(6,140,960)
Charges for services	14,236,930	14,236,930	9,894,619	(4,342,311)
Interest and rents	195,769	195,769	478,700	282,931
Other revenue	378,100	378,100	353,674	(24,426)
TOTAL REVENUES	96,009,878	96,009,878	85,681,758	(10,328,120)
EXPENDITURES				
Current				
Public works	106,602,723	106,602,723	78,182,030	28,420,693
Capital outlay	13,016,300	4,116,300	3,397,899	718,401
Debt service				
Principal	-	-	167,778	(167,778)
Interest and fees	-	-	20,543	(20,543)
TOTAL EXPENDITURES	119,619,023	110,719,023	81,768,250	28,950,773
EXCESS OF REVENUES OVER EXPENDITURES	(23,609,145)	(14,709,145)	3,913,508	18,622,653
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(457,029)	(457,029)
NET CHANGE IN FUND BALANCES	(23,609,145)	(14,709,145)	3,456,479	18,165,624
Fund balances, beginning of year	63,385,652	63,385,652	63,385,652	-
Fund balances, end of year	<u>\$ 39,776,507</u>	<u>\$ 48,676,507</u>	<u>\$ 66,842,131</u>	<u>\$ 18,165,624</u>

Macomb County, Michigan

Employees' Retirement System

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

December 31, 2017

	2017	2016	2015	2014
Total Pension Liability				
Service cost	\$ 18,764,904	\$ 17,195,016	\$ 17,405,488	\$ 18,681,711
Interest	71,593,332	62,256,856	63,657,071	64,832,607
Benefit changes	-	-	-	1,752,896
Difference between expected and actual experience of the total pension liability	19,172,782	30,422,520	(6,410,683)	-
Changes of assumptions	-	32,050,754		
Benefit payments, including refunds of member contributions	<u>(66,222,270)</u>	<u>(63,363,797)</u>	<u>(63,276,629)</u>	<u>(58,073,140)</u>
Net change in total pension liability	43,308,748	78,561,349	11,375,247	27,194,074
Total pension liability - beginning of year	<u>1,001,261,138</u>	<u>922,699,789</u>	<u>911,324,542</u>	<u>884,130,468</u>
Total pension liability - end of year (a)	<u>\$ 1,044,569,886</u>	<u>\$ 1,001,261,138</u>	<u>\$ 922,699,789</u>	<u>\$ 911,324,542</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 21,672,813	\$ 20,909,535	\$ 21,281,612	\$ 22,152,820
Contributions - employee	3,451,637	3,628,768	3,667,705	3,597,063
Net investment income	150,344,679	82,929,696	(15,948,798)	64,413,425
Benefit payments, including refunds of member contributions	(66,222,270)	(63,363,797)	(63,276,629)	(58,073,027)
Administrative expense	<u>(673,612)</u>	<u>(757,087)</u>	<u>(527,547)</u>	<u>(523,640)</u>
Net change in plan fiduciary net position	108,573,247	43,347,115	(54,803,657)	31,566,641
Plan fiduciary net position - beginning of year	<u>928,799,618</u>	<u>885,452,503</u>	<u>940,256,160</u>	<u>908,689,519</u>
Plan fiduciary net position - end of year (b)	<u>\$ 1,037,372,865</u>	<u>\$ 928,799,618</u>	<u>\$ 885,452,503</u>	<u>\$ 940,256,160</u>
County's net pension liability - end of year (a) - (b)	<u>\$ 7,197,021</u>	<u>\$ 72,461,520</u>	<u>\$ 37,247,286</u>	<u>\$ (28,931,618)</u>
Plan fiduciary net position as a percent of total pension liability	99.31%	92.76%	95.96%	103.17%
Covered employee payroll	\$ 105,254,524	\$ 110,159,044	\$ 102,252,875	\$ 107,365,519
County's net pension liability (asset) as a percent of covered employee payroll	6.84%	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, 2017

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	Investment Rate of Return
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%
2017	19,920,483	21,672,813	105,254,524	20.59%	17.44%

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, 2017 contribution was determined by the December 31, 2015 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	18 years, closed
Asset valuation method	Five year smoothed market
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	4.0% - 10.0%, including inflation of 3.0%
Retirement age	Experienced-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2014 Blue Collar for Road and Sheriff personnel, RP-2014 Standard for all other personnel with the MP-2016 mortality improvement scale.

Other Information

The determination of the total pension liability as of December 31, 2017 was based on the December 31, 2016 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.

Macomb County, Michigan

Retiree Health Care Trust Fund

SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

December 31, 2017

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
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%
2015	179,970,735	507,326,224	327,355,489	35.5%	93,336,709	350.7%

Schedule of Employer Contributions		
Year Ended December 31,	Annual Required Contribution	Percentage Contributed
2015	\$ 22,283,395	100.0%
2016	30,391,139	100.0%
2017	36,488,654	100.0%

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contributions were calculated as of December 31, 2015. December 31, 2017 contributions to the fund were based on the December 31, 2015 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	27 years, closed
Asset valuation method	Five year smoothed market
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	3.75% - 10.75%, including inflation of 3.75%
Health care cost inflation	9.0% in year one, reduced by 0.5% each year thereafter until an ultimate rate of 3.75% is reached in the twelfth year and beyond
Retirement age	Experienced-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2014 Healthy Annuitant Mortality Table projected to 2025 using a static projection based on the 2-dimensional MP-2014 improvement scales.

Macomb County, Michigan

Retiree Health Care Trust Fund

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

December 31, 2017

	<u>2017</u>
Total OPEB Liability	
Service cost	\$ 8,675,938
Interest	38,971,961
Difference between expected and actual experience of the total pension liability	(3,400,788)
Changes of assumptions	
Benefit payments	<u>(22,134,762)</u>
Net change in total OPEB liability	22,112,349
Total OPEB liability - beginning of year	<u>528,055,961</u>
Total OPEB liability - end of year (a)	<u>\$ 550,168,310</u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 36,488,654
Contributions - member	792,740
Net investment income	33,178,518
Employer paid benefits	(22,134,762)
Member paid benefits	(792,740)
Administrative expense	<u>(21,685)</u>
Net change in plan fiduciary net position	47,510,725
Plan fiduciary net position - beginning of year	<u>207,979,413</u>
Plan fiduciary net position - end of year (b)	<u>\$ 255,490,138</u>
County's net OPEB liability - end of year (a) - (b)	<u>\$ 294,678,172</u>
Plan fiduciary net position as a percent of total OPEB liability	46.44%
Covered employee payroll	\$ 93,336,709
County's net OPEB liability as a percent of covered employee payroll	315.72%

Macomb County, Michigan

Retiree Health Care Trust Fund

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

December 31, 2017

Schedule of Employer Contributions						Schedule of Money Weighted Investment Rate of Return
Year Ended December 31,	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contribution as % of Covered Payroll	
2008	\$ 55,483,723	\$ 15,588,755	\$ 39,894,968	\$ 113,523,878	13.73%	-29.32%
2009	40,559,324	15,314,128	25,245,196	112,074,916	13.66%	24.33%
2010	42,587,289	12,722,681	29,864,608	107,373,375	11.85%	14.87%
2011	39,386,733	13,935,375	25,451,358	102,101,837	13.65%	1.92%
2012	49,542,167	13,757,048	35,785,119	97,650,493	14.09%	13.96%
2013	44,167,496	15,080,087	29,087,409	96,286,216	15.66%	8.32%
2014	45,803,348	16,844,894	28,958,454	92,967,913	18.12%	11.25%
2015	22,283,395	22,283,395	-	90,567,678	24.60%	0.17%
2016	30,391,139	30,391,139	-	97,730,512	31.10%	15.72%
2017	36,488,654	36,488,654	-	93,336,709	39.09%	19.09%

Macomb County, Michigan

Department of Roads Retiree Health Care Trust Fund

SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

September 30, 2017

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
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%
2015	44,338,622	73,051,905	28,713,283	60.7%	11,917,815	240.9%

Schedule of Employer Contributions		
Year Ended September 30,	Annual Required Contribution	Percentage Contributed
2015	\$ 3,376,175	178.5%
2016	3,511,223	181.3%
2017	4,006,707	158.1%

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contributions were calculated as of December 31, 2015. 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	22 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, 2017

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	\$ 12,078,825	\$ 12,088,799	\$ (9,974)
Prosecuting attorney	9,909,376	9,964,797	(55,421)
General government			
Information technology	7,927,088	7,927,517	(429)
Public safety			
Sheriff department	66,405,479	68,275,086	(1,869,607)
Health and welfare			
Animal shelter	2,043,502	2,046,851	(3,349)
Health & community services	296,969	301,455	(4,486)
SPECIAL REVENUE FUNDS			
Sheriff grants fiscal fund	2,197,566	2,239,025	(41,459)

Additionally, while the Child Care Fund remained under budget and not in a deficit position, net of deferred inflows for grants, for the year ended September 30, 2017, the fund was budgeted to increase its deficit fund balance in the 2017 budget, which is a violation of Michigan Public Act 2 of 1968.

Macomb County, Michigan

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS

December 31, 2017

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
ASSETS				
Cash and pooled investments	\$ 10,691,123	\$ 2,049,153	\$ 24,034,307	\$ 36,774,583
Receivables				
Property taxes, net	1,625,791	117,898	-	1,743,689
Trade accounts, net	6,871,473	-	422,882	7,294,355
Due from other governments	8,144,825	-	2,187,541	10,332,366
Other assets	113,609	-	63,734	177,343
TOTAL ASSETS	<u>\$ 27,446,821</u>	<u>\$ 2,167,051</u>	<u>\$ 26,708,464</u>	<u>\$ 56,322,336</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 4,050,499	\$ 16	\$ 5,548,909	\$ 9,599,424
Accrued liabilities	23,067	-	326,192	349,259
Accrued compensation and benefits	612,369	-	-	612,369
Due to other governments	289,751	-	-	289,751
Due to governmental funds	2,830,906	-	1,083,302	3,914,208
Unearned revenue	283,242	-	-	283,242
TOTAL LIABILITIES	8,089,834	16	6,958,403	15,048,253
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied in advance	1,749,845	128,289	-	1,878,134
Unavailable grants and other charges	5,069,817	-	1,767,385	6,837,202
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>6,819,662</u>	<u>128,289</u>	<u>1,767,385</u>	<u>8,715,336</u>
FUND BALANCES				
Nonspendable	113,609	-	63,734	177,343
Restricted	14,867,145	2,038,746	5,022,655	21,928,546
Assigned	1,086,721	-	13,948,365	15,035,086
Unassigned	(3,530,150)	-	(1,052,078)	(4,582,228)
TOTAL FUND BALANCES	<u>12,537,325</u>	<u>2,038,746</u>	<u>17,982,676</u>	<u>32,558,747</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 27,446,821</u>	<u>\$ 2,167,051</u>	<u>\$ 26,708,464</u>	<u>\$ 56,322,336</u>

Macomb County, Michigan

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

Year Ended December 31, 2017

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
REVENUES				
Property taxes	\$ 1,013,336	\$ 126,022	\$ -	\$ 1,139,358
Licenses and permits	396,548	-	-	396,548
Federal and state grants	51,491,518	-	701,539	52,193,057
Other grants	398,261	-	-	398,261
Charges for services	10,937,313	-	547,952	11,485,265
Fines and forfeitures	512,988	-	-	512,988
Interest and rents	9,158	-	29,968	39,126
Other revenue	971,822	-	504,802	1,476,624
	<u>65,730,944</u>	<u>126,022</u>	<u>1,784,261</u>	<u>67,641,227</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Judicial	12,765,745	-	12,600	12,778,345
General government	1,438,188	-	-	1,438,188
Public safety	8,794,546	-	468,814	9,263,360
Public works	-	136,913	-	136,913
Health and welfare	58,582,446	-	-	58,582,446
Community and economic development	211,860	-	-	211,860
Recreational and cultural	-	-	98,645	98,645
Capital outlay	1,307,462	-	26,887,655	28,195,117
Debt service				
Principal	-	6,840,000	-	6,840,000
Interest and fees	-	2,153,037	-	2,153,037
	<u>83,100,247</u>	<u>9,129,950</u>	<u>27,467,714</u>	<u>119,697,911</u>
TOTAL EXPENDITURES				
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	(17,369,303)	(9,003,928)	(25,683,453)	(52,056,684)
OTHER FINANCING SOURCES (USES)				
Transfers in	17,630,791	9,048,144	46,556,625	73,235,560
Transfers out	(47,009)	-	(26,468,243)	(26,515,252)
	<u>17,583,782</u>	<u>9,048,144</u>	<u>20,088,382</u>	<u>46,720,308</u>
TOTAL OTHER FINANCING SOURCES (USES)				
NET CHANGE IN FUND BALANCES				
	214,479	44,216	(5,595,071)	(5,336,376)
Fund balances, beginning of year	<u>12,322,846</u>	<u>1,994,530</u>	<u>23,577,747</u>	<u>37,895,123</u>
Fund balances, end of year	<u>\$ 12,537,325</u>	<u>\$ 2,038,746</u>	<u>\$ 17,982,676</u>	<u>\$ 32,558,747</u>

FUND DESCRIPTIONS – NONMAJOR SPECIAL REVENUE FUNDS

December 31, 2017

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, 2017

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, 2017

	Circuit Court Programs (1)	Child Care (1)	Community Corrections	Community Corrections (1)
ASSETS				
Cash and pooled investments	\$ -	\$ 89,240	\$ 76,107	\$ 10,377
Receivables				
Property taxes, net	-	-	-	-
Trade accounts, net	-	42,893	-	-
Due from other governments	44,275	1,612,724	-	147,156
Other assets	-	5,807	-	-
	<u>-</u>	<u>5,807</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 44,275</u>	<u>\$ 1,750,664</u>	<u>\$ 76,107</u>	<u>\$ 157,533</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 23,282	\$ 166,763	\$ 44,730	\$ 103,392
Accrued liabilities	-	-	2,749	-
Accrued compensation and benefits	-	92,534	-	10,844
Due to other governments	-	-	-	-
Due to governmental funds	20,105	1,482,409	-	41,560
Unearned revenue	-	-	22,877	-
	<u>-</u>	<u>-</u>	<u>22,877</u>	<u>-</u>
TOTAL LIABILITIES	43,387	1,741,706	70,356	155,796
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied in advance	-	-	-	-
Unavailable grants and other charges	34,568	1,278,456	-	138,220
	<u>34,568</u>	<u>1,278,456</u>	<u>-</u>	<u>138,220</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	34,568	1,278,456	-	138,220
FUND BALANCES				
Nonspendable	-	5,807	-	-
Restricted	-	-	5,751	-
Assigned	-	-	-	-
Unassigned	(33,680)	(1,275,305)	-	(136,483)
	<u>(33,680)</u>	<u>(1,275,305)</u>	<u>-</u>	<u>(136,483)</u>
TOTAL FUND BALANCES	<u>(33,680)</u>	<u>(1,269,498)</u>	<u>5,751</u>	<u>(136,483)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 44,275</u>	<u>\$ 1,750,664</u>	<u>\$ 76,107</u>	<u>\$ 157,533</u>

(1) - Balance Sheet as of September 30, 2017

Macomb County, Michigan

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

December 31, 2017

	Community Action Agency	Community Action Agency (1)	Concealed Pistol License	Emergency Management Grants
ASSETS				
Cash and pooled investments	\$ 717,211	\$ 547,507	\$ 675,152	\$ 43,733
Receivables				
Property taxes, net	-	-	-	-
Trade accounts, net	6,537,177	141,159	-	52,766
Due from other governments	447,930	1,285,070	-	2,456,980
Other assets	-	13,328	-	79,083
TOTAL ASSETS	\$ 7,702,318	\$ 1,987,064	\$ 675,152	\$ 2,632,562
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 459,187	\$ 506,845	\$ -	\$ 2,190,251
Accrued liabilities	-	-	-	-
Accrued compensation and benefits	16,105	196,149	3,169	8,672
Due to other governments	-	2,240	-	15,750
Due to governmental funds	-	-	-	328,633
Unearned revenue	-	149,738	-	-
TOTAL LIABILITIES	475,292	854,972	3,169	2,543,306
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied in advance	-	-	-	-
Unavailable grants and other charges	447,930	265,508	-	1,353,103
TOTAL DEFERRED INFLOWS OF RESOURCES	447,930	265,508	-	1,353,103
FUND BALANCES				
Nonspendable	-	13,328	-	79,083
Restricted	6,779,096	624,316	671,983	-
Assigned	-	228,940	-	-
Unassigned	-	-	-	(1,342,930)
TOTAL FUND BALANCES	6,779,096	866,584	671,983	(1,263,847)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 7,702,318	\$ 1,987,064	\$ 675,152	\$ 2,632,562

(1) - Balance Sheet as of September 30, 2017

Macomb County, Michigan

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

December 31, 2017

	Friend of the Court (1)	Health Grants	Health Grants (1)	Macomb / St. Clair Employment and Training (2)
ASSETS				
Cash and pooled investments	\$ 91,315	\$ 493,473	\$ 3,067,843	\$ 219,483
Receivables				
Property taxes, net	-	-	-	-
Trade accounts, net	-	-	19,714	-
Due from other governments	1,096,266	1,751	88,631	-
Other assets	9,177	-	-	-
TOTAL ASSETS	\$ 1,196,758	\$ 495,224	\$ 3,176,188	\$ 219,483
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 17,096	\$ 27	\$ 213,878	\$ 5,102
Accrued liabilities	-	-	-	-
Accrued compensation and benefits	96,663	-	39,352	103,754
Due to other governments	-	-	7,588	-
Due to governmental funds	460,059	-	-	-
Unearned revenue	-	-	-	110,627
TOTAL LIABILITIES	573,818	27	260,818	219,483
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied in advance	-	-	-	-
Unavailable grants and other charges	1,056,735	911	84,492	-
TOTAL DEFERRED INFLOWS OF RESOURCES	1,056,735	911	84,492	-
FUND BALANCES				
Nonspendable	9,177	-	-	-
Restricted	-	493,386	2,830,878	-
Assigned	-	900	-	-
Unassigned	(442,972)	-	-	-
TOTAL FUND BALANCES	(433,795)	494,286	2,830,878	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,196,758	\$ 495,224	\$ 3,176,188	\$ 219,483

(1) - Balance Sheet as of September 30, 2017

(2) - Balance Sheet as of June 30, 2017

Macomb County, Michigan

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

December 31, 2017

	<u>MSU Extension</u>	<u>MSU Extension (1)</u>	<u>Prosecuting Attorney Grants</u>	<u>Prosecuting Attorney Grants (1)</u>
ASSETS				
Cash and pooled investments	\$ 143,945	\$ 252,827	\$ 63,922	\$ 230,222
Receivables				
Property taxes, net	-	-	-	-
Trade accounts, net	886	-	-	-
Due from other governments	-	-	-	272,638
Other assets	-	-	-	-
TOTAL ASSETS	<u>\$ 144,831</u>	<u>\$ 252,827</u>	<u>\$ 63,922</u>	<u>\$ 502,860</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 569	\$ 1,395	\$ -	\$ 15,716
Accrued liabilities	-	-	-	-
Accrued compensation and benefits	-	-	-	25,442
Due to other governments	-	-	-	-
Due to governmental funds	-	-	-	432,194
Unearned revenue	-	-	-	-
TOTAL LIABILITIES	569	1,395	-	473,352
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied in advance	-	-	-	-
Unavailable grants and other charges	-	-	-	193,932
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	193,932
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	144,262	-	55,819	-
Assigned	-	251,432	8,103	-
Unassigned	-	-	-	(164,424)
TOTAL FUND BALANCES	<u>144,262</u>	<u>251,432</u>	<u>63,922</u>	<u>(164,424)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 144,831</u>	<u>\$ 252,827</u>	<u>\$ 63,922</u>	<u>\$ 502,860</u>

(1) - Balance Sheet as of September 30, 2017

Macomb County, Michigan

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

December 31, 2017

	Register of Deeds Remonumentation Fund	Register of Deeds Technology Fund	Sheriff Grants	Sheriff Grants (1)
ASSETS				
Cash and pooled investments	\$ -	\$ 886,922	\$ 1,678,121	\$ 78,279
Receivables				
Property taxes, net	-	-	-	-
Trade accounts, net	-	55,851	21,027	-
Due from other governments	134,356	-	9,900	409,226
Other assets	-	315	4,150	-
TOTAL ASSETS	\$ 134,356	\$ 943,088	\$ 1,713,198	\$ 487,505
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 68,410	\$ 123,204	\$ 41,223	\$ 11,071
Accrued liabilities	-	-	-	20,318
Accrued compensation and benefits	-	-	-	-
Due to other governments	-	-	-	250,465
Due to governmental funds	65,946	-	-	-
Unearned revenue	-	-	-	-
TOTAL LIABILITIES	134,356	123,204	41,223	281,854
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied in advance	-	-	-	-
Unavailable grants and other charges	134,356	-	9,900	-
TOTAL DEFERRED INFLOWS OF RESOURCES	134,356	-	9,900	-
FUND BALANCES				
Nonspendable	-	315	4,150	-
Restricted	-	819,569	1,639,263	205,651
Assigned	-	-	18,662	-
Unassigned	(134,356)	-	-	-
TOTAL FUND BALANCES	(134,356)	819,884	1,662,075	205,651
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 134,356	\$ 943,088	\$ 1,713,198	\$ 487,505

(1) - Balance Sheet as of September 30, 2017

Macomb County, Michigan

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

December 31, 2017

	Social Welfare	Urban County Block Grant	Veterans' Affairs	Veterans' Trust Fund (1)
ASSETS				
Cash and pooled investments	\$ -	\$ 553,719	\$ 747,283	\$ 13,708
Receivables				
Property taxes, net	-	-	1,625,791	-
Trade accounts, net	-	-	-	-
Due from other governments	-	137,922	-	-
Other assets	-	-	1,749	-
TOTAL ASSETS	\$ -	\$ 691,641	\$ 2,374,823	\$ 13,708
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ 41,380	\$ 16,978	\$ -
Accrued liabilities	-	-	-	-
Accrued compensation and benefits	-	-	19,685	-
Due to other governments	-	-	-	13,708
Due to governmental funds	-	-	-	-
Unearned revenue	-	-	-	-
TOTAL LIABILITIES	-	41,380	36,663	13,708
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied in advance	-	-	1,749,845	-
Unavailable grants and other charges	-	71,706	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	71,706	1,749,845	-
FUND BALANCES				
Nonspendable	-	-	1,749	-
Restricted	-	10,605	586,566	-
Assigned	-	567,950	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES	-	578,555	588,315	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ -	\$ 691,641	\$ 2,374,823	\$ 13,708

(1) - Balance Sheet as of September 30, 2017

Macomb County, Michigan

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS (CONCLUDED)

December 31, 2017

	Other Special Revenue	Total Nonmajor Special Revenue Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and pooled investments	\$ 10,734	\$ 10,691,123
Receivables		
Property taxes, net	-	1,625,791
Trade accounts, net	-	6,871,473
Due from other governments	-	8,144,825
Other assets	-	113,609
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 10,734</u>	<u>\$ 27,446,821</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ -	\$ 4,050,499
Accrued liabilities	-	23,067
Accrued compensation and benefits	-	612,369
Due to other governments	-	289,751
Due to governmental funds	-	2,830,906
Unearned revenue	-	283,242
	<u> </u>	<u> </u>
TOTAL LIABILITIES	-	8,089,834
DEFERRED INFLOWS OF RESOURCES		
Property taxes levied in advance	-	1,749,845
Unavailable grants and other charges	-	5,069,817
	<u> </u>	<u> </u>
TOTAL DEFERRED INFLOWS OF RESOURCES	-	6,819,662
FUND BALANCES		
Nonspendable	-	113,609
Restricted	-	14,867,145
Assigned	10,734	1,086,721
Unassigned	-	(3,530,150)
	<u> </u>	<u> </u>
TOTAL FUND BALANCES	10,734	12,537,325
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 10,734</u>	<u>\$ 27,446,821</u>

(1) - Balance Sheet as of September 30, 2017

Macomb County, Michigan

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

Year Ended December 31, 2017

	Circuit Court Programs (1)	Child Care (1)	Community Corrections	Community Corrections (1)
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Federal and state grants	181,225	8,602,232	172,626	1,145,082
Other grants	1,750	-	-	-
Charges for services	6,380	484,670	-	-
Fines and forfeitures	-	-	-	-
Interest and rents	-	-	-	-
Other revenue	-	487,819	-	-
TOTAL REVENUES	189,355	9,574,721	172,626	1,145,082
EXPENDITURES				
Current				
Judicial	272,993	-	-	-
General government	-	-	-	-
Public safety	-	-	259,363	1,622,312
Health and welfare	-	17,715,293	-	-
Community and economic development	-	-	-	-
Capital outlay	-	42,540	59,007	14,954
TOTAL EXPENDITURES	272,993	17,757,833	318,370	1,637,266
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(83,638)	(8,183,112)	(145,744)	(492,184)
OTHER FINANCING SOURCES (USES)				
Transfers in	80,050	7,747,296	143,932	353,964
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	80,050	7,747,296	143,932	353,964
NET CHANGE IN FUND BALANCE	(3,588)	(435,816)	(1,812)	(138,220)
Fund balances, beginning of year	(30,092)	(833,682)	7,563	1,737
Fund balances, end of year	<u>\$ (33,680)</u>	<u>\$ (1,269,498)</u>	<u>\$ 5,751</u>	<u>\$ (136,483)</u>

(1) - Year ended September 30, 2017

-CONTINUED-

Macomb County, Michigan

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

Year Ended December 31, 2017

	Community Action Agency	Community Action Agency (1)	Concealed Pistol License	Emergency Management Grants
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	396,548	-
Federal and state grants	3,698,111	18,728,310	-	3,811,834
Other grants	-	-	-	5,346
Charges for services	58,038	2,685,064	-	-
Fines and forfeitures	-	-	-	-
Interest and rents	-	-	-	-
Other revenue	61,228	155,973	-	-
TOTAL REVENUES	3,817,377	21,569,347	396,548	3,817,180
EXPENDITURES				
Current				
Judicial	-	-	-	-
General government	-	-	95,332	-
Public safety	-	-	-	4,336,532
Health and welfare	3,123,541	25,483,277	-	-
Community and economic development	-	-	-	-
Capital outlay	5,165	498,950	-	124,961
TOTAL EXPENDITURES	3,128,706	25,982,227	95,332	4,461,493
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	688,671	(4,412,880)	301,216	(644,313)
OTHER FINANCING SOURCES (USES)				
Transfers in	5,534	3,828,910	-	5,534
Transfers out	(40,538)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(35,004)	3,828,910	-	5,534
NET CHANGE IN FUND BALANCE	653,667	(583,970)	301,216	(638,779)
Fund balances, beginning of year	6,125,429	1,450,554	370,767	(625,068)
Fund balances, end of year	<u>\$ 6,779,096</u>	<u>\$ 866,584</u>	<u>\$ 671,983</u>	<u>\$ (1,263,847)</u>

(1) - Year ended September 30, 2017

-CONTINUED-

Macomb County, Michigan

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

Year Ended December 31, 2017

	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	7,170,701	4,220	4,087,896	-
Other grants	-	-	-	-
Charges for services	762,648	39,836	1,422,170	4,249,511
Fines and forfeitures	-	-	-	-
Interest and rents	-	-	-	-
Other revenue	13	5,116	4,051	-
TOTAL REVENUES	7,933,362	49,172	5,514,117	4,249,511
EXPENDITURES				
Current				
Judicial	9,994,011	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	37,175	6,445,785	4,281,100
Community and economic development	-	-	-	-
Capital outlay	22,960	3,869	33,903	3,000
TOTAL EXPENDITURES	10,016,971	41,044	6,479,688	4,284,100
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,083,609)	8,128	(965,571)	(34,589)
OTHER FINANCING SOURCES (USES)				
Transfers in	2,385,173	-	1,555,864	34,589
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	2,385,173	-	1,555,864	34,589
NET CHANGE IN FUND BALANCE	301,564	8,128	590,293	-
Fund balances, beginning of year	(735,359)	486,158	2,240,585	-
Fund balances, end of year	<u>\$ (433,795)</u>	<u>\$ 494,286</u>	<u>\$ 2,830,878</u>	<u>\$ -</u>

(1) - Year ended September 30, 2017

(2) - Year ended June 30, 2017

Macomb County, Michigan

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

Year Ended December 31, 2017

	<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	-	-	-	1,463,445
Other grants	-	-	-	-
Charges for services	4,215	-	-	-
Fines and forfeitures	-	-	-	-
Interest and rents	-	-	558	-
Other revenue	-	-	-	37,511
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	4,215	-	558	1,500,956
EXPENDITURES				
Current				
Judicial	-	-	-	2,498,741
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	17,547	7,660	-	-
Community and economic development	-	-	-	-
Capital outlay	-	-	-	18,219
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	17,547	7,660	-	2,516,960
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(13,332)	(7,660)	558	(1,016,004)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	1,016,762
Transfers out	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	1,016,762
NET CHANGE IN FUND BALANCE	(13,332)	(7,660)	558	758
Fund balances, beginning of year	157,594	259,092	63,364	(165,182)
Fund balances, end of year	<u>\$ 144,262</u>	<u>\$ 251,432</u>	<u>\$ 63,922</u>	<u>\$ (164,424)</u>

(1) - Year ended September 30, 2017

Macomb County, Michigan

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

Year Ended December 31, 2017

	Register of Deeds Remonumentation Fund	Register of Deeds Technology Fund	Sheriff Grants	Sheriff Grants (1)
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Federal and state grants	237,109	-	195,657	1,694,774
Other grants	-	-	-	391,165
Charges for services	-	1,133,741	89,552	-
Fines and forfeitures	-	-	510,461	2,527
Interest and rents	-	8,600	-	-
Other revenue	-	-	6,122	-
TOTAL REVENUES	237,109	1,142,341	801,792	2,088,466
EXPENDITURES				
Current				
Judicial	-	-	-	-
General government	223,926	1,118,930	-	-
Public safety	-	-	393,324	2,183,015
Health and welfare	-	-	-	-
Community and economic development	-	-	-	-
Capital outlay	-	-	366,395	56,010
TOTAL EXPENDITURES	223,926	1,118,930	759,719	2,239,025
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	13,183	23,411	42,073	(150,559)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	456,580
Transfers out	-	-	(6,471)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(6,471)	456,580
NET CHANGE IN FUND BALANCE	13,183	23,411	35,602	306,021
Fund balances, beginning of year	(147,539)	796,473	1,626,473	(100,370)
Fund balances, end of year	<u>\$ (134,356)</u>	<u>\$ 819,884</u>	<u>\$ 1,662,075</u>	<u>\$ 205,651</u>

(1) - Year ended September 30, 2017

Macomb County, Michigan

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

Year Ended December 31, 2017

	Social Welfare	Urban County Block Grant	Veterans' Affairs	Veterans' Trust Fund (1)
REVENUES				
Property taxes	\$ -	\$ -	\$ 1,013,336	\$ -
Licenses and permits	-	-	-	-
Federal and state grants	-	236,805	1,739	59,752
Other grants	-	-	-	-
Charges for services	-	1,488	-	-
Fines and forfeitures	-	-	-	-
Interest and rents	-	-	-	-
Other revenue	-	207,901	6,088	-
TOTAL REVENUES	-	446,194	1,021,163	59,752
EXPENDITURES				
Current				
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	215,822	1,191,915	63,331
Community and economic development	-	211,860	-	-
Capital outlay	-	9,001	48,528	-
TOTAL EXPENDITURES	-	436,683	1,240,443	63,331
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	9,511	(219,280)	(3,579)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	16,603	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	16,603	-
NET CHANGE IN FUND BALANCE	-	9,511	(202,677)	(3,579)
Fund balances, beginning of year	-	569,044	790,992	3,579
Fund balances, end of year	<u>\$ -</u>	<u>\$ 578,555</u>	<u>\$ 588,315</u>	<u>\$ -</u>

(1) - Year ended September 30, 2017

Macomb County, Michigan

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

Year Ended December 31, 2017

	Other Special Revenue	Total Nonmajor Special Revenue Funds
REVENUES		
Property taxes	\$ -	\$ 1,013,336
Licenses and permits	-	396,548
Federal and state grants	-	51,491,518
Other grants	-	398,261
Charges for services	-	10,937,313
Fines and forfeitures	-	512,988
Interest and rents	-	9,158
Other revenue	-	971,822
	<hr/>	<hr/>
TOTAL REVENUES	-	65,730,944
EXPENDITURES		
Current		
Judicial	-	12,765,745
General government	-	1,438,188
Public safety	-	8,794,546
Health and welfare	-	58,582,446
Community and economic development	-	211,860
Capital outlay	-	1,307,462
	<hr/>	<hr/>
TOTAL EXPENDITURES	-	83,100,247
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(17,369,303)
OTHER FINANCING SOURCES (USES)		
Transfers in	-	17,630,791
Transfers out	-	(47,009)
	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	-	17,583,782
NET CHANGE IN FUND BALANCE	-	214,479
Fund balances, beginning of year	<hr/> 10,734	<hr/> 12,322,846
Fund balances, end of year	<hr/> <u>\$ 10,734</u>	<hr/> <u>\$ 12,537,325</u>

Macomb County, Michigan

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

Circuit Court Programs
Year Ended September 30, 2017

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Federal and state grants	\$ 198,037	\$ 181,225	\$ (16,812)
Other grants	1,750	1,750	-
Charges for services	6,000	6,380	380
TOTAL REVENUES	205,787	189,355	(16,432)
EXPENDITURES			
Current			
Judicial	284,142	272,993	11,149
EXCESS OF REVENUES OVER EXPENDITURES	(78,355)	(83,638)	(5,283)
OTHER FINANCING SOURCES			
Transfers in	78,355	80,050	1,695
NET CHANGE IN FUND BALANCES	-	(3,588)	(3,588)
Fund balances, beginning of year	(30,092)	(30,092)	-
Fund balances, end of year	\$ (30,092)	\$ (33,680)	\$ (3,588)

Macomb County, Michigan

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

Child Care Fund
Year Ended September 30, 2017

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Federal and state grants	\$ 8,363,033	\$ 8,602,232	\$ 239,199
Charges for services	1,081,000	484,670	(596,330)
Other revenue	178,000	487,819	309,819
TOTAL REVENUES	9,622,033	9,574,721	(47,312)
EXPENDITURES			
Current			
Health and welfare	21,650,140	17,715,293	3,934,847
Capital outlay	42,700	42,540	160
TOTAL EXPENDITURES	21,692,840	17,757,833	3,935,007
EXCESS OF REVENUES OVER EXPENDITURES	(12,070,807)	(8,183,112)	3,887,695
OTHER FINANCING SOURCES			
Transfers in	12,060,761	7,747,296	(4,313,465)
NET CHANGE IN FUND BALANCES	(10,046)	(435,816)	(425,770)
Fund balances, beginning of year	(833,682)	(833,682)	-
Fund balances, end of year	<u>\$ (843,728)</u>	<u>\$ (1,269,498)</u>	<u>\$ (425,770)</u>

-CONTINUED-

Macomb County, Michigan

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

Community Corrections
Year Ended December 31, 2017

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Federal and state grants	\$ 195,894	\$ 172,626	\$ (23,268)
EXPENDITURES			
Current			
Public safety	280,302	259,363	20,939
Capital outlay	59,836	59,007	829
TOTAL EXPENDITURES	340,138	318,370	21,768
EXCESS OF REVENUES OVER EXPENDITURES	(144,244)	(145,744)	(1,500)
OTHER FINANCING SOURCES			
Transfers in	136,681	143,932	7,251
NET CHANGE IN FUND BALANCES	(7,563)	(1,812)	5,751
Fund balances, beginning of year	7,563	7,563	-
Fund balances, end of year	\$ -	\$ 5,751	\$ 5,751

Macomb County, Michigan

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

Community Corrections
Year Ended September 30, 2017

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Federal and state grants	\$ 1,354,249	\$ 1,145,082	\$ (209,167)
EXPENDITURES			
Current			
Public safety	1,696,577	1,622,312	74,265
Capital outlay	20,000	14,954	5,046
TOTAL EXPENDITURES	<u>1,716,577</u>	<u>1,637,266</u>	<u>79,311</u>
EXCESS OF REVENUES OVER EXPENDITURES	(362,328)	(492,184)	(129,856)
OTHER FINANCING SOURCES			
Transfers in	<u>362,328</u>	<u>353,964</u>	<u>(8,364)</u>
NET CHANGE IN FUND BALANCES	-	(138,220)	(138,220)
Fund balances, beginning of year	<u>1,737</u>	<u>1,737</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,737</u>	<u>\$ (136,483)</u>	<u>\$ (138,220)</u>

Macomb County, Michigan

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

Community Action Agency
Year Ended December 31, 2017

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Federal and state grants	\$ 8,161,187	\$ 3,698,111	\$ (4,463,076)
Charges for services	555,564	58,038	(497,526)
Other revenue	50,000	61,228	11,228
TOTAL REVENUES	8,766,751	3,817,377	(4,949,374)
EXPENDITURES			
Current			
Health and welfare	8,866,773	3,123,541	5,743,232
Capital outlay	17,000	5,165	11,835
TOTAL EXPENDITURES	8,883,773	3,128,706	5,755,067
EXCESS OF REVENUES OVER EXPENDITURES	(117,022)	688,671	805,693
OTHER FINANCING (USES)			
Transfers in	-	5,534	5,534
Transfers out	(80,000)	(40,538)	39,462
TOTAL OTHER FINANCING SOURCES (USES)	(80,000)	(35,004)	44,996
NET CHANGE IN FUND BALANCES	(197,022)	653,667	850,689
Fund balances, beginning of year	6,125,429	6,125,429	-
Fund balances, end of year	<u>\$ 5,928,407</u>	<u>\$ 6,779,096</u>	<u>\$ 850,689</u>

Macomb County, Michigan

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

Community Action Agency
Year Ended September 30, 2017

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Federal and state grants	\$ 20,452,200	\$ 18,728,310	\$ (1,723,890)
Charges for services	3,599,977	2,685,064	(914,913)
Other revenue	181,425	155,973	(25,452)
TOTAL REVENUES	24,233,602	21,569,347	(2,664,255)
EXPENDITURES			
Current			
Health and welfare	28,096,083	25,483,277	2,612,806
Capital outlay	487,119	498,950	(11,831)
TOTAL EXPENDITURES	28,583,202	25,982,227	2,600,975
EXCESS OF REVENUES OVER EXPENDITURES	(4,349,600)	(4,412,880)	(63,280)
OTHER FINANCING SOURCES			
Transfers in	3,675,360	3,828,910	153,550
NET CHANGE IN FUND BALANCES	(674,240)	(583,970)	90,270
Fund balances, beginning of year	1,450,554	1,450,554	-
Fund balances, end of year	\$ 776,314	\$ 866,584	\$ 90,270

-CONTINUED-

Macomb County, Michigan

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

Concealed Pistol License
Year Ended December 31, 2017

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Licenses and permits	\$ 166,474	\$ 396,548	\$ 230,074
TOTAL REVENUES	166,474	396,548	230,074
EXPENDITURES			
Current			
General government	166,474	95,332	71,142
TOTAL EXPENDITURES	166,474	95,332	71,142
NET CHANGE IN FUND BALANCES	-	301,216	301,216
Fund balances, beginning of year	370,767	370,767	-
Fund balances, end of year	\$ 370,767	\$ 671,983	\$ 301,216

Macomb County, Michigan

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

Emergency Management Grants
Year Ended December 31, 2017

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Federal and state grants	\$ 8,775,285	\$ 3,811,834	\$ (4,963,451)
Other grants	-	5,346	5,346
TOTAL REVENUES	8,775,285	3,817,180	(4,958,105)
EXPENDITURES			
Current			
Public safety	8,335,489	4,336,532	3,998,957
Capital outlay	484,130	124,961	359,169
TOTAL EXPENDITURES	8,819,619	4,461,493	4,358,126
EXCESS OF REVENUES OVER EXPENDITURES	(44,334)	(644,313)	(599,979)
OTHER FINANCING SOURCES			
Transfers in	-	5,534	5,534
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	5,534	5,534
NET CHANGE IN FUND BALANCES	(44,334)	(638,779)	(594,445)
Fund balances, beginning of year	(625,068)	(625,068)	-
Fund balances, end of year	\$ (669,402)	\$ (1,263,847)	\$ (594,445)

Macomb County, Michigan

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

Friend of the Court
Year Ended September 30, 2017

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Federal and state grants	\$ 7,152,496	\$ 7,170,701	\$ 18,205
Charges for services	810,000	762,648	(47,352)
Other revenue	-	13	13
TOTAL REVENUES	7,962,496	7,933,362	(29,134)
EXPENDITURES			
Current			
Judicial	10,802,466	9,994,011	808,455
Capital outlay	32,200	22,960	9,240
TOTAL EXPENDITURES	10,834,666	10,016,971	817,695
EXCESS OF REVENUES OVER EXPENDITURES	(2,872,170)	(2,083,609)	788,561
OTHER FINANCING SOURCES			
Transfers in	3,102,919	2,385,173	(717,746)
TOTAL OTHER FINANCING SOURCES (USES)	3,102,919	2,385,173	(717,746)
NET CHANGE IN FUND BALANCES	230,749	301,564	70,815
Fund balances, beginning of year	(735,359)	(735,359)	-
Fund balances, end of year	\$ (504,610)	\$ (433,795)	\$ 70,815

Macomb County, Michigan

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

Health Grants
Year Ended December 31, 2017

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Federal and state grants	\$ 24,700	\$ 4,220	\$ (20,480)
Charges for services	30,000	39,836	9,836
Other revenue	-	5,116	5,116
TOTAL REVENUES	54,700	49,172	(5,528)
EXPENDITURES			
Current			
Health and welfare	72,396	37,175	35,221
Capital outlay	7,124	3,869	3,255
TOTAL EXPENDITURES	79,520	41,044	38,476
NET CHANGE IN FUND BALANCES	(24,820)	8,128	32,948
Fund balances, beginning of year	486,158	486,158	-
Fund balances, end of year	<u>\$ 461,338</u>	<u>\$ 494,286</u>	<u>\$ 32,948</u>

Macomb County, Michigan

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

Health Grants
Year Ended September 30, 2017

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Federal and state grants	\$ 4,312,492	\$ 4,087,896	\$ (224,596)
Charges for services	764,822	1,422,170	657,348
Other revenues	4,000	4,051	51
TOTAL REVENUES	5,081,314	5,514,117	432,803
EXPENDITURES			
Current			
Health and welfare	6,981,053	6,445,785	535,268
Capital outlay	37,921	33,903	4,018
TOTAL EXPENDITURES	7,018,974	6,479,688	539,286
EXCESS OF REVENUES OVER EXPENDITURES	(1,937,660)	(965,571)	972,089
OTHER FINANCING SOURCES			
Transfers in	1,753,471	1,555,864	(197,607)
TOTAL OTHER FINANCING SOURCES (USES)	1,753,471	1,555,864	(197,607)
NET CHANGE IN FUND BALANCES	(184,189)	590,293	774,482
Fund balances, beginning of year	2,240,585	2,240,585	-
Fund balances, end of year	\$ 2,056,396	\$ 2,830,878	\$ 774,482

Macomb County, Michigan

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

Macomb / St. Clair Employment and Training
Year Ended June 30, 2017

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Charges for services	\$ 4,429,255	\$ 4,249,511	\$ (179,744)
EXPENDITURES			
Current			
Health and welfare	4,424,855	4,281,100	143,755
Capital outlay	4,400	3,000	1,400
TOTAL EXPENDITURES	4,429,255	4,284,100	145,155
EXCESS OF REVENUES OVER EXPENDITURES	-	(34,589)	(34,589)
OTHER FINANCING SOURCES			
Transfers in	-	34,589	34,589
TOTAL OTHER FINANCING SOURCES (USES)	-	34,589	34,589
NET CHANGE IN FUND BALANCES	-	-	-
Fund balances, beginning of year	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -

-CONTINUED-

Macomb County, Michigan

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

MSU Extension
Year Ended December 31, 2017

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Charges for services	\$ 5,000	\$ 4,215	\$ (785)
TOTAL REVENUES	5,000	4,215	(785)
EXPENDITURES			
Current			
Health and welfare	30,484	17,547	12,937
Capital outlay	1,200	-	1,200
TOTAL EXPENDITURES	31,684	17,547	14,137
EXCESS OF REVENUES OVER EXPENDITURES	(26,684)	(13,332)	13,352
OTHER FINANCING SOURCES			
Transfers in	-	-	-
NET CHANGE IN FUND BALANCES	(26,684)	(13,332)	13,352
Fund balances, beginning of year	157,594	157,594	-
Fund balances, end of year	<u>\$ 130,910</u>	<u>\$ 144,262</u>	<u>\$ 13,352</u>

-CONTINUED-

Macomb County, Michigan

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

MSU Extension
Year Ended September 30, 2017

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES			
Current			
Health and welfare	\$ 24,611	\$ 7,660	\$ 16,951
NET CHANGE IN FUND BALANCES	(24,611)	(7,660)	16,951
Fund balances, beginning of year	259,092	259,092	-
Fund balances, end of year	<u>\$ 234,481</u>	<u>\$ 251,432</u>	<u>\$ 16,951</u>

Macomb County, Michigan

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

Prosecuting Attorney Grants
Year Ended December 31, 2017

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Interest and rents	\$ -	\$ 558	\$ 558
NET CHANGE IN FUND BALANCES	-	558	558
Fund balances, beginning of year	63,364	63,364	-
Fund balances, end of year	<u>\$ 63,364</u>	<u>\$ 63,922</u>	<u>\$ 558</u>

Macomb County, Michigan

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

Prosecuting Attorney Grants
Year Ended September 30, 2017

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Federal and state grants	\$ 1,630,532	\$ 1,463,445	\$ (167,087)
Other revenue	44,015	37,511	(6,504)
TOTAL REVENUES	1,674,547	1,500,956	(173,591)
EXPENDITURES			
Current			
Judicial	2,673,687	2,498,741	174,946
Capital outlay	21,700	18,219	3,481
TOTAL EXPENDITURES	2,695,387	2,516,960	178,427
EXCESS OF REVENUES OVER EXPENDITURES	(1,020,840)	(1,016,004)	4,836
OTHER FINANCING SOURCES			
Transfers in	1,020,840	1,016,762	(4,078)
TOTAL OTHER FINANCING SOURCES (USES)	1,020,840	1,016,762	(4,078)
NET CHANGE IN FUND BALANCES	-	758	758
Fund balances, beginning of year	(165,182)	(165,182)	-
Fund balances, end of year	\$ (165,182)	\$ (164,424)	\$ 758

Macomb County, Michigan

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

Register of Deeds Remonumentation Fund
Year Ended December 31, 2017

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Federal and state grants	\$ 223,926	\$ 237,109	\$ 13,183
EXPENDITURES			
Current			
General government	223,926	223,926	-
NET CHANGE IN FUND BALANCES	-	13,183	13,183
Fund balances, beginning of year	(147,539)	(147,539)	-
Fund balances, end of year	\$ (147,539)	\$ (134,356)	\$ 13,183

Macomb County, Michigan

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

Register of Deeds Technology Fund
Year Ended December 31, 2017

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Charges for services	\$ 1,080,000	\$ 1,133,741	\$ 53,741
Interest and rents	-	8,600	8,600
TOTAL REVENUES	1,080,000	1,142,341	62,341
EXPENDITURES			
Current			
General government	1,270,045	1,118,930	151,115
Capital outlay	3,500	-	3,500
TOTAL EXPENDITURES	1,273,545	1,118,930	154,615
NET CHANGE IN FUND BALANCES	(193,545)	23,411	216,956
Fund balances, beginning of year	796,473	796,473	-
Fund balances, end of year	<u>\$ 602,928</u>	<u>\$ 819,884</u>	<u>\$ 216,956</u>

-CONTINUED-

Macomb County, Michigan

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

Sheriff Grants
Year Ended December 31, 2017

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Federal and state grants	\$ 193,130	\$ 195,657	\$ 2,527
Charges for services	500	89,552	89,052
Fines and forfeitures	11,250	510,461	499,211
Other revenue	5,000	6,122	1,122
TOTAL REVENUES	209,880	801,792	591,912
EXPENDITURES			
Current			
Public safety	1,003,142	393,324	609,818
Capital outlay	823,490	366,395	457,095
TOTAL EXPENDITURES	1,826,632	759,719	1,066,913
EXCESS OF REVENUES OVER EXPENDITURES	(1,616,752)	42,073	1,658,825
OTHER FINANCING SOURCES			
Transfers out	-	(6,471)	(6,471)
NET CHANGE IN FUND BALANCES	(1,616,752)	35,602	1,652,354
Fund balances, beginning of year	1,626,473	1,626,473	-
Fund balances, end of year	\$ 9,721	\$ 1,662,075	\$ 1,652,354

-CONTINUED-

Macomb County, Michigan

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

Sheriff Grants
Year Ended September 30, 2017

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Federal and state grants	\$ 1,386,041	\$ 1,694,774	\$ 308,733
Other grants	340,000	391,165	51,165
Fines and forfeitures	30,000	2,527	(27,473)
Other revenue	15,000	-	(15,000)
TOTAL REVENUES	1,771,041	2,088,466	317,425
EXPENDITURES			
Current			
Public safety	2,141,382	2,183,015	(41,633)
Capital outlay	56,184	56,010	174
TOTAL EXPENDITURES	2,197,566	2,239,025	(41,459)
EXCESS OF REVENUES OVER EXPENDITURES	(426,525)	(150,559)	275,966
OTHER FINANCING SOURCES			
Transfers in	426,525	456,580	30,055
NET CHANGE IN FUND BALANCES	-	306,021	306,021
Fund balances, beginning of year	(100,370)	(100,370)	-
Fund balances, end of year	<u>\$ (100,370)</u>	<u>\$ 205,651</u>	<u>\$ 306,021</u>

Macomb County, Michigan

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

Social Welfare Fund
Year Ended December 31, 2017

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Charges for services	\$ 200,000	\$ -	\$ (200,000)
EXPENDITURES			
Current			
Health and welfare	200,000	-	200,000
NET CHANGE IN FUND BALANCES	-	-	-
Fund balances, beginning of year	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -

-CONTINUED-

Macomb County, Michigan

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

Urban County Block Grant
Year Ended December 31, 2017

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Federal and state grants	\$ 819,678	\$ 236,805	\$ (582,873)
Other grants	-	-	-
Charges for services	7,000	1,488	(5,512)
Other revenue	168,017	207,901	39,884
TOTAL REVENUES	994,695	446,194	(548,501)
EXPENDITURES			
Current			
Health and welfare	467,131	215,822	251,309
Community and economic development	638,417	211,860	426,557
Capital outlay	57,001	9,001	48,000
TOTAL EXPENDITURES	1,162,549	436,683	725,866
NET CHANGE IN FUND BALANCES	(167,854)	9,511	177,365
Fund balances, beginning of year	569,044	569,044	-
Fund balances, end of year	<u>\$ 401,190</u>	<u>\$ 578,555</u>	<u>\$ 177,365</u>

-CONTINUED-

Macomb County, Michigan

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

Veterans' Affairs Fund
Year Ended December 31, 2017

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	\$ 988,884	\$ 1,013,336	\$ 24,452
Federal and state grants	32,190	1,739	(30,451)
Other revenue	18,150	6,088	(12,062)
TOTAL REVENUES	1,039,224	1,021,163	(18,061)
EXPENDITURES			
Current			
Health and welfare	1,324,242	1,191,915	132,327
Capital outlay	62,500	48,528	13,972
TOTAL EXPENDITURES	1,386,742	1,240,443	146,299
EXCESS OF REVENUES OVER EXPENDITURES	(347,518)	(219,280)	128,238
OTHER FINANCING SOURCES			
Transfers in	-	16,603	16,603
TOTAL OTHER FINANCING SOURCES (USES)	-	16,603	16,603
NET CHANGE IN FUND BALANCES	(347,518)	(202,677)	144,841
Fund balances, beginning of year	790,992	790,992	-
Fund balances, end of year	\$ 443,474	\$ 588,315	\$ 144,841

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

Veterans' Trust Fund
Year Ended September 30, 2017

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Federal and state grants	\$ 73,460	\$ 59,752	\$ (13,708)
EXPENDITURES			
Current			
Health and welfare	77,039	63,331	13,708
NET CHANGE IN FUND BALANCES	(3,579)	(3,579)	-
Fund balances, beginning of year	3,579	3,579	-
Fund balances, end of year	\$ -	\$ -	\$ -

Macomb County, Michigan

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

Other Special Revenue
Year Ended December 31, 2017

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, 2017

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 (with the exception of the 2015 other postemployment benefits bonds), 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-40 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, 2017

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	\$ 124,870	\$ 126,022	\$ 1,152
Federal and state grants	3,805	-	(3,805)
Charges for services	18,391,280	-	(18,391,280)
TOTAL REVENUES	18,519,955	126,022	(18,393,933)
EXPENDITURES			
Current			
Public works	183,782	136,913	46,869
Debt service			
Principal	16,630,000	6,840,000	9,790,000
Interest and fees	10,753,266	2,153,037	8,600,229
TOTAL EXPENDITURES	27,567,048	9,129,950	18,437,098
EXCESS OF REVENUES OVER EXPENDITURES	(9,047,093)	(9,003,928)	43,165
OTHER FINANCING SOURCES			
Transfers in	9,047,093	9,048,144	1,051
TOTAL OTHER FINANCING SOURCES (USES)	9,047,093	9,048,144	1,051
NET CHANGE IN FUND BALANCES	-	44,216	44,216
Fund balances, beginning of year	1,994,530	1,994,530	-
Fund balances, end of year	<u>\$ 1,994,530</u>	<u>\$ 2,038,746</u>	<u>\$ 44,216</u>

FUND DESCRIPTIONS – NONMAJOR CAPITAL PROJECT FUNDS

December 31, 2017

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.

Central Campus Renovation Fund – This 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.

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

-CONTINUED-

FUND DESCRIPTIONS – NONMAJOR CAPITAL PROJECT FUNDS (CONCLUDED)

December 31, 2017

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, 2017

	Bridge Program	Capital Improvement Fund	General County Capital Projects	Central Campus Renovation
ASSETS				
Cash and pooled investments	\$ 63,877	\$ 11,729,610	\$ 2,484,328	\$ 3,251,435
Receivables				
Trade accounts, net	-	-	347,290	-
Due from other governments	584,331	-	54,693	-
Other assets	-	-	26,195	-
	<u>648,208</u>	<u>11,729,610</u>	<u>2,912,506</u>	<u>3,251,435</u>
TOTAL ASSETS				
	<u>\$ 648,208</u>	<u>\$ 11,729,610</u>	<u>\$ 2,912,506</u>	<u>\$ 3,251,435</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 1,547,724	\$ 3,251,435
Accrued liabilities	-	-	326,192	-
Due to governmental funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES				
	-	-	1,873,916	3,251,435
DEFERRED INFLOWS OF RESOURCES				
Unavailable grants and other charges	577,041	-	122,723	-
	<u>577,041</u>	<u>-</u>	<u>122,723</u>	<u>-</u>
FUND BALANCES				
Nonspendable	-	-	26,195	-
Restricted	71,167	-	-	-
Assigned	-	11,729,610	889,672	-
Unassigned	-	-	-	-
	<u>71,167</u>	<u>11,729,610</u>	<u>915,867</u>	<u>-</u>
TOTAL FUND BALANCES				
	71,167	11,729,610	915,867	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
	<u>\$ 648,208</u>	<u>\$ 11,729,610</u>	<u>\$ 2,912,506</u>	<u>\$ 3,251,435</u>

Macomb County, Michigan

COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECT FUNDS (CONTINUED)

December 31, 2017

	Circuit Court E- Filing	Communication Center	Department of Roads Orchard Trail Fund (1)	District Court Improvement
ASSETS				
Cash and pooled investments	\$ 267,143	\$ -	\$ 2,312,574	\$ 520,426
Receivables				
Trade accounts, net	-	-	-	-
Due from other governments	-	-	-	-
Other assets	-	-	-	-
TOTAL ASSETS	<u>\$ 267,143</u>	<u>\$ -</u>	<u>\$ 2,312,574</u>	<u>\$ 520,426</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Due to governmental funds	-	-	-	-
TOTAL LIABILITIES	-	-	-	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable grants and other charges	-	-	-	-
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	-	2,312,574	-
Assigned	267,143	-	-	520,426
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>267,143</u>	<u>-</u>	<u>2,312,574</u>	<u>520,426</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 267,143</u>	<u>\$ -</u>	<u>\$ 2,312,574</u>	<u>\$ 520,426</u>

(1) - Balance Sheet as of September 30, 2017

Macomb County, Michigan

COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECT FUNDS (CONTINUED)

December 31, 2017

	E-911 Radio System	E-911 Cellular Fee	E-911 Radio Maintenance	Orchard Trail
ASSETS				
Cash and pooled investments	\$ -	\$ 2,519,118	\$ 337,415	\$ 445,151
Receivables				
Trade accounts, net	31,224	-	37,840	6,528
Due from other governments	1,052,078	323,602	172,837	-
Other assets	-	37,539	-	-
	<u>-</u>	<u>37,539</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 1,083,302</u>	<u>\$ 2,880,259</u>	<u>\$ 548,092</u>	<u>\$ 451,679</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ 723,024	\$ 13,331	\$ 13,395
Accrued liabilities	-	-	-	-
Due to governmental funds	1,083,302	-	-	-
	<u>1,083,302</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	1,083,302	723,024	13,331	13,395
DEFERRED INFLOWS OF RESOURCES				
Unavailable grants and other charges	1,052,078	-	15,543	-
	<u>1,052,078</u>	<u>-</u>	<u>15,543</u>	<u>-</u>
FUND BALANCES				
Nonspendable	-	37,539	-	-
Restricted	-	2,119,696	519,218	-
Assigned	-	-	-	438,284
Unassigned	(1,052,078)	-	-	-
	<u>(1,052,078)</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES	<u>(1,052,078)</u>	<u>2,157,235</u>	<u>519,218</u>	<u>438,284</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 1,083,302</u>	<u>\$ 2,880,259</u>	<u>\$ 548,092</u>	<u>\$ 451,679</u>

Macomb County, Michigan

COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECT FUNDS (CONCLUDED)

December 31, 2017

	Youth Home Renovation	Total Nonmajor Capital Project Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and pooled investments	\$ 103,230	\$ 24,034,307
Receivables		
Trade accounts, net	-	422,882
Due from other governments	-	2,187,541
Other assets	-	63,734
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 103,230</u>	<u>\$ 26,708,464</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ -	\$ 5,548,909
Accrued liabilities	-	326,192
Due to governmental funds	-	1,083,302
	<u> </u>	<u> </u>
TOTAL LIABILITIES	-	6,958,403
 DEFERRED INFLOWS OF RESOURCES		
Unavailable grants and other charges	-	1,767,385
	<u> </u>	<u> </u>
 FUND BALANCES		
Nonspendable	-	63,734
Restricted	-	5,022,655
Assigned	103,230	13,948,365
Unassigned	-	(1,052,078)
	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>103,230</u>	<u>17,982,676</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
	<u>\$ 103,230</u>	<u>\$ 26,708,464</u>

Macomb County, Michigan

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

December 31, 2017

	Bridge Program	Capital Improvement Fund	General County Capital Projects	Central Campus Renovation
REVENUES				
Federal and state grants	\$ -	\$ -	\$ 61,883	\$ -
Charges for services	24,045	-	-	-
Interest and rents	-	-	-	13,581
Other revenue	-	-	473,578	-
TOTAL REVENUES	24,045	-	535,461	13,581
EXPENDITURES				
Current				
Judicial	-	-	-	-
Public safety	-	-	-	-
Recreational and cultural	-	-	-	-
Capital outlay	-	-	10,352,728	14,663,824
TOTAL EXPENDITURES	-	-	10,352,728	14,663,824
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	24,045	-	(9,817,267)	(14,650,243)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	19,836,153	9,702,395	14,650,243
Transfers out	-	(25,268,657)	(135,614)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(5,432,504)	9,566,781	14,650,243
NET CHANGE IN FUND BALANCE	24,045	(5,432,504)	(250,486)	-
Fund balances, beginning of year	47,122	17,162,114	1,166,353	-
Fund balances, end of year	<u>\$ 71,167</u>	<u>\$ 11,729,610</u>	<u>\$ 915,867</u>	<u>\$ -</u>

Macomb County, Michigan

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

December 31, 2017

	Circuit Court E- Filing	Communication Center	Department of Roads Orchard Trail Fund (1)	District Court Improvement
REVENUES				
Federal and state grants	\$ -	\$ -	\$ -	\$ -
Charges for services	78,085	-	-	56,104
Interest and rents	-	-	12,281	-
Other revenue	-	-	-	-
TOTAL REVENUES	78,085	-	12,281	56,104
EXPENDITURES				
Current				
Judicial	12,600	-	-	-
Public safety	-	-	-	-
Recreational and cultural	-	-	-	-
Capital outlay	-	10,548	-	-
TOTAL EXPENDITURES	12,600	10,548	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	65,485	(10,548)	12,281	56,104
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	457,029	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	457,029	-
NET CHANGE IN FUND BALANCE	65,485	(10,548)	469,310	56,104
Fund balances, beginning of year	201,658	10,548	1,843,264	464,322
Fund balances, end of year	<u>\$ 267,143</u>	<u>\$ -</u>	<u>\$ 2,312,574</u>	<u>\$ 520,426</u>

(1) - Year ended September 30, 2017

Macomb County, Michigan

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

December 31, 2017

	E-911 Radio System	E-911 Cellular Fee	E-911 Radio Maintenance	Orchard Trail
REVENUES				
Federal and state grants	\$ -	\$ 639,656	\$ -	\$ -
Charges for services	-	-	342,413	47,305
Interest and rents	-	-	-	4,106
Other revenue	31,224	-	-	-
TOTAL REVENUES	31,224	639,656	342,413	51,411
EXPENDITURES				
Current				
Judicial	-	-	-	-
Public safety	90,099	132,258	246,457	-
Recreational and cultural	-	-	-	98,645
Capital outlay	1,851,930	8,625	-	-
TOTAL EXPENDITURES	1,942,029	140,883	246,457	98,645
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,910,805)	498,773	95,956	(47,234)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,910,805	-	-	-
Transfers out	-	(505,097)	(558,875)	-
TOTAL OTHER FINANCING SOURCES (USES)	1,910,805	(505,097)	(558,875)	-
NET CHANGE IN FUND BALANCE	-	(6,324)	(462,919)	(47,234)
Fund balances, beginning of year	(1,052,078)	2,163,559	982,137	485,518
Fund balances, end of year	<u>\$ (1,052,078)</u>	<u>\$ 2,157,235</u>	<u>\$ 519,218</u>	<u>\$ 438,284</u>

Macomb County, Michigan

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

December 31, 2017

	Youth Home Renovation	Total Nonmajor Capital Project Funds
REVENUES		
Federal and state grants	\$ -	\$ 701,539
Charges for services	-	547,952
Interest and rents	-	29,968
Other revenue	-	504,802
	<hr/>	<hr/>
TOTAL REVENUES	-	1,784,261
EXPENDITURES		
Current		
Judicial	-	12,600
Public safety	-	468,814
Recreational and cultural	-	98,645
Capital outlay	-	26,887,655
	<hr/>	<hr/>
TOTAL EXPENDITURES	-	27,467,714
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(25,683,453)
OTHER FINANCING SOURCES (USES)		
Transfers in	-	46,556,625
Transfers out	-	(26,468,243)
	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	-	20,088,382
NET CHANGE IN FUND BALANCE	-	(5,595,071)
Fund balances, beginning of year	<hr/> 103,230	<hr/> 23,577,747
Fund balances, end of year	<u>\$ 103,230</u>	<u>\$ 17,982,676</u>

FUND DESCRIPTIONS – INTERNAL SERVICE FUNDS

December 31, 2017

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.

Other Postemployment Benefits Fund – accumulates funds for the purpose of administering the county's other postemployment benefits program. This includes accumulation of investment assets held in trust for the purposes of both paying on the county's general obligation other postemployment benefit debt service requirements, as well as to fund the county's annual required contribution to its retiree healthcare trust fund. The debt service portion of this fund is funded by charge backs to departments based on a historical eligible employee census by county department. The contribution to the county's retiree health care fund is funded by investment proceeds, which were originally received as bond proceeds when the county issued other postemployment benefit bonds in 2015.

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, 2017

	Compensated Absences	Equipment Revolving	Fringe Benefits	County General Liability
ASSETS				
Current Assets				
Cash and pooled investments	\$ 14,634,485	\$ 6,161,128	\$ 600,984	\$ 7,772,698
Investments, at fair value				
US Government securities	-	-	-	-
Corporate bonds	-	-	-	-
Common stock	-	-	-	-
Foreign stock	-	-	-	-
Real estate investment trust	-	-	-	-
Fixed income common collective trusts	-	-	-	-
Equity common collective trusts	-	-	-	-
Receivables				
Accrued interest	-	-	-	-
Trade accounts, net	-	12,267	-	-
Inventories	-	213,305	-	-
Due from other governments	-	-	403	-
Due from component unit	-	-	-	-
Due from governmental funds	-	-	238,611	-
Due from fiduciary funds	-	-	4,476,646	-
Other assets	-	40,169	1,630,123	464,098
Total current assets	14,634,485	6,426,869	6,946,767	8,236,796
Noncurrent assets				
Capital assets, net				
Assets being depreciated	-	1,062,222	-	-
Net other post-employment benefits asset	-	-	-	-
Total noncurrent assets	-	1,062,222	-	-
TOTAL ASSETS	14,634,485	7,489,091	6,946,767	8,236,796
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	100,217	147,610	591,568	61,789
Accrued interest payable	-	-	-	-
Due to governmental funds	-	301,807	-	-
Claims and judgments	-	-	-	1,103,000
Long-term liabilities due within one year	1,700,000	-	-	-
Total current liabilities	1,800,217	449,417	591,568	1,164,789
Noncurrent liabilities				
Claims and judgments	-	-	-	7,072,007
Long-term liabilities due in more than one year	12,584,268	-	-	-
Total noncurrent liabilities	12,584,268	-	-	7,072,007
TOTAL LIABILITIES	14,384,485	449,417	591,568	8,236,796
NET POSITION				
Net investment in capital assets	-	1,062,222	-	-
Restricted for:				
Roads general liability insurance	-	-	-	-
Other postemployment benefits	-	-	-	-
Unrestricted (deficit)	250,000	5,977,452	6,355,199	-
TOTAL NET POSITION	\$ 250,000	\$ 7,039,674	\$ 6,355,199	\$ -

-CONTINUED-

Macomb County, Michigan

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

December 31, 2017

	Other Postemployment Benefits	Roads General Liability (1)	Workers' Compensation	Total Internal Service Funds
ASSETS				
Current Assets				
Cash and pooled investments	\$ 8,634,044	\$ 8,122,262	\$ 5,512,911	\$ 51,438,512
Investments, at fair value				
US Government securities	10,906,983	-	-	10,906,983
Corporate bonds	5,617,362	-	-	5,617,362
Common stock	159,261,533	-	-	159,261,533
Foreign stock	43,510,199	-	-	43,510,199
Real estate investment trust	12,470,119	-	-	12,470,119
Fixed income common collective trusts	5,069,604	-	-	5,069,604
Equity common collective trusts	60,186,688	-	-	60,186,688
Receivables				
Accrued interest	430,409	-	-	430,409
Trade accounts, net	473,744	-	-	486,011
Inventories	-	-	-	213,305
Due from other governments	-	-	-	403
Due from component unit	14,495,000	-	-	14,495,000
Due from governmental funds	-	-	-	238,611
Due from fiduciary funds	-	-	-	4,476,646
Other assets	3,511,346	-	181,765	5,827,501
	<u>324,567,031</u>	<u>8,122,262</u>	<u>5,694,676</u>	<u>374,628,886</u>
Total current assets				
Noncurrent assets				
Capital assets, net				
Assets being depreciated	-	-	-	1,062,222
Net other post-employment benefits asset	41,990,377	-	-	41,990,377
	<u>41,990,377</u>	<u>-</u>	<u>-</u>	<u>43,052,599</u>
TOTAL ASSETS				
	<u>366,557,408</u>	<u>8,122,262</u>	<u>5,694,676</u>	<u>417,681,485</u>
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	503,571	-	184,996	1,589,751
Accrued interest payable	1,731,230	-	-	1,731,230
Due to governmental funds	-	-	-	301,807
Claims and judgments	-	19,252	603,000	1,725,252
Long-term liabilities due within one year	9,985,376	-	-	11,685,376
	<u>12,220,177</u>	<u>19,252</u>	<u>787,996</u>	<u>17,033,416</u>
Total current liabilities				
Noncurrent liabilities				
Claims and judgments	-	250,000	1,809,836	9,131,843
Long-term liabilities due in more than one year	224,697,336	-	-	237,281,604
	<u>224,697,336</u>	<u>250,000</u>	<u>1,809,836</u>	<u>246,413,447</u>
Total noncurrent liabilities				
	<u>236,917,513</u>	<u>269,252</u>	<u>2,597,832</u>	<u>263,446,863</u>
TOTAL LIABILITIES				
NET POSITION				
Net investment in capital assets	-	-	-	1,062,222
Restricted for:				
Roads general liability insurance	-	7,853,010	-	7,853,010
Other postemployment benefits	129,639,895	-	-	129,639,895
Unrestricted (deficit)	-	-	3,096,844	15,679,495
	<u>\$ 129,639,895</u>	<u>\$ 7,853,010</u>	<u>\$ 3,096,844</u>	<u>\$ 154,234,622</u>
TOTAL NET POSITION				

(1) - Year ended September 30, 2017

Macomb County, Michigan

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

Year Ended December 31, 2017

	Compensated Absences	Equipment Revolving	Fringe Benefits	County General Liability
OPERATING REVENUES				
Charges for services	\$ 1,050,187	\$ 3,553,220	\$ 56,189,025	\$ 1,983,817
Other revenue	-	21,678	-	-
TOTAL OPERATING REVENUES	1,050,187	3,574,898	56,189,025	1,983,817
OPERATING EXPENSES				
Benefits and claims expenses	3,287,176	-	56,119,192	5,484,597
Supplies and services	-	3,488,776	-	-
Depreciation	-	549,095	-	-
TOTAL OPERATING EXPENSES	3,287,176	4,037,871	56,119,192	5,484,597
OPERATING INCOME (LOSS)	(2,236,989)	(462,973)	69,833	(3,500,780)
NONOPERATING REVENUES (EXPENSES)				
Investment income	-	-	-	-
Interest expense	-	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	-	-	-	-
NET INCOME (LOSS) BEFORE TRANSFERS	(2,236,989)	(462,973)	69,833	(3,500,780)
TRANSFERS				
Transfers in	2,236,989	125,000	-	552,699
Transfers out	-	-	(2,236,989)	-
NET TRANSFERS	2,236,989	125,000	(2,236,989)	552,699
CHANGE IN NET POSITION	-	(337,973)	(2,167,156)	(2,948,081)
Net position, beginning of year	250,000	7,377,647	8,522,355	2,948,081
Net position, end of year	\$ 250,000	\$ 7,039,674	\$ 6,355,199	\$ -

Macomb County, Michigan

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

Year Ended December 31, 2017

	Other Postemployment Benefits	Roads General Liability (1)	Workers' Compensation	Total Internal Service Funds
OPERATING REVENUES				
Charges for services	\$ 17,775,172	\$ -	\$ 1,245,139	\$ 81,796,560
Other revenue	-	-	-	21,678
TOTAL OPERATING REVENUES	17,775,172	-	1,245,139	81,818,238
OPERATING EXPENSES				
Benefits and claims expenses	36,737,828	198,446	980,096	102,807,335
Supplies and services	1,039,588	-	-	4,528,364
Depreciation	-	-	-	549,095
TOTAL OPERATING EXPENSES	37,777,416	198,446	980,096	107,884,794
OPERATING INCOME (LOSS)	(20,002,244)	(198,446)	265,043	(26,066,556)
NONOPERATING REVENUES (EXPENSES)				
Investment income	52,194,242	53,596	-	52,247,838
Interest expense	(8,602,466)	-	-	(8,602,466)
TOTAL NONOPERATING REVENUES (EXPENSES)	43,591,776	53,596	-	43,645,372
NET INCOME (LOSS) BEFORE TRANSFERS	23,589,532	(144,850)	265,043	17,578,816
TRANSFERS				
Transfers in	560	-	-	2,915,248
Transfers out	-	-	-	(2,236,989)
NET TRANSFERS	560	-	-	678,259
CHANGE IN NET POSITION	23,590,092	(144,850)	265,043	18,257,075
Net position, beginning of the year, as restated*	106,049,803	7,997,860	2,831,801	135,977,547
Net position, end of year	<u>\$ 129,639,895</u>	<u>\$ 7,853,010</u>	<u>\$ 3,096,844</u>	<u>\$ 154,234,622</u>

* See footnote 19 of the notes to the basic financial statements

(1) - Year ended September 30, 2017

Macomb County, Michigan

COMBINING STATEMENT OF CASH FLOWS – INTERNAL SERVICE FUNDS

Year Ended December 31, 2017

	Compensated Absences	Equipment Revolving	Fringe Benefits	County General Liability
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from interfund services	\$ 1,050,187	\$ 3,882,342	\$ 58,943,708	\$ 1,983,817
Cash payments to employees	(1,935,475)	-	-	-
Cash payments to suppliers	-	(3,531,811)	(56,105,735)	(2,778,143)
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	(885,288)	350,531	2,837,973	(794,326)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Principal and interest paid on long term debt	-	-	-	-
Transfers in	2,236,989	125,000	-	552,699
Transfers out	-	-	(2,236,989)	-
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	2,236,989	125,000	(2,236,989)	552,699
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	-	(275,359)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	-	-	-	-
Realized gain on investments	-	-	-	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	-	-	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,351,701	200,172	600,984	(241,627)
Cash and cash equivalents, beginning of year	13,282,784	5,960,956	-	8,014,325
Cash and cash equivalents, end of year	<u>\$ 14,634,485</u>	<u>\$ 6,161,128</u>	<u>\$ 600,984</u>	<u>\$ 7,772,698</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ (2,236,989)	\$ (462,973)	\$ 69,833	\$ (3,500,780)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	-	549,095	-	-
Changes in net other post-employment benefits asset	-	-	-	-
Changes in assets and liabilities:				
Accounts receivable	-	307,444	-	-
Inventory	-	24,340	-	-
Due from other governments	-	-	(403)	-
Due from governmental funds	-	-	83,592	-
Due from fiduciary funds	-	-	5,671,091	-
Other assets	-	15,302	312,874	(23,076)
Accounts payable and accrued liabilities	28,174	(82,677)	(299,014)	32,078
Due to other funds	-	-	(3,000,000)	-
Claims and judgments	-	-	-	2,697,452
Long-term liabilities	1,323,527	-	-	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (885,288)	\$ 350,531	\$ 2,837,973	\$ (794,326)

-CONTINUED-

Macomb County, Michigan

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

Year Ended December 31, 2017

	Other Postemployment Benefits	Roads General Liability (1)	Workers' Compensation	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from interfund services	\$ 18,235,758	\$ -	\$ 1,245,139	\$ 85,340,951
Cash payments to employees	-	-	-	(1,935,475)
Cash payments to suppliers	(40,645,207)	(198,464)	(1,181,747)	(104,441,107)
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	(22,409,449)	(198,464)	63,392	(21,035,631)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Principal and interest paid on long term debt	(18,452,018)	-	-	(18,452,018)
Transfers in	560	-	-	2,915,248
Transfers out	-	-	-	(2,236,989)
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	(18,451,458)	-	-	(17,773,759)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	-	-	-	(275,359)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	1,432,178	53,596	-	1,485,774
Realized gain on investments	40,000,000	-	-	40,000,000
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	41,432,178	53,596	-	41,485,774
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	571,271	(144,868)	63,392	2,401,025
Cash and cash equivalents, beginning of year	8,062,773	8,267,130	5,449,519	49,037,487
Cash and cash equivalents, end of year	<u>\$ 8,634,044</u>	<u>\$ 8,122,262</u>	<u>\$ 5,512,911</u>	<u>\$ 51,438,512</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ (20,002,244)	\$ (198,446)	\$ 265,043	\$ (26,066,556)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	-	-	-	549,095
Changes in net other post-employment benefits asset	249,174	-	-	249,174
Changes in assets and liabilities:				
Accounts receivable	-	-	-	307,444
Inventory	-	-	-	24,340
Due from other governments	-	-	-	(403)
Due from governmental funds	-	-	-	83,592
Due from fiduciary funds	-	-	-	5,671,091
Other assets	(3,511,346)	-	(28,911)	(3,235,157)
Accounts payable and accrued liabilities	394,381	-	103,875	176,817
Due to other funds	460,586	-	-	(2,539,414)
Claims and judgments	-	(18)	(276,615)	2,420,819
Long-term liabilities	-	-	-	1,323,527
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (22,409,449)	\$ (198,464)	\$ 63,392	\$ (21,035,631)

(1) - Year ended September 30, 2017

FUND DESCRIPTIONS – FIDUCIARY AND AGENCY FUNDS

December 31, 2017

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 12.

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. Prior to 2017, funds equal to the annual required contribution as calculated by the OPEB plan actuarial valuation were transferred to the Retiree Health Care Trust Fund annually. As part of the county's implementation of the Governmental Accounting Standards Board Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*, the county moved this trust, along with related OPEB bond debt and net OPEB assets, to the newly created Other Postemployment Benefits Internal Service Fund. See footnote 19 in the notes to the basic financial statements.

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 7.

Macomb County, Michigan

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

December 31, 2017

	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	\$ 32,630,883	\$ 13,100,720	\$ -	\$ 45,731,603
Investments, at fair value				
US Government securities	-	-	-	-
Corporate bonds	13,586,530	-	-	13,586,530
Common stock	367,568,610	64,237	-	367,632,847
Preferred stock	291,307	-	-	291,307
Foreign stock	22,170,970	32,321,804	-	54,492,774
Limited partnership	266,268,346	3,245	-	266,271,591
Real estate investment trusts	-	39,798,732	-	39,798,732
Fixed income common collective trusts	54,569,016	52,867,543	-	107,436,559
Equity common collective trusts	286,137,924	138,932,029	-	425,069,953
Total investments, at fair value	1,010,592,703	263,987,590	-	1,274,580,293
Receivables				
Accrued interest	837,471	726,753	-	1,564,224
Other	172,497	-	-	172,497
Other assets	1,504	-	-	1,504
TOTAL ASSETS	1,044,235,058	277,815,063	-	1,322,050,121
LIABILITIES				
Accounts payable	1,987,003	17,848,278	-	19,835,281
Accrued compensation and benefits	4,875,190	-	-	4,875,190
Due to primary government	-	4,476,646	-	4,476,646
TOTAL LIABILITIES	6,862,193	22,324,924	-	29,187,117
NET POSITION RESTRICTED FOR PENSION AND OTHER POSTEMPLOYMENT BENEFITS	<u>\$ 1,037,372,865</u>	<u>\$ 255,490,139</u>	<u>\$ -</u>	<u>\$ 1,292,863,004</u>

Macomb County, Michigan

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

Year Ended December 31, 2017

	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	\$ 8,278,371	\$ 21,340,776	\$ -	\$ 29,619,147
Net change in fair value of investments	149,198,452	11,959,888	-	161,158,340
Less investment expenses	(7,132,144)	(122,145)	-	(7,254,289)
Net investment income (loss)	150,344,679	33,178,519	-	183,523,198
Contributions				
Employer	21,672,813	-	-	21,672,813
Employee	3,451,637	-	-	3,451,637
Contribution from Retiree Health Care Intermediate Trust Fund	-	36,488,654	-	36,488,654
Total contributions	25,124,450	36,488,654	-	61,613,104
TOTAL ADDITIONS	175,469,129	69,667,173	-	245,136,302
DEDUCTIONS				
Benefit payments	65,895,203	22,134,762	-	88,029,965
Refund of contributions	327,067	-	-	327,067
Administrative expenses	673,612	21,685	-	695,297
Contribution to Retiree Health Care Trust Fund	-	-	-	-
TOTAL DEDUCTIONS	66,895,882	22,156,447	-	89,052,329
CHANGE IN NET POSITION	108,573,247	47,510,726	-	156,083,973
Net position - beginning of year as restated*	928,799,618	207,979,413	-	1,136,779,031
Net position - end of year	\$ 1,037,372,865	\$ 255,490,139	\$ -	\$ 1,292,863,004

* See footnote 19 of the notes to the basic financial statements

Macomb County, Michigan

COMBINING STATEMENT OF FIDUCIARY NET POSITION –
AGENCY FUNDS

December 31, 2017

	Trust and Agency Fund	Payroll and Benefits Fund	Utica Ballpark Cleanup Fund	Miscellaneous Agency Funds	Total Agency Funds
ASSETS					
Cash and pooled investments	\$ 8,236,384	\$ 61,335	\$ 9,844	\$ 2,142,121	\$ 10,449,684
Receivables					
Other	273,063	19,957	-	-	293,020
Due from other governments	114,479	-	-	104,671	219,150
Other assets	123,701	188,129	-	-	311,830
TOTAL ASSETS	\$ 8,747,627	\$ 269,421	\$ 9,844	\$ 2,246,792	\$ 11,273,684
LIABILITIES					
Accounts payable	\$ 3,426,243	\$ 259,753	\$ 9,844	\$ 610,386	\$ 4,306,226
Accrued compensation and benefits	-	9,668	-	-	9,668
Cash bonds and deposits	4,450,450	-	-	1,328,841	5,779,291
Due to other governments	870,934	-	-	307,565	1,178,499
TOTAL LIABILITIES	\$ 8,747,627	\$ 269,421	\$ 9,844	\$ 2,246,792	\$ 11,273,684

Macomb County, Michigan

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES –
AGENCY FUNDS

Year Ended December 31, 2017

	Balance, January 1, 2017	Additions	Deductions	Balance, December 31, 2017
ASSETS				
Cash and pooled investments	\$ 11,998,652	\$ 700,621,053	\$ 702,170,021	\$ 10,449,684
Receivables				
Other	207,810	769,715	684,505	293,020
Due from other governments	176,514	1,007,480	964,844	219,150
Other assets	235,487	748,657	672,314	311,830
TOTAL ASSETS	\$ 12,618,463	\$ 703,146,905	\$ 704,491,684	\$ 11,273,684
LIABILITIES				
Accounts payable	\$ 3,313,641	\$ 197,759,612	\$ 196,767,027	\$ 4,306,226
Accrued compensation and benefits	31,968	41,502,427	41,524,727	9,668
Cash bonds and deposits	8,540,656	49,890,789	52,652,154	5,779,291
Due to other governments	732,198	189,699,408	189,253,107	1,178,499
TOTAL LIABILITIES	\$ 12,618,463	\$ 478,852,236	\$ 480,197,015	\$ 11,273,684

Macomb County, Michigan

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES –
AGENCY FUNDS

Year Ended December 31, 2017

Trust and Agency Fund

	Balance, January 1, 2017	Additions	Deductions	Balance, December 31, 2017
ASSETS				
Cash and pooled investments	\$ 8,113,757	\$ 97,907,473	\$ 97,784,846	\$ 8,236,384
Receivables				
Other	187,765	769,715	684,417	273,063
Due from other governments	80,711	149,974	116,206	114,479
Other assets	38,193	739,629	654,121	123,701
TOTAL ASSETS	\$ 8,420,426	\$ 99,566,791	\$ 99,239,590	\$ 8,747,627
LIABILITIES				
Accounts payable	\$ 2,236,663	\$ 43,716,693	\$ 42,527,113	\$ 3,426,243
Cash bonds and deposits	5,497,097	48,987,781	50,034,428	4,450,450
Due to other governments	686,666	39,530,640	39,346,372	870,934
TOTAL LIABILITIES	\$ 8,420,426	\$ 132,235,114	\$ 131,907,913	\$ 8,747,627

Payroll and Benefits Agency Fund

	Balance, January 1, 2017	Additions	Deductions	Balance, December 31, 2017
ASSETS				
Cash and pooled investments	\$ 61,335	\$ 43,362,885	\$ 43,362,885	\$ 61,335
Receivables				
Other	20,045	-	88	19,957
Other assets	194,894	9,028	15,793	188,129
TOTAL ASSETS	\$ 276,274	\$ 43,371,913	\$ 43,378,766	\$ 269,421
LIABILITIES				
Accounts payable	\$ 244,306	\$ 1,020,433	\$ 1,004,986	\$ 259,753
Accrued compensation and benefits	31,968	41,502,427	41,524,727	9,668
TOTAL LIABILITIES	\$ 276,274	\$ 42,522,860	\$ 42,529,713	\$ 269,421

-CONTINUED-

Macomb County, Michigan

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

Year Ended December 31, 2017

Utica Ballpark Cleanup Agency Fund

	Balance, January 1, 2017	Additions	Deductions	Balance, December 31, 2017
ASSETS				
Cash and pooled investments	\$ 9,844	\$ -	\$ -	\$ 9,844
LIABILITIES				
Accounts payable	\$ 9,844	\$ -	\$ -	\$ 9,844

Miscellaneous Agency Fund

	Balance, January 1, 2017	Additions	Deductions	Balance, December 31, 2017
ASSETS				
Cash and pooled investments	\$ 3,813,716	\$ 559,350,695	\$ 561,022,290	\$ 2,142,121
Due from other governments	95,803	857,506	848,638	104,671
Other assets	2,400	-	2,400	-
TOTAL ASSETS	\$ 3,911,919	\$ 560,208,201	\$ 561,873,328	\$ 2,246,792
LIABILITIES				
Accounts payable	\$ 822,828	\$ 153,022,486	\$ 153,234,928	\$ 610,386
Cash bonds and deposits	3,043,559	903,008	2,617,726	1,328,841
Due to other governments	45,532	150,168,768	149,906,735	307,565
TOTAL LIABILITIES	\$ 3,911,919	\$ 304,094,262	\$ 305,759,389	\$ 2,246,792

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, 2017

	Special Revenue	Capital Projects	Debt Service	Total Drainage Districts Component Unit
ASSETS				
Cash and pooled investments	\$ 14,199,466	\$ 27,967,321	\$ 4,081,733	\$ 46,248,520
Restricted cash - unspent bond proceeds	-	24,097,426	-	24,097,426
Receivables				
Special assessments	-	-	309,135,083	309,135,083
Trade accounts, net	5,601,010	1,365,994	-	6,967,004
Assets held for sale	-	2,932,930	-	2,932,930
TOTAL ASSETS	\$ 19,800,476	\$ 56,363,671	\$ 313,216,816	\$ 389,380,963
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 5,844,997	\$ 14,759,531	\$ 4,454	\$ 20,608,982
Unearned revenue	-	-	17,499,248	17,499,248
TOTAL LIABILITIES	5,844,997	14,759,531	17,503,702	38,108,230
DEFERRED INFLOWS OF RESOURCES				
Unavailable assessments and other charges	97,394	39,649	291,635,841	291,772,884
FUND BALANCES				
Nonspendable	-	2,932,930	-	2,932,930
Restricted				
Capital projects	-	38,631,561	-	38,631,561
Debt service	-	-	4,077,273	4,077,273
Public works	13,858,085	-	-	13,858,085
TOTAL FUND BALANCES	13,858,085	41,564,491	4,077,273	59,499,849
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 19,800,476	\$ 56,363,671	\$ 313,216,816	\$ 389,380,963

Macomb County, Michigan

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

September 30, 2017

Total fund balances for governmental funds \$ 59,499,849

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	\$	1,992,428
Construction in progress		64,667,049
Infrastructure		415,717,740
Machinery, equipment, and vehicles		1,194,277
Accumulated depreciation		<u>(134,648,266)</u>

Capital assets, net of accumulated depreciation 348,923,228

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. (332,588,413)

Special assessments receivable are not available to pay for current expenditures and therefore are recorded as deferred inflows of resources in the governmental funds. 291,772,884

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. (3,044,552)

Net position of governmental activities \$ 364,562,996

Macomb County, Michigan

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

Year Ended September 30, 2017

	Special Revenue	Capital Projects	Debt Service	Total Governmental Funds
REVENUES				
Federal and state grants	\$ 4,854,894	\$ 8,872,540	\$ -	\$ 13,727,434
Charges for services	61,774,280	7,580,288	-	69,354,568
Interest income	6,476	56,524	8,921,242	8,984,242
Special assessments	-	-	13,601,520	13,601,520
Other revenue	-	6,698	-	6,698
TOTAL REVENUES	66,635,650	16,516,050	22,522,762	105,674,462
EXPENDITURES				
Current				
Public works	61,402,710	-	-	61,402,710
Capital outlay	-	76,459,287	-	76,459,287
Debt service				
Principal	-	-	14,055,420	14,055,420
Interest and fees	-	10,564	9,612,093	9,622,657
Bond issue costs	-	408,267	-	408,267
TOTAL EXPENDITURES	61,402,710	76,878,118	23,667,513	161,948,341
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	5,232,940	(60,362,068)	(1,144,751)	(56,273,879)
OTHER FINANCING SOURCES (USES)				
Face amount of long-term debt	1,120,962	80,901,971	56,624,772	138,647,705
Transfers in	3,881,638	433,630	5,693,219	10,008,487
Transfers out	(1,118,239)	(8,833,382)	(56,866)	(10,008,487)
Bond (discounts) premiums	-	-	21,910,245	21,910,245
Payment to refunding debt escrow agent	-	-	(77,926,979)	(77,926,979)
TOTAL OTHER FINANCING SOURCES (USES)	3,884,361	72,502,219	6,244,391	82,630,971
NET CHANGE IN FUND BALANCES	9,117,301	12,140,151	5,099,640	26,357,092
Fund balances, beginning of year	4,740,784	29,424,340	(1,022,367)	33,142,757
Fund balances, end of year	<u>\$ 13,858,085</u>	<u>\$ 41,564,491</u>	<u>\$ 4,077,273</u>	<u>\$ 59,499,849</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, 2017

Net change in fund balances - total governmental funds	\$ 26,357,092
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	\$ 44,932,627
Current year depreciation expense	(8,330,771)
Net book value of assets disposed	<u>(3,477,487)</u>
	33,124,369
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.	14,055,420
Payments to refunding agents for the purpose of defeasement of long term debt are recorded as other financing uses in the governmental funds, but is recorded as a reduction of long-term liabilities in the statement of net position.	77,135,000
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.	(138,647,705)
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.	(20,846,806)
Premiums and discounts on bonds issued during the year	(21,910,245)
Current year amortization	<u>1,063,439</u>
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:	
Increase in unavailable resources	35,588,007
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 accrued interest payable	<u>21,327</u>
Change in net position of governmental activities	<u>\$ 26,786,704</u>

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.

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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.

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

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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.

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

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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.

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Macomb County, Michigan

NET POSITION BY COMPONENT
LAST TEN YEARS, IN THOUSANDS

(Unaudited)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net investment in capital assets (1) (5)	\$ 137,858	\$ 113,415	\$ 103,709	\$ 833,903	\$ 843,554	\$ 882,572	\$ 897,288	\$ 915,034	\$ 934,211	\$ 962,906
Restricted (2) (4) (7)	80,962	67,512	49,849	87,208	89,747	90,301	93,368	141,828	188,667	219,968
Unrestricted (2) (3) (4) (5) (6) (7)	(28,288)	(32,136)	(34,923)	(8,488)	(18,456)	(40,158)	(30,484)	(61,211)	125,057	89,796
Total governmental activities net position	190,532	148,791	118,635	912,623	914,845	932,715	960,172	995,651	1,247,935	1,272,670
Business-type activities										
Net investment in capital assets (5)	1,479	1,460	1,348	1,196	1,252	672	782	1,685	1,807	1,774
Restricted (7)	8,267	10,221	13,303	16,053	18,662	19,713	24,331	28,339	50,179	36,703
Unrestricted (2) (4) (5) (6) (7)	93,449	102,529	110,843	86,389	84,262	101,855	113,487	85,485	118,876	131,852
Total business-type units net position	103,195	114,210	125,494	103,638	104,176	122,240	138,600	115,509	170,862	170,329
Primary government										
Net investment in capital assets (1) (5)	139,337	114,875	105,057	835,099	844,806	883,244	898,070	916,719	936,018	964,680
Restricted (2) (4) (7)	89,229	77,733	63,152	103,261	108,409	110,014	117,699	170,167	238,846	256,671
Unrestricted (2) (3) (4) (5) (6) (7)	65,161	70,393	75,920	77,901	65,806	61,697	83,003	24,274	243,933	221,648
Total primary government net position	<u>\$ 293,727</u>	<u>\$ 263,001</u>	<u>\$ 244,129</u>	<u>\$1,016,261</u>	<u>\$1,019,021</u>	<u>\$1,054,955</u>	<u>\$1,098,772</u>	<u>\$1,111,160</u>	<u>\$1,418,797</u>	<u>\$1,442,999</u>

(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.

(7) - 2016 restated. See Note 19 of the 2017 financial statements.

Source: Macomb County Finance Department

Macomb County, Michigan

CHANGES IN NET POSITION
LAST TEN YEARS, IN THOUSANDS

(Unaudited)

	2008	2009	2010	2011 (1)	2012	2013 (4)	2014	2015	2016	2017 (5)
Expenses										
Governmental activities										
Legislative	\$ 2,354	\$ 2,115	\$ 1,875	\$ 1,182	\$ 1,139	\$ 1,202	\$ 1,191	\$ 1,487	\$ 1,265	\$ 1,645
Judicial	39,843	38,342	33,417	41,329	40,636	41,359	42,194	48,334	46,188	52,197
General government (2) (3)	96,873	80,414	78,983	64,687	68,095	68,830	57,780	50,182	39,525	38,460
Public safety (2)	76,264	75,880	71,359	67,994	64,860	79,398	75,849	81,402	82,462	91,771
Public works	873	1,851	887	72,568	69,975	68,159	71,027	71,867	81,973	85,650
Health and welfare	85,570	82,039	90,126	83,260	75,431	72,041	66,909	66,119	79,401	91,920
Community and economic development	-	-	-	-	-	-	-	-	-	3,715
Recreation and culture	2,308	1,740	1,183	825	62	234	147	139	144	175
Interest on long-term debt	3,479	2,849	2,673	2,476	2,244	1,543	1,357	7,542	9,483	9,278
Total governmental activities expenses	307,564	285,230	280,503	334,321	322,442	332,766	316,454	327,072	340,441	374,811
Business-type activities										
Delinquent tax collections	1,219	2,538	5,495	6,313	8,336	5,495	4,349	4,238	3,382	2,931
Community Mental Health (2)	178,395	188,615	194,117	208,177	211,733	220,322	229,654	245,394	235,220	235,200
Martha T Berry Medical Care Facility (2) (3)	23,393	21,651	22,101	23,848	24,989	-	-	-	-	-
Freedom Hill Park (2)	1,080	637	313	377	209	381	467	594	451	351
Interest on long-term debt	-	-	-	-	-	-	-	-	-	1,462
Total business-type activities expenses	204,087	213,441	222,026	238,715	245,267	226,198	234,470	250,226	239,053	239,944
Total primary government expenses	<u>\$ 511,651</u>	<u>\$ 498,671</u>	<u>\$ 502,529</u>	<u>\$ 573,036</u>	<u>\$ 567,709</u>	<u>\$ 558,964</u>	<u>\$ 550,924</u>	<u>\$ 577,298</u>	<u>\$ 579,494</u>	<u>\$ 614,755</u>
Program revenues										
Governmental activities										
Charges for services										
Judicial	\$ 5,935	\$ 5,972	\$ 6,826	\$ 6,022	\$ 6,114	\$ 5,517	\$ 5,273	\$ 6,306	\$ 6,329	\$ 6,349
General government	13,250	15,166	16,697	17,360	19,037	18,929	15,772	17,103	15,289	15,535
Public safety	15,544	13,898	13,280	13,262	14,601	16,542	15,955	20,257	21,329	21,644
Public works	-	-	-	19,651	27,080	19,693	20,831	20,407	16,182	14,219
Health and welfare	9,758	10,853	13,095	11,195	9,053	7,114	7,770	12,362	14,958	15,955
Community and economic development	-	-	-	-	-	-	-	-	-	209
Recreation and culture	115	84	86	-	-	6	-	59	47	47
Operating grants and contributions	60,072	56,077	62,813	57,693	51,379	50,079	46,665	49,586	48,009	55,244
Capital grants and contributions	1,062	2,161	2,333	56,655	60,427	72,746	76,970	73,402	79,190	78,704
Total governmental activities program revenues	105,736	104,211	115,130	181,838	187,691	190,626	189,236	199,482	201,333	207,906
Business-type activities										
Charges for services										
Delinquent tax collections	14,177	17,524	20,237	21,718	21,999	17,640	14,093	13,723	11,579	10,830
Community Mental Health	173,065	183,698	161,944	168,556	169,395	175,001	196,278	208,844	216,593	202,458
Martha T Berry Medical Care Facility (3)	19,723	20,857	22,761	23,197	23,326	-	-	-	-	-
Freedom Hill Park	255	173	184	173	501	232	400	671	274	298
Operating grants and contributions	415	469	31,625	34,298	34,995	35,802	29,256	17,957	14,444	15,927
Total business-type activities program revenues	207,635	222,721	236,751	247,942	250,216	228,675	240,027	241,195	242,890	229,513
Total primary government program revenues	<u>\$ 313,371</u>	<u>\$ 326,932</u>	<u>\$ 351,881</u>	<u>\$ 429,780</u>	<u>\$ 437,907</u>	<u>\$ 419,301</u>	<u>\$ 429,263</u>	<u>\$ 440,677</u>	<u>\$ 444,223</u>	<u>\$ 437,419</u>
Net (expense) revenue										
Governmental activities	\$ (201,828)	\$ (181,019)	\$ (165,373)	\$ (152,483)	\$ (134,751)	\$ (142,140)	\$ (127,218)	\$ (127,590)	\$ (139,108)	\$ (166,905)
Business-type activities	3,548	9,280	14,725	9,227	4,949	2,477	5,557	(9,031)	3,837	(10,431)
Total primary government net expenses	<u>\$ (198,280)</u>	<u>\$ (171,739)</u>	<u>\$ (150,648)</u>	<u>\$ (143,256)</u>	<u>\$ (129,802)</u>	<u>\$ (139,663)</u>	<u>\$ (121,661)</u>	<u>\$ (136,621)</u>	<u>\$ (135,271)</u>	<u>\$ (177,336)</u>

(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.

(5) - Beginning in 2017, the county began to report the Department of Planning and Economic Development and the Urban County Block Grant under the Community and Economic Development expenditure title. The Planning and Economic Development Department was formerly included under General Government in the General Fund, while the Urban County Block Grant was split between the General Government and Health and Welfare expenditure types.

-CONTINUED-

Macomb County, Michigan

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

(Unaudited)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General revenues										
Governmental activities										
Property taxes	\$ 132,539	\$ 139,470	\$ 127,976	\$ 119,762	\$ 114,894	\$ 109,501	\$ 113,049	\$ 117,745	\$ 115,859	\$ 118,649
Intergovernmental revenues - unrestricted	802	2,365	2,215	2,307	19,489	23,252	23,280	22,682	30,357	29,904
Investment earnings	6,644	2,699	1,070	777	663	424	1,793	480	729	44,376
Transfers	(1,486)	(1,909)	3,950	4,175	1,926	(6,065)	(8,571)	21,766	1,309	(1,289)
Total governmental activities general revenues	138,499	142,625	135,211	127,021	136,972	127,112	129,551	162,673	148,254	191,640
Business-type activities										
Investment earnings	2,164	1,020	137	215	310	309	294	317	894	10,698
Transfers	519	(1,456)	(3,578)	(3,421)	(4,719)	6,851	7,316	(13,981)	(1,167)	(800)
Total business-type activities general revenues	2,683	(436)	(3,441)	(3,206)	(4,409)	7,160	7,610	(13,664)	(273)	9,898
Total primary government general revenues	<u>\$ 141,182</u>	<u>\$ 142,189</u>	<u>\$ 131,770</u>	<u>\$ 123,815</u>	<u>\$ 132,563</u>	<u>\$ 134,272</u>	<u>\$ 137,161</u>	<u>\$ 149,009</u>	<u>\$ 147,981</u>	<u>\$ 201,538</u>
Change in net position										
Governmental activities	\$ (42,520)	\$ (22,748)	\$ (17,272)	\$ (7,730)	\$ (5,168)	\$ (106)	\$ 1,961	\$ 23,565	\$ 9,146	\$ 24,735
Business-type activities (1)	11,963	14,289	5,786	1,743	(1,932)	12,717	(1,421)	(9,827)	3,564	(533)
Total primary government change in net position	<u>\$ (30,557)</u>	<u>\$ (8,459)</u>	<u>\$ (11,486)</u>	<u>\$ (5,987)</u>	<u>\$ (7,100)</u>	<u>\$ 12,611</u>	<u>\$ 540</u>	<u>\$ 13,738</u>	<u>\$ 12,710</u>	<u>\$ 24,202</u>

(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)

	2008	2009	2010	2011 (3)	2012	2013	2014	2015	2016	2017
General fund										
Reserved	\$ 295	\$ 295	\$ 295	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved (2)	32,134	40,241	50,280	-	-	-	-	-	-	-
Nonspendable	-	-	-	295	295	659	596	6,075	4,933	4,244
Committed	-	-	-	-	-	-	-	6,527	-	-
Assigned	-	-	-	-	-	-	-	11,609	13,672	-
Unassigned	-	-	-	57,639	79,776	81,029	84,650	48,002	43,029	49,348
Total general fund	<u>\$ 32,429</u>	<u>\$ 40,536</u>	<u>\$ 50,575</u>	<u>\$ 57,934</u>	<u>\$ 80,071</u>	<u>\$ 81,688</u>	<u>\$ 85,246</u>	<u>72,213</u>	<u>\$ 61,634</u>	<u>\$ 53,592</u>
All other governmental funds										
Reserved (1)	\$ 80,962	\$ 59,906	\$ 49,849	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in										
Special revenue funds	11,574	6,633	8,536	-	-	-	-	-	-	-
Debt service funds	-	7,037	-	-	-	-	-	-	-	-
Capital projects funds	10,668	16,611	22,922	-	-	-	-	-	-	-
Nonspendable (3)	-	-	-	4,555	5,020	5,088	3,886	7,198	5,746	6,174
Restricted (3) (4)	-	-	-	81,171	75,334	76,122	81,258	106,454	78,367	82,774
Assigned (3)	-	-	-	34,238	27,291	19,089	10,687	6,397	20,898	15,035
Unassigned	-	-	-	-	-	(2,970)	(2,508)	(4,400)	(3,730)	(4,582)
Total all other governmental funds	<u>\$ 103,204</u>	<u>\$ 90,187</u>	<u>\$ 81,307</u>	<u>\$ 119,964</u>	<u>\$ 107,645</u>	<u>\$ 97,329</u>	<u>\$ 93,323</u>	<u>\$ 115,649</u>	<u>\$ 101,281</u>	<u>\$ 99,401</u>

(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)

	2008	2009	2010	2011 (1)	2012	2013	2014	2015	2016	2017 (3)
Revenues										
Property taxes	\$ 132,539	\$ 139,470	\$ 127,976	\$ 119,762	\$ 110,000	\$ 110,952	\$ 113,690	\$ 116,742	\$ 115,175	\$ 119,563
Licenses and permits	1,243	1,321	1,427	1,733	1,924	1,985	2,305	2,634	2,831	2,682
Federal and state grants (2)	60,587	58,641	66,498	116,297	130,903	135,606	142,994	144,565	159,199	165,392
Other grants	1,348	1,963	861	392	391	460	871	605	282	398
Charges for services (2)	38,322	42,544	47,067	52,437	57,766	60,094	61,924	77,827	75,079	63,297
Charges to other funds for administrative services	14,522	15,162	10,258	8,250	6,575	7,036	8,070	7,620	14,463	14,482
Fines and forfeitures	3,392	1,923	1,204	1,791	2,469	932	802	1,024	1,148	1,100
Interest and rents (2)	6,645	2,699	1,070	742	635	413	373	2,404	4,926	4,327
Other revenue	1,645	186	286	2,649	2,421	894	1,127	2,059	2,372	2,008
Total revenues	260,243	263,909	256,647	304,053	313,084	318,372	332,156	355,480	375,475	373,249
Expenditures										
Current										
Legislative	2,354	2,115	1,875	1,182	1,139	1,202	1,191	1,289	1,235	1,482
Judicial	37,506	36,286	32,177	40,202	39,553	40,393	41,252	42,334	43,388	46,041
General government	58,809	55,179	50,817	42,330	43,498	46,462	46,957	41,817	44,547	42,457
Public safety (2)	70,692	70,375	65,887	62,770	60,039	76,599	73,041	67,419	75,544	78,717
Public works	873	1,851	887	69,028	69,518	63,038	71,867	84,051	90,053	84,063
Health and welfare	83,292	79,354	87,111	80,209	72,434	69,145	64,107	77,358	73,551	80,316
Community and economic development	-	-	-	-	-	-	-	-	-	3,346
Recreation and cultural	2,232	1,669	1,113	763	-	172	84	78	76	99
OPEB contributions	-	-	-	-	-	-	-	263,352	-	-
Other	5,189	4,985	1,246	963	1,157	781	1,212	957	1,838	1,855
Capital outlay	11,343	6,059	5,388	4,781	6,743	17,813	25,561	38,167	47,724	33,647
Debt service										
Principal	4,690	4,585	5,165	5,666	5,990	4,740	4,007	13,194	14,669	7,008
Interest and fees	3,152	2,883	2,706	2,511	2,251	1,604	1,317	5,842	9,527	2,174
Bond issuance costs	61	-	-	-	235	-	108	807	-	-
Total expenditures	280,193	265,341	254,372	310,405	302,557	321,949	330,704	636,665	402,152	381,205
Excess of revenues over (under) expenditures	(19,950)	(1,432)	2,275	(6,352)	10,527	(3,577)	1,452	(281,185)	(26,677)	(7,956)
Other financing sources (uses)										
Face amount of long-term debt	2,605	-	-	829	22,975	-	15,628	263,004	-	-
Transfers in	104,057	87,734	86,547	65,813	51,504	30,414	53,899	77,268	80,488	81,394
Transfers out	(107,817)	(90,038)	(82,935)	(68,476)	(50,578)	(35,536)	(56,381)	(50,310)	(78,758)	(83,361)
Bond discounts	34	-	-	-	150	-	1,404	516	-	-
Payment to refunding debt escrow agent	(5,696)	-	-	-	(24,760)	-	(16,450)	-	-	-
Total Other financing sources (uses)	(6,817)	(2,304)	3,612	(1,834)	(709)	(5,122)	(1,900)	290,478	1,730	(1,967)
Net change in fund balances	\$ (26,767)	\$ (3,736)	\$ 5,887	\$ (8,186)	\$ 9,818	\$ (8,699)	\$ (448)	\$ 9,293	\$ (24,947)	\$ (9,923)
Debt service as % of noncapital expenditures	2.91%	2.87%	3.14%	3.00%	3.30%	2.35%	1.97%	3.43%	7.86%	3.07%

(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) - Beginning in 2017, the county began to report the Department of Planning and Economic Development and the Urban County Block Grant under the Community and Economic Development expenditure title. The Planning and Economic Development Department was formerly included under General Government in the General Fund, while the Urban County Block Grant was split between the General Government and Health and Welfare expenditure types.

Source: Macomb County Finance Department

Macomb County, Michigan

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

(Unaudited)

	2008	2009	2010	2011 (1)	2012	2013	2014	2015	2016	2017 (2)
Revenues										
Property taxes	\$ 132,362	\$ 138,020	\$ 126,587	\$ 118,516	\$ 108,831	\$ 109,895	\$ 112,610	\$ 115,629	\$ 114,025	\$ 118,423
Licenses and permits	348	379	411	1,408	1,510	1,640	1,706	1,714	1,541	1,577
Federal and state grants	7,058	8,095	7,831	12,290	28,455	25,728	30,162	31,406	39,059	38,952
Charges for services	25,952	26,821	28,666	29,453	35,526	36,827	36,856	35,637	38,648	41,918
Charges to other funds for administrative services	14,522	15,162	10,258	8,250	6,575	7,036	8,070	7,620	14,462	14,482
Fines and forfeitures	672	768	751	729	693	676	590	534	557	587
Interest and rents	2,980	1,432	806	339	346	278	226	2,124	4,551	3,810
Other revenue	200	104	150	162	477	210	155	148	148	177
Total revenues	184,094	190,781	175,460	171,147	182,413	182,290	190,375	194,812	212,991	219,926
Expenditures										
Current										
Legislative	2,354	2,115	1,875	1,182	1,139	1,202	1,191	1,289	1,235	1,482
Judicial	24,200	22,854	21,896	28,052	27,745	29,219	29,418	30,189	31,182	33,263
General government	57,492	53,770	49,498	40,998	42,464	44,855	45,220	39,897	42,678	41,019
Public safety	63,924	62,915	57,340	57,420	55,140	58,338	59,562	62,543	64,994	69,453
Public works	-	-	-	-	-	-	-	5,263	5,339	5,745
Health and welfare	452	2	1	20,581	18,166	19,090	18,717	19,564	20,406	21,734
Community and economic development	-	-	-	-	-	-	-	-	-	3,134
Recreation and cultural	-	-	-	749	-	-	-	-	-	-
OPEB contributions	-	-	-	-	-	-	-	45,320	-	-
Other	5,188	4,985	1,246	963	1,157	781	1,212	957	1,838	1,855
Capital outlay	307	270	360	244	563	1,117	2,229	1,198	871	2,054
Total expenditures	153,917	146,911	132,216	150,189	146,374	154,602	157,549	206,220	168,543	179,739
Excess of revenues over (under) expenditures	30,177	43,870	43,244	20,958	36,039	27,688	32,826	(11,408)	44,448	40,187
Other financing sources (uses)										
Transfers in	27,356	24,818	24,806	24,998	18,254	21	-	35,255	8,063	8,158
Transfers out	(64,858)	(60,581)	(53,284)	(40,758)	(32,156)	(26,093)	(29,267)	(36,880)	(63,090)	(56,388)
Total other financing sources (uses)	(37,502)	(35,763)	(28,478)	(15,760)	(13,902)	(26,072)	(29,267)	(1,625)	(55,027)	(48,230)
Net change in fund balances	\$ (7,325)	\$ 8,107	\$ 14,766	\$ 5,198	\$ 22,137	\$ 1,616	\$ 3,559	\$ (13,033)	\$ (10,579)	\$ (8,043)

(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.

(2) - Beginning in 2017, the county began to report the Department of Planning and Economic Development under the Community and Economic Development expenditure title. It was formerly included under General Government.

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 Assessed Value	Total Direct Tax Rate
	Agricultural Property	Commercial Property	Industrial Property	Residential Property	Developmental Property	Personal Property			
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	
2017	214,515	4,448,337	1,939,951	23,909,211	-	1,790,227	32,302,241	4.5974	

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		
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%	
2017	0.66%	13.77%	6.01%	74.02%	0.00%	5.54%	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)

		<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
County direct rate											
Operation		4.2000	4.5685	4.5685	4.5685	4.5685	4.5685	4.5685	4.5685	4.5566	4.5242
County drain debt		0.0055	0.0050	0.0050	0.0050	0.0050	0.0050	0.0050	0.0050	0.0050	0.0050
County Veteran		<u>0.0400</u>	<u>0.0400</u>	<u>0.0400</u>	<u>0.0400</u>	<u>0.0400</u>	<u>0.0400</u>	<u>0.0400</u>	<u>0.0400</u>	<u>0.0398</u>	<u>0.0682</u>
Total direct rate		<u>4.2455</u>	<u>4.6135</u>	<u>4.6135</u>	<u>4.6135</u>	<u>4.6135</u>	<u>4.6135</u>	<u>4.6135</u>	<u>4.6135</u>	<u>4.6014</u>	<u>4.5974</u>
Overlapping rates											
Cities:											
Center Line		21.2329	23.8266	24.9025	31.7022	38.3328	37.5025	39.1266	38.6503	38.9765	38.5829
Eastpointe		24.1214	24.0133	25.0978	25.2113	26.6102	26.9612	27.1583	40.9612	40.0793	40.2567
Fraser		18.1382	18.1382	18.1382	18.7659	18.8159	20.8359	20.8664	23.2580	25.2780	27.3581
Grosse Pointe Shores		-	15.8900	15.8900	17.1400	18.3800	17.8794	17.8794	17.8794	18.8794	18.8794
Memphis		14.2953	14.2953	14.2953	14.2953	14.2953	14.2953	14.2953	16.2953	16.2953	16.2007
Mt. Clemens		18.2159	18.2159	18.2159	18.3511	18.6639	18.6639	18.6639	24.8062	24.8045	24.6999
New Baltimore		13.9445	14.2795	14.9715	14.9405	15.2135	14.9165	14.9198	14.9003	14.8592	14.8155
Richmond		18.4326	16.6526	16.6526	16.6526	16.6526	16.6526	16.6526	16.6526	16.5593	16.4417
Roseville		21.3800	21.3800	21.3800	21.3800	24.8494	24.8494	24.8494	24.8494	25.1083	25.1081
St. Clair Shores		18.8982	18.2280	18.0406	19.3562	19.4518	20.5388	20.9950	21.2602	21.2309	24.4089
Sterling Heights		10.7858	10.7858	12.6858	12.6858	12.6858	12.6858	15.1858	15.1858	15.1858	16.1499
Utica		21.7201	21.8835	21.9794	21.6998	22.5358	22.6170	22.6753	22.5017	20.9864	21.3524
Warren		16.9424	16.9424	17.7924	17.7924	27.8656	27.8656	27.8656	27.7637	27.7742	27.7556
Townships (rates range)	Low	0.7794	2.5558	3.2312	3.2812	3.2812	3.2812	3.2812	3.5529	3.5296	3.4980
	High	15.0575	15.0575	15.3516	15.3816	15.4316	17.7116	17.6816	17.6916	17.6916	17.6274
Villages (rates range)	Low	15.0794	16.5004	16.5004	16.5354	15.5354	16.5354	16.5194	17.4276	17.4276	17.3836
	High	19.0936	18.8436	18.8436	18.8436	18.8436	18.8436	18.8436	19.2550	19.0326	18.9693
School districts (rates range)	Low	8.9000	8.9000	9.7500	9.8500	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	35.7643	35.7643	37.0000	37.0000
Intermediate school district		2.9430	2.9430	2.9430	2.9430	2.9430	2.9430	2.9430	2.9430	2.9354	2.9147
Community college		1.4212	1.4212	1.4212	1.5712	1.5712	1.5312	1.5262	1.5302	1.4174	1.4072
SMART Regional Transportation		0.5900	0.5900	0.5900	0.5900	0.5900	0.5900	1.0000	1.0000	0.9974	0.9903
HCM Park Authority		0.2146	0.2146	0.2146	0.2146	0.2146	0.2146	0.2146	0.2146	0.2146	0.2140
ZOO Authority		0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.0997	0.0989
ART Authority		-	-	-	-	0.2000	0.2000	0.2000	0.2000	0.1994	0.1979

Source: Macomb County Equalization Department

Macomb County, Michigan

PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO

(Unaudited)

Taxpayer	2017			2008		
	Taxable Value	Rank	Percentage of Total County Taxable Value	Taxable Value	Rank	Percentage of Total County Taxable Value
GENERAL MOTORS	\$ 326,289,688	1	1.25%	\$ 306,878,013	2	0.96%
DETROIT EDISON	323,999,487	2	1.24%	261,195,781	3	0.82%
CONSUMERS ENERGY	187,267,146	3	0.72%	94,935,481	5	0.30%
CHRYSLER	158,443,826	4	0.61%	358,931,795	1	1.12%
FORD	110,394,126	5	0.42%	212,224,694	4	0.66%
INTERNATIONAL TRANS.	82,691,582	6	0.32%	88,437,947	6	0.28%
ENBRIDGE ENERGY	70,848,857	7	0.27%			0.00%
MEIJER	61,913,658	8	0.24%	58,561,608	8	0.18%
COMCAST	61,612,949	9	0.24%			0.00%
KROGER	57,595,515	10	0.22%			0.00%
MICHIGAN CONSOLIDATED	-		-	62,078,691	7	0.19%
MALL AT PARTRIDGE CREEK	-		-	40,196,000	9	0.13%
AZ AUTOMOTIVE	-		-	39,176,125	10	0.12%
	<u>\$ 1,441,056,834</u>		<u>5.53%</u>	<u>\$ 1,522,616,135</u>		<u>4.76%</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
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%
2017	118,342,388	111,188,235	93.95%	5,476,091	116,664,326	98.58%

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				
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%
2017	871,375	32,302,241	301,472,712	816,578	41,217,116	343,506,406	1.06%	394.21	1.38%

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
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%
2017	871,375	32,302,241	342,689,828	2,038,746	340,651,082	1.05%	390.94	1.37%

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

Macomb County, Michigan

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

December 31, 2017

(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	\$ 26,445,000	\$ -	\$ 26,445,000	\$ 26,445,000	
General County Bonds	274,022,712	-	274,022,712	274,022,712	
Michigan Transportation bonds	1,005,000	-	1,005,000	1,005,000	
Department of Roads infrastructure loans	816,578	606,748	209,830	209,830	
Public Works - water and sewer debt	<u>332,588,413</u>	<u>332,588,413</u>	<u>-</u>	<u>-</u>	
Net direct debt	<u>\$ 634,877,703</u>	<u>\$ 333,195,161</u>	<u>\$ 301,682,542</u>	<u>\$ 301,682,542</u>	
Overlapping debt					
School districts			\$ 2,185,264,486	\$ 1,952,938,808	89.4%
Cities			419,413,299	414,593,686	98.9%
Township			258,787,004	258,787,004	100.0%
Villages			14,043,395	14,043,395	100.0%
Intermediate school districts			48,600,000	99,199	0.2%
Macomb Community College			-	-	0.0%
Library			<u>14,900,000</u>	<u>14,900,000</u>	100.0%
Net overlapping debt			<u>2,941,008,184</u>	<u>2,655,362,092</u>	90.3%
Net direct and overlapping debt			<u>\$ 3,242,690,726</u>	<u>\$ 2,957,044,634</u>	91.2%

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

2017 Taxable Value		\$ 25,997,372,246
Debt Limit (10% of Assessed Taxable Value) (1)		2,599,737,225
Outstanding Long-term Debt	\$ 611,424,373	
Less:		
Amount available in debt service funds	2,038,746	
Special assessment bonds	<u>332,588,413</u>	
Total amount of debt applicable to debt limit		<u>276,797,214</u>

LEGAL DEBT MARGIN \$ 2,322,940,011

(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</u> <u>Applicable to Limit</u> <u>as a Percentage of</u> <u>Debt Limit</u>
		<u>Applicable to Limit</u>			
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%
2017	2,599,737,225	276,797,214	2,322,940,011		10.65%

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>
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%
2017	871,375	24,910,869	28,588	4.4%

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	2017			2008		
		Employees	Rank	Percent of Total County Employment	Employees	Rank	Percent of Total County Employment
General Motors	Automotive	19,777	1	4.76%	14,327	1	3.32%
FCA US LLC (formerly Chrysler)	Automotive	11,314	2	2.73%	10,558	2	2.45%
U.S. Government	Government	6,616	3	1.59%	5,357	3	1.24%
Ford Motor Company	Automotive	4,560	4	1.10%	4,789	4	1.11%
McLaren Health Care Corp	Health Care	2,776	5	0.67%			0.00%
Ascension Michigan (formerly St. John)	Health Care	2,650	6	0.64%	3,385	7	0.78%
Utica Community Schools	Education	2,642	7	0.64%	3,676	6	0.85%
Henry Ford Health System	Health Care	2,448	8	0.59%	3,736	5	0.87%
Macomb County	Government	2,318	9	0.56%	3,047	8	0.71%
Chippewa Valley Schools	Education	1,586	10	0.38%	1,690	11	0.39%
General Dynamics Land Systems	Defense	1,491	11	0.36%	2,500	9	0.58%
State of Michigan	Government	1,283	12	0.31%	1,198	15	0.28%
Art Van Furniture	Retail	1,159	13	0.28%			0.00%
L'Anse Creuse Public Schools	Education	1,145	14	0.28%			0.00%
Macomb Intermediate School District	Education	1,035	15	0.25%			0.00%
Adient LLC	Automotive	970	16	0.23%			0.00%
U.S. Postal Service	Government	835	17	0.20%	1,606	12	0.37%
Magna International of America Inc.	Automotive	747	18	0.18%			0.00%
RCO Engineering	Automotive	681	19	0.16%			0.00%
Macomb Community College	Education	675	20	0.16%			0.00%
Faurecia North America	Automotive				925	19	0.21%
Cadence Innovation	Automotive				2,000	10	0.46%
Warren Consolidated Schools	Education				1,398	13	0.32%
Kroger Co of Michigan	Retail				1,324	14	0.31%
Mt. Clemens Hospital	Health Care				1,055	16	0.24%
AZ Automotive (formerly Aetna Industries)	Automotive				1,048	17	0.24%
Campbell-Ewald Co.	Advertising				990	18	0.23%
Asset Acceptance Capital	Financial				836	20	0.19%
		<u>66,708</u>		<u>16.07%</u>	<u>65,445</u>		<u>15.15%</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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Legislative										
Board of Commissioners	26	26	26	19	19	19	19	19	19	20
Judicial										
Circuit Court	67	67	66	63	65	64	67	80	79	84
Family Counseling Services	1	1	1	1	1	1	1	1	1	1
District Court Div. 1	13	13	13	13	13	13	13	13	14	12
District Court Div. 2	18	18	18	18	17	17	17	17	15	15
Friend of the Court	125	121	121	121	121	118	107	107	107	108
Family Court - Juvenile	62	59	56	51	50	50	46	46	46	46
Probate Court	31	31	30	29	27	31	28	28	28	29
Probate Court - Mental Division	11	10	8	8	7	-	-	-	-	-
Probation - District Court	19	16	14	12	6	5	5	5	5	5
General Government										
County Administration	9	7	7	6	9	9	9	9	10	10
Corporation Counsel	9	8	8	8	8	8	8	8	8	9
Finance	27	26	20	20	20	21	21	22	22	22
Purchasing	23	21	18	18	17	16	16	16	16	16
Reimbursement	15	13	13	12	12	11	11	-	-	-
Information Technology	49	42	35	36	36	36	36	36	38	39
Equalization	13	11	11	11	10	10	10	10	10	10
Human Resources	28	25	22	22	22	22	24	22	24	24
Clerk/Register	99	89	82	79	78	80	81	85	83	87
Treasurer	34	32	31	31	26	26	26	28	28	28
Public Works	60	59	55	55	59	60	60	63	64	64
M.S.U. County Extension	76	51	50	50	8	8	8	7	7	7
Planning & Econ Dev	36	33	33	33	31	26	26	27	26	27
Risk Management	4	4	4	4	-	-	-	-	-	-
Facilities & Operations	126	114	104	99	99	95	95	95	95	96
Prosecuting Attorney	141	117	107	122	104	104	106	106	109	112
Department of Roads	-	-	-	-	233	232	232	250	255	265
Public Safety										
Sheriff	503	498	487	477	487	486	492	499	516	522
Technical Services	10	9	8	8	8	8	11	12	13	13
Emergency Services	7	6	6	6	3	3	7	7	7	7
Community Corrections	11	11	11	11	11	11	11	10	11	13
Health										
Environmental Health	50	-	-	-	-	-	-	-	-	-
Public Health	223	251	241	239	232	228	220	226	231	234
Community Mental Health	333	334	334	334	335	335	341	345	345	346
Substance Abuse	10	10	10	10	10	10	10	13	13	13
Health & Community Services	-	-	-	-	2	2	2	2	2	2
Social Services										
Child Care - Youth Home	141	146	138	137	129	123	121	121	121	122
Medical Care Facility	243	231	231	231	231	238	245	238	273	331
Veterans Services	6	10	10	10	10	10	11	11	11	11
Senior Citizen Services	38	32	32	30	16	15	3	3	-	-
Community Services Agency	243	253	283	193	184	182	171	172	213	220
Macomb/St. Clair Employment	41	68	68	68	68	68	68	68	43	46
Culture & Recreation										
Parks & Recreation	9	-	-	-	-	-	-	-	-	-
Library	57	16	11	10	-	-	-	-	-	-
Total	<u>3,047</u>	<u>2,889</u>	<u>2,823</u>	<u>2,705</u>	<u>2,824</u>	<u>2,801</u>	<u>2,785</u>	<u>2,827</u>	<u>2,908</u>	<u>3,016</u>

Source: Macomb County Budget

Macomb County, Michigan

OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN YEARS

(Unaudited)

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Judicial:										
Circuit Court										
Caseload	24,030	23,001	22,793	20,788	20,022	19,375	19,243	19,329	19,149	19,237
District Court - Romeo										
Caseload	9,950	9,502	9,819	9,760	9,396	7,917	8,306	8,772	8,549	8,835
District Court - New Baltimore										
Caseload	15,000	15,607	15,175	14,405	12,751	12,300	9,833	12,937	15,625	15,717
General Government:										
County Clerk										
Birth records	3,539	2,837	6,052	5,768	5,604	5,453	6,492	6,111	5,825	5,582
Death records	4,943	4,881	4,791	5,065	5,107	5,158	5,001	5,713	5,943	5,836
Marriage licenses	4,947	4,625	4,864	5,169	5,291	4,877	4,996	5,180	5,142	4,997
Public Works										
Inspections	14,197	8,021	6,451	6,037	5,955	6,718	5,777	5,043	16,107	16,017
Public Safety:										
Sheriff										
Complaints handled	103,115	100,603	98,189	94,821	94,451	93,701	101,029	87,090	105,993	194,625
Inmate bookings	21,706	20,166	19,814	18,464	19,709	18,732	17,881	17,291	17,170	17,042
Arrests made	8,679	8,139	7,249	6,602	6,617	6,206	5,601	3,316	4,822	4,770
Crashes investigated	4,898	2,971	4,042	4,048	3,924	3,880	4,120	1,563	1,421	1,224
Health and Welfare:										
Health Department										
Vaccines administered	75,036	114,953	100,036	70,711	58,253	59,726	45,048	44,711	39,492	40,867
Animals received at animal control	13,571	12,900	7,146	7,520	5,782	3,219	2,009	4,276	4,678	4,671
Food service inspections	4,423	4,420	4,368	4,374	5,452	4,645	4,578	4,634	4,652	4,630
Forensic examinations	509	582	533	625	571	648	649	643	686	716

Source: Macomb County Finance Department

Macomb County, Michigan

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN YEARS

(Unaudited)

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Judicial										
Number of court buildings	5	5	5	5	5	5	5	5	5	5
Vehicles	7	7	6	6	6	4	4	4	4	3
General Government										
Number of buildings	7	7	7	7	6	7	7	7	7	7
Vehicles	57	55	54	54	54	55	54	63	60	50
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	1
Vehicles	95	155	149	141	141	157	147	168	173	177
Public Works										
Lane miles of roads	2,335	2,335	2,335	2,335	2,335	2,335	2,393	2,397	2,823	2,823
Number of buildings	9	9	9	9	9	9	9	9	9	9
Vehicles	33	37	38	36	34	36	38	74	262	268
Health and Welfare										
Number of buildings	7	7	7	7	8	8	8	8	8	8
Vehicles	89	96	91	88	87	89	88	92	95	90
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, 2017

(Unaudited)

Type of Coverage / Name of Company	Policy Period	Premium	Description
Public Entity Liability Pennsylvania Manufacturers	7-1-17 to 7-1-18	\$655,885	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	5-1-17 to 5-1-19	\$123,919 (excess premium) annually	Statutory liability \$1,000,000. Self-insured retention \$600,000 each occurrence.
Property Affiliated FM Insurance Co	7-1-17 to 7-1-18	\$199,243	Covers buildings & contents. Limit - up to \$300,000,000 - deductible \$100,000
Boiler & Machinery Affiliated FM Insurance Co	7-1-17 to 7-1-18	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 - \$100,000 deductible - \$300,000,000 limit
Electronic Data Processing Affiliated FM Insurance Co	7-1-17 to 7-1-18	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.	8-1-17 to 7-31-18	\$27,529	County Employees Retirement System, Deferred Compensation Plan, Retirees' Healthcare Trust Fund, Defined Contribution Retirement Plan (401a) - \$5,000,000 aggregate, \$50,000 deductible
Crime National Union Fire Ins	8-1-17 to 7-31-18	\$7,333	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 - \$25,000 deductible
Cyber Travelers	7-1-17 to 7-1-18	\$29,950	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-\$1,000,000 Limit-\$50,000 Retention
Life Insurance The Hartford	1-1-17 to 12-31-17	\$ 93,666 County Active \$78,543 County Retirees \$9,467 Roads Active \$ 49,003 Roads Retirees	Active EE Basic Life 50,000

-CONTINUED-

Macomb County, Michigan

SCHEDULE OF INSURANCE (CONCLUDED)

As of December 31, 2017

(Unaudited)

Type of Coverage / Name of Company	Policy Period	Premium	Description
Dental Insurance Delta Dental	1-1-17 to 12-31-17	\$1,295,075 County Active \$1,101,227 County Retirees \$436,309 Roads Active \$127,925 Roads Retirees	\$1,000 annual maximum per individual/ calendar year
Dental Insurance Golden Dental	1-1-17 to 12-31-17	\$140,847 County Active \$16,833 Roads Active \$ 949 Roads Retirees	Unlimited annual benefit
Short Term Disability Insurance NGS	1-1-17 to 12-31-17	Eliminated in 2016	100% of salary for up to 6 months
Long Term Disability Insurance The Hartford	1-1-17 to 12-31-17	\$231,139 County Active \$24,457 Roads Active	60% of salary to age 65; up to \$4,500 per month subject to coordination of benefits
Health/Hospital Insurance Blue Care Network	1-1-17 to 12-31-17	\$10,860,428 County Active \$4,758,624 County Retirees \$2,296,551 Roads Active \$223,136 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	1-1-17 to 12-31-17	\$10,790,658 County Active \$578,884 County Retirees \$518,525 Roads Active \$93,912 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	1-1-17 to 12-31-17	\$3,614,574 County Active \$5,817,351 County Retirees \$156,532 Roads Active \$1,404,894 Roads Retirees	Self insured medical plan - \$1,000,000 lifetime maximum; includes vision
Health/Hospital Insurance BCBS Medicare Advantage	1-1-17 to 12-31-17	\$10,096,697 County Retirees \$1,280,979 Roads Retirees	Partially self insured medical plan
Vision Care SVS Vision	1-1-17 to 12-31-17	\$94,821 County Active \$115,486 County Retirees \$16,596 Roads Active \$18,754 Roads Retirees	Vision care pays for certain tests & supplies when obtained by participating provider
Hearing Care EPIC Hearing	1-1-17 to 12-31-17	\$47,020 County Retirees \$1,940 Roads Retirees	Retiree hearing care

Source: Macomb County Risk Management & Safety Department

Macomb County, Michigan

TAX ABATEMENTS – INDUSTRIAL FACILITIES TAX (IFT)

LAST TWO YEARS

(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 granted and the taxable values of the abated properties are listed below for the years ending December 31:

<u>Year Ended December 31,</u>	<u>Taxable Values of Abated Property</u>	<u>County Tax Revenues Reduced by Abatements</u>
2016	\$ 405,584,285	\$ 930,339
2017	360,292,667	803,259

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
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
2017	-	16,667,584

Source: Macomb County Finance Department

County residential building permits issued

Year	Building Permits
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	1,879
2017	2,239

Source: SEMCOG Community Profile Report for Macomb County

Macomb County, Michigan

SCHEDULE OF LABOR FORCE AGREEMENTS

Year Ended December 31, 2017

(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.	100	12/31/2019
AFSCME Local 411	Clerical	614	12/31/2019
Building Trades Association	Carpenters, electricians, etc.	24	12/31/2019
Command Officers Association of Michigan	Sheriff - Lieutenants and Captains	58	12/31/2019
IUOE Local 547	Boiler Operators	7	12/31/2019
Macomb County Environmental Health Assoc.	Environmentalists	29	12/31/2019
MCPDSA	Correction officers	166	12/31/2019
Michigan Nurses Assoc. Unit 1	Nurses	38	12/31/2019
POAM	Deputies and Dispatchers	266	12/31/2019
POAM	Juvenile Justice Center	69	12/31/2019
POLC	Captains and Jail Administrator	4	12/31/2019
Road Technicians Association	Dept. of Road technicians	129	12/31/2019
Teamsters Local 214	Circuit Court / Friend of the Court	77	12/31/2019
Teamsters Local 214	Court Reporters	6	12/31/2019
TPOAM	Circuit Court Officers & Professional	53	12/31/2019
TPOAM	Juvenile Court and Justice Center	14	12/31/2019
UAW Local 412 - Unit 46	APAs	57	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	82	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	63	12/31/2019
UAW Local 889	Animal Shelter	14	12/31/2019
UAW Local 889	Macomb Community Action	212	12/31/2019
UAW Local 889	Probate Court / Corporation Counsel	15	12/31/2019
Non-Affiliated		616	N/A
Total Employee Count		2,787	

Source: Macomb County Human Resources and Labor Relations

June 25, 2018

To the Board of Commissioners
County of Macomb, Michigan

We have audited the financial statements of the County of Macomb, Michigan (the "County") as of and for the year ended December 31, 2017 and have issued our report thereon dated June 25, 2018. Professional standards require that we provide you with the following information related to our audit, which is divided into the following sections:

Section I - Required Communications with Those Charged with Governance

Section II - Recommendations and Legislative and Other Informational Items

Section I includes information that current auditing standards require independent auditors to communicate to those individuals charged with governance. We will report this information annually to the board of commissioners of the County.

Section II presents updates on current legislative and accounting matters impacting the County.

In addition to the comments and recommendations in this letter, our observations and comments regarding the County's internal control, including any significant deficiencies or material weaknesses that we identified, have been reported to you in the report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*. This report is provided as a separate communication, and we recommend that the matters we have noted there receive your careful consideration.

We would like to take this opportunity to thank the County's staff for the cooperation and courtesy extended to us during our audit. Their assistance and professionalism are invaluable.

To the Board of Commissioners
County of Macomb, Michigan

This report is intended solely for the use of the board of commissioners and management of the County and is not intended to be and should not be used by anyone other than these specified parties. We welcome any questions you may have regarding the following communications, and we would be willing to discuss any of these or other questions that you might have at your convenience.

Very truly yours,

Plante & Moran, PLLC



Lisa C. Manetta, CPA
Partner



Ali Hijazi, CPA
Senior Manager



Stephen Bondar, CPA
Manager

Section I - Required Communications with Those Charged with Governance

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated November 1, 2017, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the County. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Our audit of the County's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we are obligated to communicate certain matters that come to our attention related to our audit to those responsible for the governance of the County, including compliance with certain provisions of laws, regulations, contracts, grant agreements, certain instances of error or fraud, illegal acts applicable to government agencies, and significant deficiencies in internal control that we identify during our audit. Toward this end, we issued a separate letter dated June 25, 2018 regarding our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on April 10, 2018.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County are described in Note 1 to the financial statements.

The application of existing policies was not changed during 2017. During 2017, the County adopted GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. As discussed in Note 19, this statement requires more extensive footnote disclosures and required supplemental information related to the measurement of OPEB liabilities for which assets have been accumulated. Additionally, the statement requires that the assets of the Intermediate Retiree Medical Benefits Trust be presented as assets of the primary government. Accordingly, the assets of the IRMBT have been presented within a newly created Other Postemployment Benefits internal service fund.

Section I - Required Communications with Those Charged with Governance (Continued)

As described in Note 1, the County has a December 31 fiscal year end, but reports certain funds on a September 30 or June 30 basis. No authoritative accounting principles have been issued that would specifically allow different year ends to be utilized for funds within a primary government. However, management believes that the discussion in GASB Statement No. 14, which allows component units to be included on a different year end than the primary government, is analogous and that the standard is relevant to the County's circumstances and would support the inclusion of funds with a year end other than December 31. We discussed the accounting for this treatment with management and believe the method selected is acceptable in this circumstance.

As explained in Note 3, the financial statements include investments valued at approximately \$300.0 million (17.1 percent of the equity of the aggregate remaining funds), whose fair values have been estimated by management in the absence of readily determinable market values. Management's estimates are based on information provided by the fund managers. Our opinion is not modified with respect to this matter.

We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Management's estimate of the net OPEB asset calculated in accordance with GASB Statement No. 45 is based on the annual required contribution as calculated by an actuary and is allocated to different funds based on their relative number of active employees.

Management's estimates of the net pension liability and net OPEB liability are based on the projected future cost related to services rendered, as calculated by an actuary, net of the assets held by the County in a fiduciary capacity designed to fund such future cost.

Management's estimate of potential property tax refunds as a result of appeals to the Michigan Tax Tribunal (MTT) is based on historical collections from the type of entity involved (i.e., governmental agency versus private individual).

Management's estimate of claims liability for litigation ongoing at year end is based on evaluation of unique circumstances of the individual case, historical outcomes of similar cases, and advice of legal counsel. Management's estimate of workers' compensation claims at year end is based on evaluation of the unique circumstances of the individual case and advice of the claims administrator. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The Macomb County Employees Retirement System and the County Retiree Health Care Plan hold investments in nontraditional investment vehicles (common collective trusts, venture capital, and limited partnerships) that are not actively traded on an open market. The County has valued these investments based on market values provided by the investment custodians. We have performed tests of the estimates by reviewing the audited financial statements of the nontraditional investment vehicles to satisfy ourselves as to the reasonableness in relation to the financial statements.

Section I - Required Communications with Those Charged with Governance (Continued)

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all material misstatements, all of which relate to revenue and expenditure recognition within the Community Mental Health enterprise fund. The attached schedules summarize uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the County, and business plans and strategies that may affect the risks of material misstatement, with management each year prior to our retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition of our retention.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 25, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Section I - Required Communications with Those Charged with Governance
(Continued)**

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the County's financial statements and report does not extend beyond the financial statements. We do not have an obligation to determine whether or not such other information is properly stated. However, we read the introductory and statistical sections of the County's Comprehensive Annual Financial Report, and nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information or manner of its presentation appearing in the financial statements.

Section II - Recommendations and Legislative and Other Informational Items

F65 Online Filing Now Required

Effective August 1, 2017, local units are required to submit the F65 using the electronic online format on the State of Michigan website. The State is no longer accepting Excel or hard copy submissions. This is in compliance with section 141.424, Section 4 (3) of Public Act 2 of 1968: "The state treasurer shall prescribe the forms to be used by the local units for preparation of the financial reports." This effort is an attempt to reduce errors in submission, as well as house all the data in one place. Upon submission, you may receive error messages that will need to be addressed. Local units will now file the F65, audit reports, and the qualifying statements in the same location using only one login (user ID and password). The form can be filed at the following link: <https://treas-secure.state.mi.us/LAFDeform/TL41W71.aspx>.

Updated Uniform Chart of Accounts

In April 2017, the State released an updated Uniform Chart of Accounts and requires local units of government to comply with the changes beginning with June 30, 2018 year ends. On June 4, 2018, the State extended the deadline for compliance to sometime in 2019 to allow officials more time to convert to new accounts. The Department of Treasury will communicate the new due date when established. In the meantime, the State is working on developing training and additional information to assist local units in the transition. Local units should begin evaluating this new chart of accounts to determine what changes will be necessary and set up a plan to achieve compliance. Some accounting software vendors have already been working with some local units on an automated remapping solution to the extent needed; this could be a possible solution for some. The changes in the chart of accounts are not voluminous, but will require some review. The new chart of accounts can be found at the following link: http://www.michigan.gov/documents/uniformchart_24524_7.pdf

New Other Postemployment Benefits Standards (Retiree Healthcare Obligations)

In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses accounting and reporting by employer governments that provide OPEB benefits to their employees.

The County will, after adoption of GASB No. 75, recognize on the face of the financial statements its net OPEB liability. As a result of the County's funding of its unfunded actuarially accrued liability in 2015, the County currently records a net OPEB asset (amount contributed in excess of actuarial required amount). These new standards will de-couple the measurement of the liability from the timing of the funding. Additionally, the assets held in the Intermediate Retiree Medical Benefits Trust will not be eligible for consideration in calculating the County's net OPEB liability under the new standard. GASB No. 75 is effective for the County's 2018 calendar year.

**Section II - Recommendations and Legislative and Other Informational Items
(Continued)**

Revenue Sharing

The FY 2019 budget recommendation includes \$1.3 billion for revenue sharing broken down as follows:

Description	Final 2018 Budget	Final 2019 Budget
Constitutionally required payments	\$798.1 M	\$835.3 M
CVTRS	243.0 M	243.0 M
CVTRS - One-time payments	5.8 M	5.8 M
County revenue sharing	176.9 M	177.2 M
County incentive program	43.2 M	43.3 M
County one-time payments	-	1.0 M
Fiscally distressed community grants	5.0 M	2.5 M
Supplemental CVTRS	6.2 M	6.2 M
Total	\$1,278.2 M	\$1,314.3 M

For the second year in a row, local units will experience an increase in 2019, as the constitutional payment budget has been increased by \$37.2 million over the 2018 budget act appropriated amount. The FY 2019 budget also includes the “City, Village, and Township Revenue Sharing” (CVTRS) appropriation which was established in FY 2015, and that number remains flat at \$243 million. Each community’s overall increase will vary as each has a different mix of constitutional and CVTRS.

In order to receive the CVTRS payments in FY 2019, qualified local units will once again need to comply with the same best practices as they did last year, as follows:

- A citizen’s guide to local finances with disclosure of unfunded liabilities
- Performance dashboard
- Debt service report
- Two-year budget projection

The amount budgeted for distressed CVTRS has been reduced from \$5 million in 2018 to \$2.5 million in 2019. The State has once again budgeted \$6.2 million for “supplemental CVTRS” payments in FY 2019, but added a requirement that funds must be used to pay down debt, pension, or OPEB. Any city, village, or township receiving CVTRS payments will receive an additional payment equal to its population multiplied by \$.807929 (rounded to the nearest dollar).

The “one-time” additional CVTRS payments that were in the 2018 budget are also part of the 2019 budget and remain flat at \$5.8 million. Additionally, \$1.0 million was added as a one-time payment for counties to be used for debt, pension, and OPEB. The one-time payment to counties will be distributed to all counties at a rate of 0.4627 percent of full funding under the Glen Steil State Revenue Sharing Act.

Section II - Recommendations and Legislative and Other Informational Items (Continued)

New Legislation

Public Act 530 of 2016 (Additional Legacy Cost Reporting)

On December 31, 2016, the governor signed Public Act 530 of 2016, which amends Public Act 314 of 1965, also known as Public Employee Retirement System Investment Act (PERSIA). This act is effective March 29, 2017.

Under the existing act, communities were required to publish a summary annual report setting forth key information related to pension and retiree healthcare plans. The amendment requires that this summary annual report also be submitted to the Michigan Department of Treasury within 30 days of publication.

In addition, for any system (either pension or retiree health care) that is not funded at a level of at least 60 percent, the community must now post a report to its website indicating steps that are being undertaken to address the liability. In addition, this report must be submitted to the Department of Treasury within a reasonable timeframe.

The legislation calls for the Department of Treasury to accumulate all of the reports and publish a summary of funding levels throughout the state.

Pension and OPEB Reporting under Public Act 202 of 2017

On January 5, 2018, the Michigan Department of Treasury released initial reporting requirements under Public Act 202 of 2017 (the "Act"), which was a primary component of the Act. These reporting requirements apply to all local units of government that offer or provide defined benefit pension and/or defined benefit OPEB retirement benefits.

The releases by the Department of Treasury included Numbered Letter 2018-1, Form 5572, detailed instructions for completion of Form 5572, and a listing of frequently asked questions. All documents can be located at http://www.michigan.gov/treasury/0,4679,7-121-1751_51556_84499---,00.html.

The due date for completion of Form 5572 is January 31, 2018 for local units with a fiscal year ending on or before June 30, 2017. For local units with fiscal years ending after June 30, 2017, Form 5572 is due no later than six months after the end of your fiscal year.

In addition to submitting this new form to the Department of Treasury, a local unit must also post this information on its website, or in a public place if the local unit does not have a website. The governing body of a local unit will also need to receive a copy of this form, in accordance with the Act, but the Act does not require approval by the governing body before submission to the Treasury.

The Public Act 202 defines that a local unit of government is in "underfunded status" if any of the following apply:

1. *OPEB* - Total plan assets are less than 40 percent of total plan liabilities, according to the most recent annual report, and, for primary units of government*, the annual required contribution for all of the retirement health systems of the local unit is greater than 12 percent of the local unit of government's governmental funds operations revenue.
2. *Retirement Pension Plans* - Total plan assets are less than 60 percent of plan total liabilities, according to the most recent annual report, and, for primary units of government*, the annual required contribution for all of the retirement health systems of the local unit is greater than 10 percent of the local unit of government's governmental funds operations revenue.

Section II - Recommendations and Legislative and Other Informational Items (Continued)

If, after submission of Form 5572, the Treasury determines your community to have underfunded status, you will have the opportunity to file a “waiver” under Section 6 of the Act. The waiver needs to provide a plan for how the underfunding is being addressed. This waiver will then be submitted to the Treasury. The template for the waiver has not yet been provided by the Treasury.

In the event that a local unit has underfunded plans and does not submit a waiver or the waiver is not approved, the Treasury will perform an internal review. The local unit will also need to submit a corrective action plan to the newly created Municipal Stability Board (under Section 7 of the Act). The local unit will be responsible for creating the corrective action plan.

* Primary units of government are cities, villages, townships, and counties.

Questions should be directed via email to the Treasury offices at LocalRetirementReporting@michigan.gov or by visiting its website at www.Michigan.gov/LocalRetirementReporting.

Proposed Legislation

Dark Stores Update (House Bill 4397)

This bill was recently introduced in the House and referred to the Committee on Tax Policy. This legislation would require Tax Tribunal members to make their own independent determination and apply standard appraisal procedures when reaching their findings of facts and conclusions of law in larger property tax cases. In recent years, the MTT has used the “dark store” assessing theory even for fully functional big box retail stores. The result is much lower assessments since the property is compared to the sales of vacant structures that oftentimes have deed restrictions severely limiting their use.

Senate Bill 578

Senate Bill 578 has been introduced in response to the dark stores issue that has been occurring in Michigan. If passed, it would amend PA 136 of 1973 the “Tax Tribunal Act” by amending Section 3 (MCL 205.703), as amended by 2008 PA 125, and by adding Section 38. The bill would require that when a dispute regarding the true cash value of real or personal property is brought forth, the following must be done by the Michigan Tax Tribunal: (a) review comparable properties in the market that have similar “highest and best use” as the property under review and (b) must separately state their conclusions of law and fact for those properties.

Comparable properties should be determined as follows:

- Ensure that all information gathered on each property is verified for completeness and is accurate with regard to all noted disclosures, covenants on use of the property, private restrictions, the impact of such covenants and restrictions, sale terms, and the financing method.
- If one of the comparable properties identified has a private restriction or covenant in connection with the sale or rental of the property that causes the property to have a “substantially impaired highest and best use” as compared to the property whose assessment is under review or if the private restriction or covenant does not assist in economic development of the property, does not provide a continuing benefit to the property, or if the chance of vacancy or inactivity on the property is “materially” increased, such property should be excluded as a comparable.

Overall, the intent of the bill is to eliminate properties that are vacant (dark stores), inactive, or have certain restrictions or covenants from being used as a comparable in an assessment dispute.

Attachments

Client: **County of Macomb, Michigan**
 Opinion Unit: **Governmental Activities**
 Y/E: **12/31/2017**

SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS

The effect of misstatements and classification errors identified would be to increase (decrease) the reported amounts in the financial statement categories identified below:

Ref. #	Description of Misstatement	Current Assets	Long-term Assets	Deferred Outflows of Resources	Current Liabilities	Long-term Liabilities	Deferred Inflows of Resources	Equity	Revenue	Expenses	Net Income Statement Impact
FACTUAL MISSTATEMENTS:											
A1	To record realized gains for commercial paper investments	\$ 134,020							\$ 134,020		\$ 134,020
JUDGMENTAL ADJUSTMENTS:											
B1	To record "cash in lieu of retiree health benefits" estimate, not included by the County's actuary in the net pension liability					\$ 2,000,000				\$ 2,000,000	(2,000,000)
PROJECTED ADJUSTMENTS:											
CI	None	-	\$ -	\$ -	\$ -	-	\$ -	\$ -	-	-	-
Total		\$ 134,020	\$ -	\$ -	\$ -	\$ 2,000,000	\$ -	\$ -	\$ 134,020	\$ 2,000,000	\$ (1,865,980)

PASSED DISCLOSURES AND FINANCIAL STATEMENT PRESENTATION ISSUES:

D1 None

Client: **County of Macomb, Michigan**
 Opinion Unit: **Discretely Presented Component Units**
 Y/E: **12/31/2017**

SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS

The effect of misstatements and classification errors identified would be to increase (decrease) the reported amounts in the financial statement categories identified below:

Ref. #	Description of Misstatement	Current Assets	Long-term Assets	Deferred Outflows of Resources	Current Liabilities	Long-term Liabilities	Deferred Inflows of Resources	Equity	Revenue	Expenses	Net Income Statement Impact
FACTUAL MISSTATEMENTS:											
A1	To record on the deferred charge on bond refunding related to 2017A MIDD refunding					\$ (1,023,445)		\$ 1,073,701		\$ 50,256	\$ (50,256)
A2	To expense underwriter's discount on 2017A MIDD refunding					535,296				535,296	
JUDGMENTAL ADJUSTMENTS:											
B1	None										
PROJECTED ADJUSTMENTS:											
CI	None	\$ -	\$ -	\$ -	\$ -	-	\$ -	-	\$ -	-	-
Total		\$ -	\$ -	\$ -	\$ -	\$ (488,149)	\$ -	\$ 1,073,701	\$ -	\$ 585,552	\$ (585,552)

PASSED DISCLOSURES AND FINANCIAL STATEMENT PRESENTATION ISSUES:

D1 None

Client: **County of Macomb, Michigan**
 Opinion Unit: **General Fund**
 Y/E: **12/31/2017**

SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS

The effect of misstatements and classification errors identified would be to increase (decrease) the reported amounts in the financial statement categories identified below:

Ref. #	Description of Misstatement	Current Assets	Long-term Assets	Deferred Outflows of Resources	Current Liabilities	Long-term Liabilities	Deferred Inflows of Resources	Equity	Revenue	Expenses	Net Income Statement Impact
FACTUAL MISSTATEMENTS:											
A1	February 2018 Local Community Stabilization Authority reimbursement received within period of availability but not recorded as revenue (related to FY2017 taxes)	\$ 105,113							\$ 105,113		\$ 105,113
A2	To record realized gains for commercial paper investments	134,020							134,020		134,020
JUDGMENTAL ADJUSTMENTS:											
B1	None										
PROJECTED ADJUSTMENTS:											
C1	None										
Total		<u>\$ 239,133</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 239,133</u>	<u>\$ -</u>	<u>\$ 239,133</u>

PASSED DISCLOSURES AND FINANCIAL STATEMENT PRESENTATION ISSUES:

D1 None

Client: **County of Macomb, Michigan**
 Opinion Unit: **Delinquent Tax Revolving Fund**
 Y/E: **12/31/2017**

SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS

The effect of misstatements and classification errors identified would be to increase (decrease) the reported amounts in the financial statement categories identified below:

Ref. #	Description of Misstatement	Current Assets	Long-term Assets	Deferred Outflows of Resources	Current Liabilities	Long-term Liabilities	Deferred Inflows of Resources	Equity	Revenue	Expenses	Net Income Statement Impact
FACTUAL MISSTATEMENTS:											
A1	To record realized gains for commercial paper investments	\$ 421,742							\$ 421,742		\$ 421,742
JUDGMENTAL ADJUSTMENTS:											
B1	None										
PROJECTED ADJUSTMENTS:											
C1	None										
Total		<u>\$ 421,742</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 421,742</u>	<u>\$ -</u>	<u>\$ 421,742</u>

PASSED DISCLOSURES AND FINANCIAL STATEMENT PRESENTATION ISSUES:

D1 None

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To the Board of Commissioners
County of Macomb, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, Michigan (the "County") as of and for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise the County of Macomb, Michigan's basic financial statements as listed in the table of contents and have issued our report thereon dated June 25, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be a material weaknesses.

To the Board of Commissioners
County of Macomb, Michigan

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The County of Macomb, Michigan's Response to Findings

The County's response to the findings identified in our audit are described in the accompanying schedule of financial statement audit findings. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

June 25, 2018

Financial Statement Audit Findings

Reference Number	Finding
2017-001	<p>Finding Type - Material weakness</p> <p>Criteria - Macomb County, Michigan (the "County") is required to prepare its basic financial statements in accordance with generally accepted accounting principles (GAAP).</p> <p>Condition - Instances of non-GAAP accounting methods were identified during the course of the audit, including: (a) inaccurate accounting for bond issuance costs related to a bond refunding transaction, (b) improper expense classification of interest expense within the Department of Public Works, (c) lack of accurate financial reporting related to cash-in-lieu of benefit option, excise and other taxes on the valuation, and disclosure of pension and other postemployment benefit obligations, (d) misclassification between unrestricted and restricted cash, (e) certain nonprimary cash accounts at decentralized departments that are not recorded on the general ledger, and (f) failure to record realized gains and losses related to commercial paper investments.</p> <p>Context - Subsequent to the commencement of the year-end audit, journal entries were identified, certain reconciliations were revised, and financial statements were amended.</p> <p>Cause - The County did not have a process in place to ensure a complete review was conducted of all year-end balances, reconciliations, and financial statements to verify the balances were correctly stated in accordance with GAAP and properly supported in all instances.</p> <p>Effect - At year end, the effects of the non-GAAP accounting methods were as follows: (a) Expenses were understated by the amount of underwriter's discount. (b) Interest expense in the Department of Public Works was improperly classified as capital outlay expense. (c) The net pension liability was understated by the amount of estimated future benefits related to members of the Retiree Health Care Plan that may elect to receive cash-in-lieu of retiree healthcare benefits. In addition, the financial statement disclosures related to the County's net OPEB liability did not consider the impact of future excise taxes. (d) Unrestricted cash was understated by accounts payable related to construction paid for with bond proceeds. (e) Certain cash accounts managed by the Prosecutor's Office and the Clerk/Register of Deeds for departmental services performed were not recorded on the general ledger. (f) Investment balances related to commercial paper were understated for realized gains accumulated throughout the year.</p> <p>Recommendation - Management should further strengthen procedures to ensure such instances identified are corrected in the general ledger and financial statements during normal close procedures.</p> <p>Views of Responsible Officials and Planned Corrective Actions - County management agrees with this finding regarding each of the noted non-GAAP practices. For noted items (a) and (b), public works and county management are in the process of bringing the Department of Public Works' accounting system onto the County's centralized accounting system. With the Department of Public Works' general ledger on the same system as the rest of the County, county management will be able to better work with the Department of Public Works. For noted issues (c) and (d), county management will communicate these matters to the appropriate system's actuaries so that these items are taken into account when calculating the applicable actuarial liabilities in subsequent actuarial valuations. For matters (e) and (f), county management continues to require that all departments in the County conform with GAAP and ensure that all bank accounts and other cash equivalents are properly recorded on the County's accounting system.</p>

Financial Statement Audit Findings (Continued)

Reference Number	Finding
2017-002	<p>Finding Type - Material weakness</p> <p>Criteria - Macomb County, Michigan (the "County") should maintain adequate preventive and detective controls to safeguard financial assets.</p> <p>Condition - As initially identified in the finance department's internal audit report and corroborated during the course of the financial statement audit, the following deficiencies were identified in Clerk/Register of Deeds department (the "Clerk's Office"): (a) lack of policy and procedural manuals for cashiering duties and (b) lack of administrative maintenance and segregation of duties over several online collection methods and electronic banking services utilized throughout the Clerk's Office.</p> <p>Context - Deficiencies in internal control related to the collection and safeguarding of financial assets, as well as deficiencies related to compliance with applicable data security regulations were identified.</p> <p>Cause - The Clerk's office did not have a process in place to effectively monitor daily personnel functions and review access controls related to online collection methods and other electronic banking services.</p> <p>Effect - Based on inquiry with the current administration and review of current control environment over cash and online collections, we did not identify any instances of fraudulent activity or unauthorized transactions. However, it was noted that terminated employees in the department had access to departmental cash accounts through online banking functionality as of the date procedures were performed. Additionally, the absence of written policies and procedures related to internal controls over financial assets potentially impedes review and monitoring of transactions and financial assets. The lack of adequate preventive and detective controls could result in a misappropriation of assets that may not be detected timely.</p> <p>Recommendation - The Clerk's Office should implement adequate preventive and detective controls to eliminate or restrict the ability of a single individual to make changes to electronic banking information and initiate disbursements without secondary approval. Access to all online collection and electronic banking accounts should be limited to active employees only. In addition, the Clerk's Office should implement additional levels of review over the cash collection process, including standardizing procedures and processes used by employees. All accounts and collection methods should be communicated to the finance and treasury departments to ensure proper recording and reconciling of accounts within the general ledger.</p> <p>Views of Responsible Officials and Planned Corrective Actions - County management agrees with this finding, as previously noted in its own internal audit report titled "Internal Audit Report on Revenue Collections at the Macomb County Clerk's Offices of Vital Records and Court Office" dated November 7, 2017. County management will continue to assist the County Clerk/Register of Deeds in establishing appropriate internal controls to address and correct the matters noted above, as well as lesser matters detailed in the aforementioned internal audit report.</p>

Financial Statement Audit Findings (Continued)

Reference Number	Finding
2017-003	<p data-bbox="380 310 789 338">Finding Type - Material weakness</p> <p data-bbox="380 363 1406 453">Criteria - Macomb County, Michigan (the "County") departments are required to report their financial results for inclusion into the County's basic financial statements in accordance with generally accepted accounting principles (GAAP).</p> <p data-bbox="380 474 1406 594">Condition - Instances of non-GAAP accounting methods were identified during the course of the audit at the Department of Community Mental Health, including: (a) inappropriate timing of revenue recognition and (b) lack of reconciliations supporting general ledger balances of accounts receivable and accounts payable.</p> <p data-bbox="380 615 1406 705">Context - Subsequent to the commencement of the year-end audit, multiple material journal entries were identified, including an \$11.5 million reduction to revenue, and various balance sheet reconciliations were revised.</p> <p data-bbox="380 726 1406 846">Cause - The Department of Community Mental Health did not have a process in place to ensure an effective review was conducted of all year-end balances and reconciliations to verify the balances were correctly stated in accordance with GAAP and properly supported in all instances.</p> <p data-bbox="380 867 1406 957">Effect - At year end, revenues were materially overstated and certain reconciliations related to revenue and liabilities were not prepared properly. Additionally, certain payables and related expenses were recorded in the incorrect period.</p> <p data-bbox="380 978 1406 1068">Recommendation - Management should strengthen procedures to ensure such instances identified are corrected in the general ledger and financial statements during normal close procedures.</p> <p data-bbox="380 1100 1406 1404">Views of Responsible Officials and Planned Corrective Actions - County management agrees with this finding. The Department of Community Mental Health has experienced significant turnover in the past year, with that turnover including many long-time employees. Unfortunately, as it pertains to year-end closing procedures, institutional knowledge pertaining to year-end closing procedures left the Department of Community Mental Health along with those long-time employees. The internal closing deadline for all September year end funds at the County is 75 days after year end. The departure of several long-tenured employees required Community Mental Health management to request, which ultimately resulted in closing their books only three business days before the County's onsite external financial audit began.</p> <p data-bbox="380 1436 1406 1556">In future years, the Department of Community Mental Health management will strive to better meet internal deadlines established by county management so that county management has ample time to fully review the final accounting records of the Department of Community Mental Health.</p>