

The Amazon logo is displayed in large, dark blue letters with a yellow arrow pointing from the 'a' to the 'z'.

main entrance

W002

The background is a collage of four images: an Amazon building, a woman working, a marina with boats, and a laser cutting machine. A white silhouette of the state of Michigan is overlaid on the right side.

Comprehensive Annual Financial Report

Year Ended December 31, 2018

Macomb County Finance Department
Stephen Smigel, Director

MACOMB COUNTY, MICHIGAN

Comprehensive Annual Financial Report

Year ended December 31, 2018

Prepared by:

The Macomb County Finance Department

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Macomb County, Michigan

Comprehensive Annual Financial Report
Year Ended December 31, 2018

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MARK A. HACKEL
COUNTY EXECUTIVE

MACOMB COUNTY
OFFICE OF COUNTY EXECUTIVE

MARK F. DELDIN
CHIEF DEPUTY COUNTY EXECUTIVE

June 24, 2019

To the citizens of Macomb County,

The Comprehensive Annual Financial Report (CAFR) of Macomb County, Michigan for the fiscal year ended December 31, 2018 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, 2018 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, 2018 are fairly presented in conformity with GAAP. Plante Moran's report is presented as the first component of the financial section of this report.

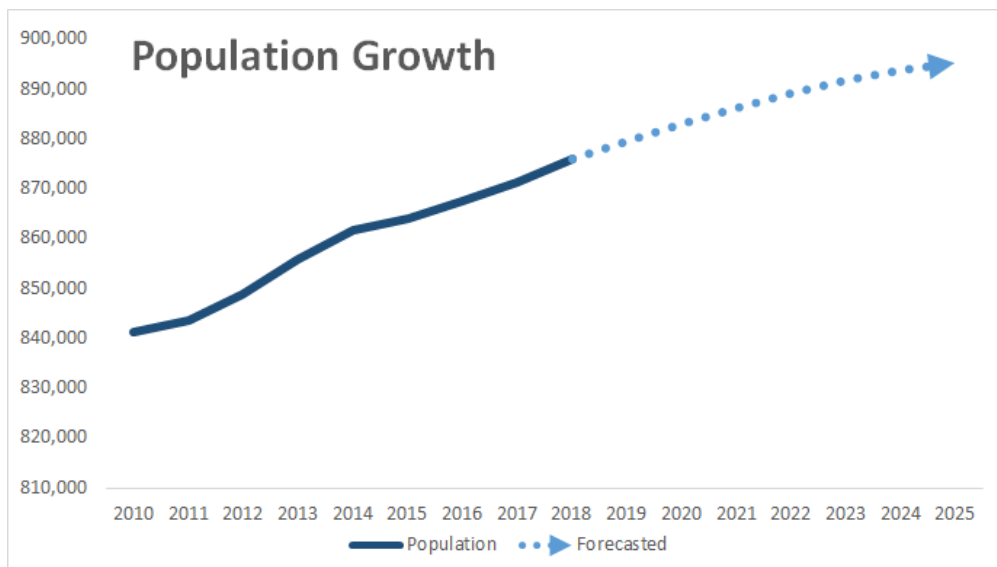
The independent audit of the financial statements of Macomb County was part of a broader, federally mandated Single Audit designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation 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 2018 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 2018 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.

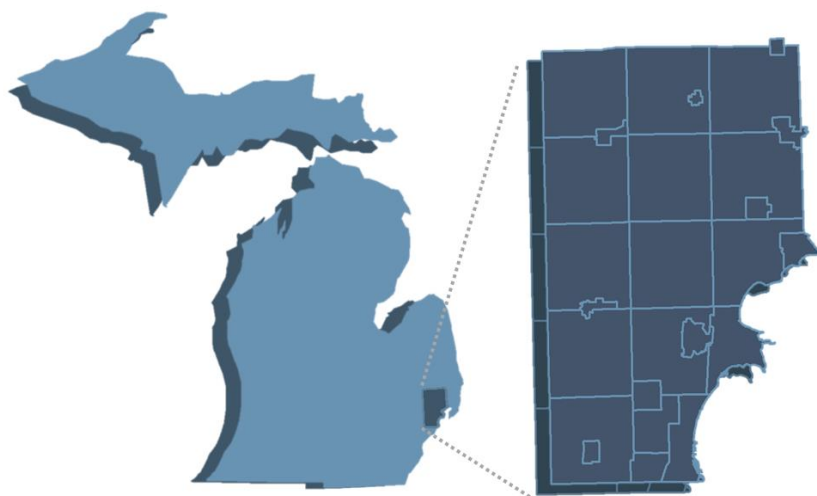
PROFILE OF MACOMB COUNTY

OVERVIEW

Located in the greater Detroit area, Macomb County is Michigan’s third most populous county, but the ninth smallest in area. Its 482-square-miles include 27 cities, villages and townships with a combined estimated 2018 population of 874,759 residents. This figure is the result of an almost 70 year population growth trend. In fact, an average of 12 people move into Macomb County each day and the population is expected to grow by more than 20,636 residents over the next five years. This increase can be attributed to the county’s dynamic urban clusters, expansive network of industry and commerce, pristine natural features and fruitful agricultural lands. All told, the area has a wealth of assets that make Macomb County a desirable place to live, work and play.



Source: EMSI Labor Market Analytics - U.S. Census Bureau



LOCATION ADVANTAGE

Macomb County is situated in the Great Lakes region of southeast Michigan, just north of the city of Detroit. The county also borders Lake St. Clair, a 430-square-mile lake that links with Lake Huron and Lake Erie and provides access to the world’s busiest waterways.

This strategic location places Macomb County within 500 miles of 163 million people, or one-half of the United States’ population. The county is also near two

international border crossings with Canada, a geographic advantage that is part of the foundation for the area's economic success.

Income Brackets	2013	2018	2023	Growth
Less than \$15,000	35,944	31,648	25,313	-42%
\$15,000 - \$24,999	35,612	31,878	26,911	-32%
\$25,000 - \$34,999	36,610	33,901	30,323	-21%
\$35,000 - \$49,999	48,259	47,385	44,612	-8%
\$50,000 - \$74,999	63,235	65,756	65,891	4%
\$75,000 - \$99,999	46,262	48,725	52,780	12%
\$100,000 - \$149,999	45,263	55,922	69,531	35%
\$150,000 - \$199,999	14,644	19,149	23,756	38%
Greater than \$200,000	7,655	13,141	19,070	60%
Total	333,484	347,505	358,187	7%

Source: American Community Survey - U.S. Census Bureau

The average household income for Macomb County in 2018 was \$75,696 and that figure is projected to increase to \$89,585 (18.3 percent) in the next five years. This income growth rate outpaces averages for both the state of Michigan and the United States. The majority of household income growth will be in the top income brackets: \$100,000 - \$149,999 with a projected 20 percent growth rate; \$150,000-\$199,999 with a projected 19.4 percent growth rate; and \$200,000 and up with a projected 31.1 percent growth rate.

Additional growth will occur in lower income households, with a significant amount of individuals moving into income brackets at \$50,000 and above. Together, these figures demonstrate the major career advancements and wage growth occurring in Macomb County.

In addition to housing and income, safety is another notable statistic in Macomb County. In 2018, the county experienced 2.9 violent crimes per 1,000 people and 16.68 property crimes per 1,000 people. This puts the area well below the national average of 4.75 violent crimes per 1,000 people and 25.21 property crimes per 1,000 people. It also means Macomb County is a very safe place for residents and visitors alike.

ECONOMIC CONDITIONS OF MACOMB COUNTY

ECONOMY

Macomb County is an expanding epicenter of growth and economic vitality with several figures and reports from 2018 demonstrating the strength of the county's economy. For instance, its gross regional product (GRP) was \$43.6 billion, with \$58.6 billion of imported products and \$67.6 billion of exported goods. Additionally, the total assessed value of its taxable property was \$31.7 billion – a number that is the result of significant increases in property value. Finally, residents of Macomb County had consumer spending power of \$15 billion. This figure has been rising for the last several years and it directly correlates with increasing wages.

BUSINESSES

There are a total of 25,618 businesses in Macomb County with collective earnings of \$26 billion. In 2018, these companies had total sales of \$109 billion. Notably, \$41 billion of those sales occurred in-county; the majority of which were within the construction, real estate, health care and retail trade sectors.

Healthy profits have allowed businesses to create new jobs and since the 2009 recession, 59,846 have been added in Macomb County. This figure demonstrates sustainable business growth and helps keep vacancy rates at business facilities low. Presently, vacancy rates are at 1.8 percent in industrial properties, 7.2 percent in office space and 4.6 percent in retail locations.

WORKFORCE

Macomb County businesses draw from a diverse and highly-skilled workforce that is 446,246 individuals strong. In 2018, the county's unemployment rate stood at 4.1 percent, workers earned an annual average of \$71,696 and total retirement plan value for these individuals was \$7.7 billion. Together, these figures mean that an average resident has a median net worth of \$147,761, significantly higher than the \$133,087 national average.

A contributing factor to this prosperity could be the overall transition in Macomb County's workforce, with blue collar careers shifting to new collar careers and with the rise of a professional services sector. In 2018, 59 percent of jobs in the county were white collar, 23.7 percent were blue collar and 17.3 percent were in services. This transition was made possible through an increase in educational attainment. Today, 58 percent of Macomb County residents have had some level of college education and the average number of residents who obtain associate degrees is higher than the national average. Many individuals receiving these degrees are doing so later in life, showcasing a commitment to lifelong education and career advancement.

Eventually, this workforce will need to be replenished, so ensuring the next generation of talent is ready and prepared to fill jobs is paramount to Macomb County. The Macomb County Department of Planning & Economic Development (MCPED) is tasked with this responsibility and in 2018, the department created the Fueling the Talent Pipeline Initiative. The program allows MCPED to engage directly with young people and the businesses that will one day hire them. Ultimately, MCPED's goal is to expose students to career possibilities and guide them to educational pathways that lead to meaningful employment. This recently led to the creation of the local Academies at Romeo, a school that was designated as the first Ford Next Generation Learning community in Michigan. Other outcomes include successful implementations of Manufacturing Day and career fairs like MiCareerQuest.

ECONOMIC INVESTMENTS

MCPED's business retention program is a nationally-recognized initiative that assists both existing businesses that are ready to grow their workforce or facilities, or companies wanting to make new investments in Macomb County. Since 2010, the program has facilitated \$6 billion in economic investments and created 19,424 jobs in the county. In 2018 alone, there were \$464 million in business investments with 4,032 jobs created and/or retained through the program.

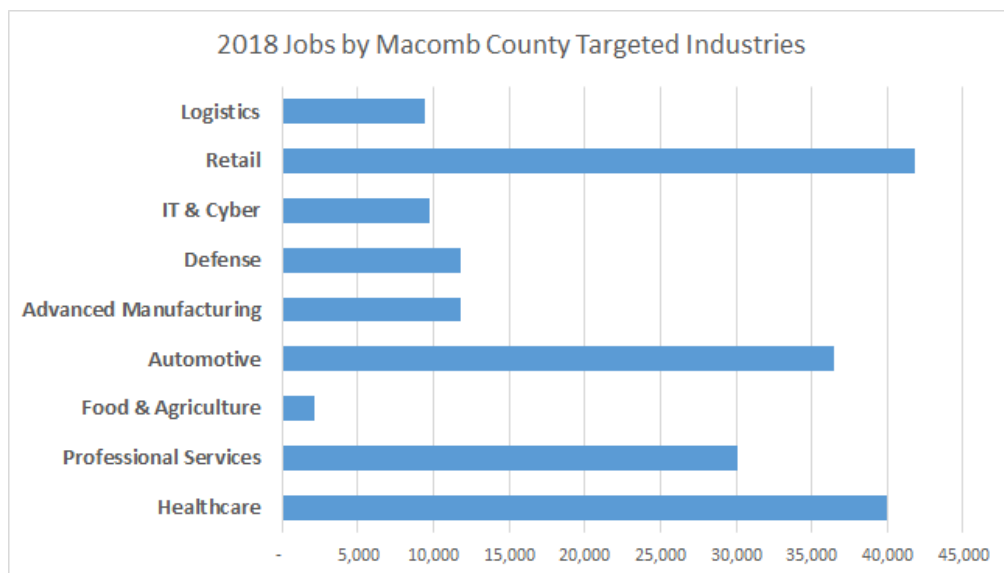
Several 2018 program success stories include SAPA Transmission, Drake Enterprises and Healthmark Industries.

- Sapa Transmission recently entered the U.S. defense market utilizing space at Macomb County's International Landing Zone, a program that offers six months of free rent plus business services for defense organizations. SAPA is now in the process of building a new North American headquarters in Shelby Township, Mich. SAPA's investment will total over \$40 million to build a 150,000-square-foot plant and offices. It will also create 223 new jobs.
- Drake Enterprises has been headquartered in Clinton Township, Mich. for over 65 years. The company, which manufactures high-quality machined parts for major OEMs in the heavy truck, agriculture and automotive markets, was nearing capacity at its facility so its leaders embarked on an expansion into an adjacent building. The project is expected to generate a total private investment of \$18.9 million and create 125 jobs.
- Healthmark Industries is an international medical company based in Fraser, Mich. that manufactures high-tech medical testing equipment. During the last year, Healthmark added 198 new full-time employees and invested over \$11 million in its third phase of construction, combining three facilities for efficiency and floor space.

INDUSTRIES OF MACOMB COUNTY

TARGETED INDUSTRIES

MCPED has established a core set of industry clusters from the North American Industry Classification System (NAICS) that fit the business environment of Macomb County. The purpose of classifying businesses and the workforce by a set of targeted industries is to track the health of the variety of industries that power the county's business economy. These targeted industries are: advanced manufacturing, automotive, defense, food / agriculture, healthcare, IT / cyber security, logistics, professional services, and retail.



Source: EMSI Labor Market Analytics

Industry	Jobs	Businesses	Earnings
Healthcare	40,017	2,035	\$ 59,054
Professional Services	30,075	1,517	\$ 113,109
Food & Agriculture	2,123	103	\$ 42,428
Automotive	36,443	453	\$ 91,026
Advanced Manufacturing	11,774	399	\$ 86,824
Defense	11,850	439	\$ 99,236
IT & Cyber	9,732	565	\$ 103,497
Retail	41,838	2,422	\$ 37,985
Logistics	9,452	581	\$ 74,485

Source: EMSI Labor Market Analytics

All these industries play a vital role in the local economy and each have their own unique contributions to the local communities. The industries that employ the largest amount of the county's workforce and have the most establishments are retail, healthcare, and professional services. But the industries that have the highest average earnings are professional services, IT / cybersecurity, and automotive.

ADVANCED MANUFACTURING

Manufacturing is one of Macomb County's most important industries, as it annually adds more than \$13 billion to the local economy. In 2018 alone, the sector exported more than \$39.7 billion worth of products and imported more than \$18 billion in goods. This impressive activity is driven by 1,600 companies that employ more than 72,000 people, and that number continues to grow. In February 2019, the White House Council of Economic Advisors released a report that showed Macomb County as the top location in the country for the creation of new manufacturing jobs. More specifically, between the fourth quarter of 2016 and the second quarter of 2018, there were 9,118 new manufacturing jobs created in the county. This is a testament to the opportunity still associated with production-based operations within our state-of-the-art engineering centers and our industrious machining facilities. All told, Macomb County is a place where innovation leads to real-world applications in emerging industries like mobility, robotics and aerospace.

NEXT GENERATION MOBILITY & AUTOMOTIVE

Macomb County's automotive industry is made up of a diverse network of 450 companies that have been a driving force of growth within the economy for many years. For instance, since 2010, these companies have invested more than \$10 billion and created 32,000 jobs. In 2018 alone, there was over \$1.2 billion in investments and 4,584 jobs created. That

same year, the sector created a \$13 billion demand for products, \$9.3 billion of which was met in region and \$3.6 billion was imported.

A major trend within the automotive industry is the focus on next generation mobility and technology. This is changing the way many in the sector operate, but Macomb County is poised to be a leader in this transformation because of its impressive cluster of assets. The county is home to some of the industry's most advanced facilities, a number of which are owned by the "Big Three" - General Motors, Fiat Chrysler Automobiles and Ford. General Motors has its GM Tech Center in Warren with 19,000 employees, as well as its Warren Transmission facility with 581 employees. Fiat Chrysler has a stamping and assembly plant in both Sterling Heights and Warren, both of which employ more than 11,000 people. And Ford has two facilities in Sterling Heights and two in Romeo with a combined workforce of 4,000 individuals. With the support of these assets, Macomb County will continue to be at the forefront of automotive technology well into the future.

INFRASTRUCTURE & CONNECTED MOBILITY

Macomb County is home to a robust infrastructure and transportation network. These two community characteristics make the county a desirable location for businesses engaged in a variety of industries as well as residents commuting or traveling within the metropolitan Detroit region. From comprehensive sewer and water systems to advanced connected roadways and telecommunications, Macomb County possesses the vital infrastructure needed to service emerging industries and a growing population.

Over the past 10 years, Macomb County has been steadily increasing traffic safety and preparing for connected mobility by developing an intelligent transportation system (ITS). This has been realized through the creation of a centralized traffic and communications center (COMTEC). The facility houses traffic operations, E-911 emergency dispatch and the county's information technology services. The resulting synergy has created a high-tech space designed to deploy, enhance and maximize vehicle-to-infrastructure communication technologies. For instance, Macomb County is one of a few dozen locations in the United States to have an ITS powered by a 9.7 gigabit network. The county is also leading the way in the installation of operational connected vehicle roadside units (RSU). There are now more than 300 RSUs along Macomb County's 152 miles of connected roadway. Other notable technologies include 630 traffic signals and over 260 cameras that are linked to COMTEC. The result of all of these advancements is a significant increase in safety. Most notably, between 2016 and 2017, the county reduced traffic crash related fatalities by 33 percent.

Another major infrastructure project in Macomb County is Innovate Mound, an initiative focused on rebuilding one of the most important manufacturing and R&D corridors in southeast Michigan, Mound Road. This corridor is a unique and nationally significant industrial area that hosts the General Motors Warren Technical Center, the Sterling Heights Ford Axle Plant, Fiat Chrysler's Sterling Assembly and Warren Truck Assembly Plants, the U.S. Army's Tank-Automotive and Armaments Command (TACOM) and the Combat Capabilities Development Command- Ground Vehicle Systems Center (CCDC-GVSC). All told, the Mound Road area has a direct employment total of 20,200 people that support 17,720 jobs in Macomb County and an additional 98,100 jobs in the state of Michigan. Therefore, the vision of Innovate Mound is to not only reconstruct the road, but to increase pedestrian friendliness and implement smart transportation technologies. The current estimated cost for the project is \$217 million. Innovative funding solutions, including a federal INFRA grant worth \$130 million, will cover that figure.

ROBOTICS & CYBER SECURITY

Macomb County is home to a large community of core manufacturing operations, supply chain industries and product development facilities that rely on automation and robotics. To ensure the local workforce can understand and meet these technology needs, Macomb County plans to create a nonprofit Robotics Collaboration and Innovation Center aimed at increasing awareness and opportunity within the robotics environment. The new facility will launch in 2019 at the Velocity

Collaboration Center in Sterling Heights. Its mission is to partner with businesses, educational organizations, nonprofits and startups to offer tools, programs, co-working space, expert assistance and access to an open and collaborative environment. The facility will also feature a tooling and fabrication shop, engineering and computer science assistance, business development assistance and mentors from leading automotive, defense, manufacturing and technology firms.

Alongside the push for robotics training, Macomb County leaders have also stressed the importance of cyber security. Currently, the county has 367 establishments employing more than 8,100 individuals who are engaged in cyber-related activities. And since 2010, the area has seen an 85 percent increase in cyber operations, while the national average is just above 9 percent. This led to the creation of the Michigan Automotive and Defense Cyber Assurance Team (MADCAT), an initiative spearheaded by the Macomb County Department of Planning & Economic Development. MADCAT promotes the county and the state of Michigan as a world leader in developing and supporting a cyber ecosystem while leveraging unique regional assets in the defense and automotive industries to drive technology innovation, encourage economic development and create a talented workforce for Michigan. Since its founding in 2014, the organization has facilitated three cyber hubs in Macomb County, including the Velocity Hub of the Michigan Cyber Range, Pickney Cyber Training Institute and the Wayne State University Advanced Technology Education Center. These hubs allow local companies to test connected products, provide training with industry leaders and offer cyber security certification courses. In May of 2019, MADCAT was awarded a National Association of Counties Achievement Award in the Community & Economic Development category.

QUALITY OF LIFE IN MACOMB COUNTY

EDUCATION

Macomb County provides a large range of quality educational opportunities for its residents. These options include general K-12 education, special needs education programs, career technical education and higher education opportunities.

K-12

Macomb County has more than 200,000 students enrolled in 337 K-12 school facilities within 24 school districts. The Macomb Intermediate School District (MISD) is the largest of those and the largest ISD in the state of Michigan that provides direct services to students. The MISD serves more than 150,000 K-12 students enrolled in 21 public school districts and 15 charter academies. Breaking that down even further, the MISD provides curricular and programmatic support to the staff, students and parents of 200 elementary schools, 50 middle schools and 31 high schools across the county. Approximately 19,000 of those students receive special education services.

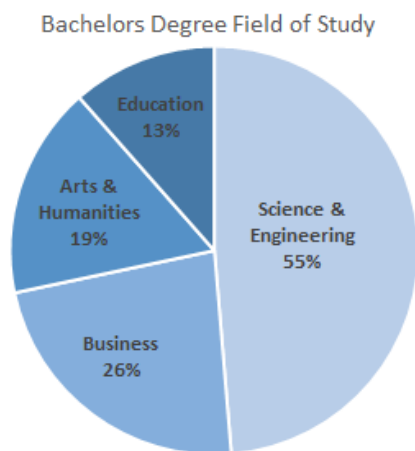
Career Technical Education

Career Technical Education (CTE) programs provide opportunities for students to learn real world skills, gain practical knowledge on career pathways and prepare for entering the workforce. Macomb County has more than 14,000 students enrolled in its 237 state-approved CTE programs, the highest CTE population in the state of Michigan. These numbers indicate a positive future for the region, the economy and the workforce in the county.

Higher Education

Affordable higher education is a priority in Macomb County. This is evident in the broad range of degrees and technical certificate programs that are offered through the county's many educational institutions and reflected in the fact that in 2018, the county's average student loan debt was \$1,422 per student. This figure is dramatically lower than the national average of \$37,172 per student. The result: More than 130,000 Macomb County residents have a bachelor's degree in a variety of fields, with 55 percent in science and engineering, 26 percent in business, 19 percent in the arts and humanities and 13 percent in education.

In addition to affordability, availability is another contributing factor in the attainment of bachelor's degrees. In fact, Macomb County has more opportunities to complete coursework from one of Michigan's 15 public colleges than any other location in the state. For instance, Macomb Community College, the county's leading post-secondary education institution, hosts a University Center that offers access to six satellite campuses with over 60 bachelor's and master's degree programs. Outside of the Center, the college has two main campuses in Warren and Clinton Township that annually serve 50,000 students while providing 200 options for securing degrees and certificates.



Source: ESRI Business Analyst

Beyond Macomb Community College, there are a variety of other higher educational institutions that have established campuses in Macomb County. Oakland University recently opened a satellite campus that provides undergraduate and graduate courses. Baker College, which is located in Clinton Township, has approximately 5,000 students and is accredited by the International Assembly of Collegiate Business Education. Wayne State University invested in the Advanced Technology Education Center (ATEC) in Warren. Other stand-alone satellite campuses include Central Michigan University, Michigan State University College of Osteopathic Medicine, Ferris State University and Saginaw Valley State University. Together, these institutions provide Macomb County students with the opportunity to attain bachelor's degrees in marketable academic segments without leaving the area.

HEALTH CARE

The health care industry has grown significantly in Macomb County, with world-renowned facilities investing in various operations throughout the area. Since 2014, these organizations have used MCPED's Business Retention Program to invest over \$180 million into expansion efforts. Macomb County now has three general hospitals with capacity for approximately 1,100 beds. Plans for an additional hospital were announced in March 2019.

Notable health care facilities include:

- The Henry Ford Macomb Hospital in Clinton Township, which includes specialty services like a Heart & Vascular Institute, 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, which offers several highly-regarded specialty centers within the hospital. Prominent among them are the Mat Gaberty Heart Center and the Ted B. Wahby Cancer Center, both of which offer comprehensive diagnostic and surgical services. McLaren recently opened a corporate services office in Macomb County. This 57,000-square-foot facility consolidates 13 centers from around the state and will improve insurance billing effectiveness that could increase revenue by as much as \$30 million annually for the health care system.
- St. John Providence Health System, which has established "Centers of Excellence" for a wide range of inpatient and outpatient services at St. John Macomb-Oakland Hospital and 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.

- Beaumont Health, which announced plans this year to open an outpatient campus in Lenox Township. The center is expected to open in 2020 and will have 120,000-square-feet, making it the largest outpatient operation for the health system. The campus will offer Beaumont-affiliated primary and specialty care physicians, emergency care, imaging, outpatient surgery, cancer services, physical therapy and other services. Some independent physicians and other groups may also open offices at the site.

ONEMACOMB

In 2012, Macomb County Executive Mark A. Hackel created the OneMacomb initiative in response to shifting demographics within the county. The effort, which is now led by a diverse executive committee, seeks to promote multiculturalism and inclusiveness, strengthen the economy and identify and implement multicultural best practices.

OneMacomb data shows that more than 116 primary languages are spoken in the county and that 10 percent of its residents are foreign born. This immigrant population helps drive the area's economy. For instance, in 2014, foreign-born households contributed more than \$4.1 billion to the GRP of Macomb County. That same year, immigrants in the area paid more than \$237 million into Social Security and \$56 million into Medicare. Immigration also increased total housing value in Macomb County by \$723 million between 2000 and 2014.

Notably, the immigrant population also spurs economic development, with foreign-born residents being more likely to start new businesses. Current data shows that 4,773 immigrants in Macomb County are self-employed and their businesses generate \$52 million in the local economy. These statistics demonstrate how the county is a place for all to flourish and prove that anyone can make Macomb their home.

BLUE ECONOMY & NATURAL FEATURES

Macomb County is adjacent to 32 miles of beautiful Lake St. Clair (Great Lakes) shoreline – an area that supports more than 70 active marinas and a world-class recreational boating and fishing industry. Additional water assets include the Clinton River, which meanders for 60 miles across the area, and many other local streams, ponds and waterways. Residents and visitors take advantage of these resources with 53,000 registered boats and through the area's numerous boat launches. This activity sustains over 5,000 blue economy jobs and, according to 2014 figures, more than 200 businesses selling or servicing boats.

In addition to water assets, Macomb County has incredible green spaces. To support these areas, Macomb County Planning & Economic Development created the Green Macomb initiative, a program that promotes green infrastructure efforts. Through diverse partnerships with local municipalities, businesses, private residents and nonprofit organizations, the initiative enhances our region's land and water resources. For instance, Green Macomb is strategically increasing Macomb County's tree canopy by planting diverse tree species in areas with high population density and high-impacted sub-watersheds. In 2018 alone, federal grants and the support of volunteers enabled more than 2,000 tree plantings throughout the county. This work was recently recognized with a National Association of Counties Achievement Award in County Resiliency.

All told, Macomb County is home to 215 unique public parks, 32 miles of lakefront shoreline, 155 miles of built bike paths, 32 miles of kayaking space and hundreds of additional miles of streams and tributaries. These assets contribute to an overall high quality of life for residents and make Macomb a great place to call home.

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.

Department of Roads Retiree Health Care Trust Plan. The County's Department of Roads administers its own single employer defined benefit retiree health care plan. Additional information regarding the Department of Roads Retiree Health Care Trust Plan 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, Health Care Trust Funds, and the Intermediate Retiree Medical Benefits Trust 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, 2017. 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 33 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

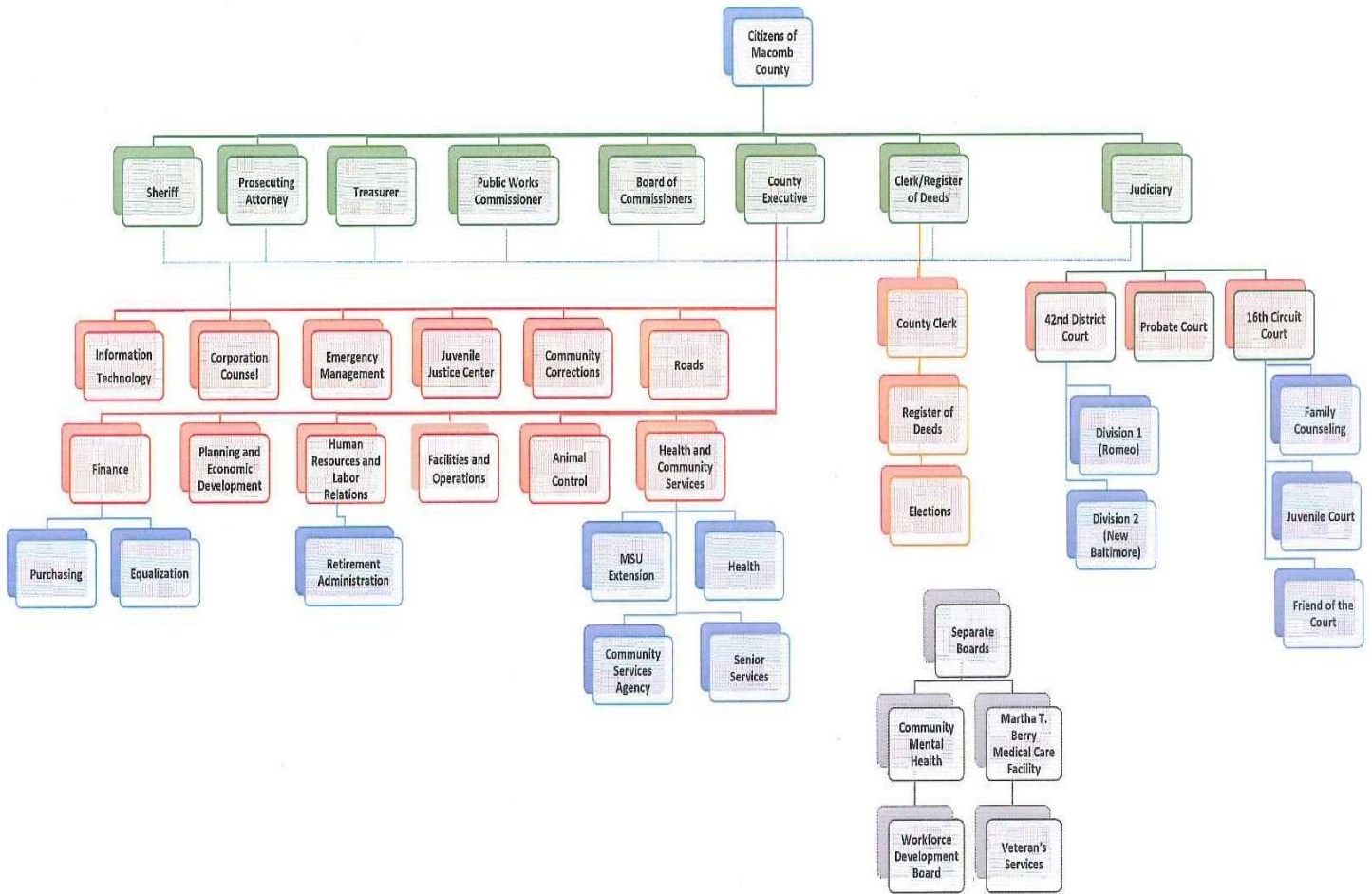
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morill

Executive Director/CEO

Macomb County, Michigan
 ORGANIZATIONAL CHART
 Year Ended December 31, 2018



Macomb County, Michigan

LIST OF ELECTED AND APPOINTED OFFICIALS

Year Ended December 31, 2018

County Executive's Office

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

2017-2018 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	Fred Miller
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	Andrew McKinnon
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 (the "County") as of and for the year ended December 31, 2018 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2018 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 19 to the basic financial statements, effective for the year ended December 31, 2018, the County adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This new accounting standard results in the recognition of the County's net OPEB liability (asset) on the government-wide financial statements. This statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). Our opinion is not modified with respect to this matter.

To the Board of Commissioners
County of Macomb, Michigan

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information 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 an opinion on the financial statements that collectively comprise the County's basic financial statements. The other supplemental information, as identified in the table of contents, and the introductory and statistical section schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2019 on 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, 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's internal control over financial reporting and compliance.



June 24, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2018

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, 2018. 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 \$1.0 billion at year- end.

The net position of the county decreased by \$42.1 million in fiscal 2018.

The General Fund reported an increase of \$4.6 million for the year. Nonspendable fund balance was \$3.6 million, while Assigned and Unassigned fund balances were \$54.6 million, or 23.8% of 2018 General Fund budgeted expenditures. Total fund balance was \$58.2 million. Nonspendable fund balance represented amounts for prepaid items, advances to other funds, and long-term receivables. Assigned fund balance represented subsequent budgeted use of fund balance.

The county's governmental and business-type activities retired a combined \$18.8 million in long term debt and took on \$0.4 million in new long term debt during fiscal year 2018. At year end, the county is \$2.5 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 2018, the county implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result, the primary government, proprietary, and component unit funds now include a liability for the county's estimated unfunded other postemployment benefit (OPEB) costs. Some of the changes in this net OPEB liability will be recognized immediately as part of the OPEB expense measurement, and part will be deferred and recognized over future years. See Notes 13 and 14 for disclosures related to the county's OPEB plans. This change does not impact the county's modified accrual funds. As a result of this implementation, beginning net position was restated, decreasing total primary government beginning net position by \$1.1 billion. See Note 19 for disclosures related to these restatements.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2018

are related to items that will only result in cash flows in future years. Examples of such items are uncollected property taxes and earned but unused sick and vacation leave.

The government-wide financial statements segregate the activities of the county into three categories: governmental activities, business-type activities and discretely presented component units. The basic services of the county are classified as **governmental activities** and are financed primarily through property taxes, user fees and intergovernmental revenues. Functions reported in this category include general government, legislative, health and welfare, public safety, public works and judicial. **Business-type activities** operate like private businesses and are intended to recover the majority of their costs through user fees. The business-type activities of the county include the Delinquent Tax Revolving Funds, Community Mental Health and the Freedom Hill Park. **Discretely presented component units** are legally separate entities, the majority of whose governing bodies are appointed by the Board of Commissioners and for which the county is financially 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-7 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

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2018

collections from local units of government. The activities of the fiduciary funds are presented separately in this report but are not reflected in the government-wide financial statements because the resources of those funds are not available to support the operations of the county. Fiduciary funds are accounted for using the full accrual basis of accounting. The fiduciary fund financial statements begin on page B-12 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-16 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 \$1.0 billion at December 31, 2018 and decreased by approximately \$42.1 million for the year then ended. (See page A-7)

Macomb County Primary Government Net Position

	Governmental Activities		Business-type Activities		Totals	
	2017	2018	2017	2018	2017	2018
Current and other assets	\$ 529,230,029	\$ 500,079,316	\$ 226,189,230	\$ 220,779,116	\$ 755,419,259	\$ 720,858,432
Capital assets	1,029,507,921	1,037,758,803	1,774,048	1,677,318	1,031,281,969	1,039,436,121
Total assets	1,558,737,950	1,537,838,119	227,963,278	222,456,434	1,786,701,228	1,760,294,553
Deferred outflows of resources	46,647,814	108,298,238	11,572,805	15,064,884	58,220,619	123,363,122
Current liabilities	38,763,169	46,521,036	32,847,029	33,040,847	71,610,198	79,561,883
Long-term liabilities						
Due within one year	20,155,474	20,443,140	1,862,795	1,912,301	22,018,269	22,355,441
Due in more than one year	266,476,903	247,454,415	40,883,166	37,511,626	307,360,069	284,966,041
Net Pension liability	6,243,155	90,325,682	757,802	11,998,229	7,000,957	102,323,911
Net OPEB liability	257,928,637	256,717,706	42,869,957	46,959,665	300,798,594	303,677,371
Total liabilities	589,567,338	661,461,979	119,220,749	131,422,668	708,788,087	792,884,647
Deferred inflows of resources	42,958,075	38,730,865	4,986,332	5,912,042	47,944,407	44,642,907
Net position						
Net investment in capital assets	962,906,343	977,518,267	1,774,048	1,677,318	964,680,391	979,195,585
Restricted	104,499,399	115,987,302	22,531,263	17,096,290	127,030,662	133,083,592
Unrestricted	(94,545,391)	(147,562,056)	91,023,691	81,413,000	(3,521,700)	(66,149,056)
Total Net Position	\$ 972,860,351	\$ 945,943,513	\$ 115,329,002	\$ 100,186,608	\$ 1,088,189,353	\$ 1,046,130,121

Approximately \$979.2 million 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 \$133.1 million of the county's net

Macomb County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2018

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 restricted by statute as well as cash and investments restricted for the repayment of outstanding debt. The sum of restricted net position and net investment in capital assets exceeds total net position, resulting in a negative unrestricted net position at December 31, 2018 and in December 31, 2017 (as restated). The main cause of the negative unrestricted net position is the restatement related to the county's implementation of Government Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. See Note 19 for more information regarding the restatements performed and Notes 13 and 14 for more information regarding the county's Other Postemployment Benefit plans.

As indicated in the following schedule, the net position of the county decreased by \$42.1 million for the year ended December 31, 2018. The components of this change was a decrease of \$26.9 million in governmental activities and a decrease of \$15.2 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	
	2017	2018	2017	2018	2017	2018
Revenues						
Program revenue						
Charges for services	\$ 73,958,296	\$ 76,302,430	\$ 213,586,161	\$ 210,463,914	\$ 287,544,457	\$ 286,766,344
Operating grants and contributions	55,244,142	59,098,533	15,927,220	16,685,697	71,171,362	75,784,230
Capital grants and contributions	78,703,755	92,599,892	-	-	78,703,755	92,599,892
General revenue						
Property taxes	118,648,866	123,095,312	-	-	118,648,866	123,095,312
Intergovernmental revenues	29,903,709	27,253,517	-	-	29,903,709	27,253,517
Investment earnings	44,375,868	-	10,697,753	-	55,073,621	-
	<u>400,834,636</u>	<u>378,349,684</u>	<u>240,211,134</u>	<u>227,149,611</u>	<u>641,045,770</u>	<u>605,499,295</u>
Expenses						
Legislative	1,645,101	1,612,412	-	-	1,645,101	1,612,412
Judicial	52,196,731	54,423,710	-	-	52,196,731	54,423,710
General government	38,460,211	40,549,774	-	-	38,460,211	40,549,774
Public safety	91,771,360	97,943,373	-	-	91,771,360	97,943,373
Public works	85,649,643	98,981,689	-	-	85,649,643	98,981,689
Health and welfare	91,920,027	99,544,530	-	-	91,920,027	99,544,530
Community and economic development	3,715,096	4,157,212	-	-	3,715,096	4,157,212
Recreation and culture	174,758	146,947	-	-	174,758	146,947
Interest and fees on long-term debt	9,277,723	8,716,839	1,461,665	1,382,748	10,739,388	10,099,587
Delinquent tax collections	-	-	2,930,869	3,009,109	2,930,869	3,009,109
Community Mental Health	-	-	235,201,026	236,737,512	235,201,026	236,737,512
Freedom Hill Park	-	-	351,096	443,260	351,096	443,260
	<u>374,810,650</u>	<u>406,076,486</u>	<u>239,944,656</u>	<u>241,572,629</u>	<u>614,755,306</u>	<u>647,649,115</u>
Increase (decrease) in net position before transfers	26,023,986	(27,726,802)	266,478	(14,423,018)	26,290,464	(42,149,820)
Net transfers	(1,288,716)	809,964	(799,792)	(719,376)	(2,088,508)	90,588
Increase (decrease) in net position	24,735,270	(26,916,838)	(533,314)	(15,142,394)	24,201,956	(42,059,232)
Net position, beginning of year as restated	<u>948,125,081</u>	<u>972,860,351</u>	<u>115,862,316</u>	<u>115,329,002</u>	<u>1,063,987,397</u>	<u>1,088,189,353</u>
Net position, end of year	<u>\$ 972,860,351</u>	<u>\$ 945,943,513</u>	<u>\$ 115,329,002</u>	<u>\$ 100,186,608</u>	<u>\$1,088,189,353</u>	<u>\$1,046,130,121</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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

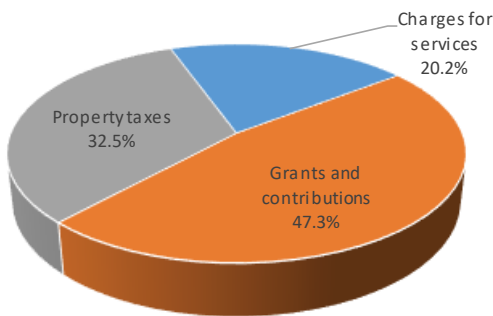
December 31, 2018

Governmental activities. The \$26.9 million decrease in net position of governmental activities was contrasted by the increase in net position of \$24.7 million in the prior year. The change of \$51.6 million between the prior year's increase and the current year's decrease is the result of historically strong stock market performance in 2017, followed by a poorly-performing market in 2018. The county's investments earned \$44.4 million in 2017, but lost \$12.8 million in 2018, which was a change of \$57.2 million prior year. Specifically, investments related to the county's Intermediate Retiree Medical Benefits Trust, which are contained within the county's Other Postemployment Benefits (OPEB) Internal Service Fund, lost a total of \$18.8 million, of which \$15.5 million were allocated to government activities. Public Act 20 governmental fund investments gained \$2.7 million. Other than OPEB-related investments, property tax revenues increased by \$4.4 million, or 3.8%, mainly due to continuing strong new home builds and an increasing rate of inflation, which guides how much property taxes in the State of Michigan can increase on an annual basis. Additionally, capital grants and contributions increased by \$13.9 million, or 17.7%, mainly as a result of increased state and federal road funding.

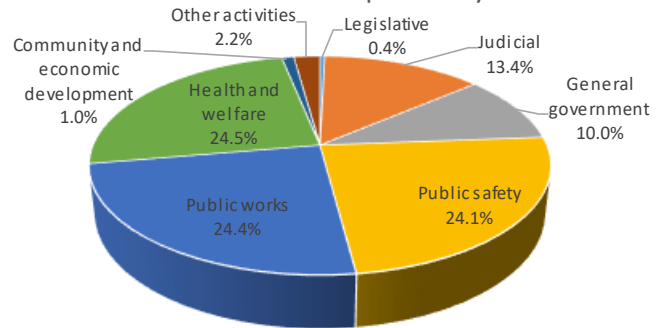
Total expenses increased \$31.2 million, the largest portion of which was attributable to an increase of \$10.1 million in pension-related expenses. Also, a larger proportion of expenses in the county were operating-related rather than capital-related in 2018, resulting in less capitalized expenses and thus additional full accrual expenses at the government-wide statement level. \$82.1 million of capital expenses were capitalized in FY17 as compared to only \$69 million in FY18, a decrease of \$13.1 million. Finally, there were increases in grant-funded services provided, mainly related to the county child care program, health grants, and community action agency. Additionally, expenses increased due to one percent raises given to all employees at the county in 2018 as a result of previously negotiated labor contracts.

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

Governmental Activities Revenues By Source



Governmental Activities Expenses By Function



Business-type activities. The net position of the county's business-type activities decreased approximately \$15.1 million during the year. The decrease in net position was mainly driven by the county's Community Mental Health agency, which experienced a loss of \$11.8 million for the year. The agency's loss was due to significant decreases in state funding, which outpaced 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2018

The combined ending fund balances of all governmental funds were \$169.7 million at December 31, 2018, an increase of \$16.7 million over the prior year. The increase consists of a \$4.6 million increase in the General Fund, a \$15.3 million increase in the Roads Major Special Revenue Fund, and a combined decrease of \$3.2 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 below:

General Fund Revenue By Source and Expenditures By Function

	2017	2018	Increase (Decrease)	
			\$ Change	% Change
Revenues				
Property taxes	\$ 118,423,150	\$ 120,887,274	\$ 2,464,124	2.08%
Licenses and permits	1,577,397	1,540,465	(36,932)	-2.34%
Federal and state grants	38,951,867	36,560,471	(2,391,396)	-6.14%
Charges for services	41,917,709	43,022,656	1,104,947	2.64%
Charges to other funds for administrative services	14,482,179	14,570,767	88,588	0.61%
Fines and forfeitures	586,741	560,396	(26,345)	-4.49%
Interest and rents	3,809,574	4,552,259	742,685	19.50%
Other revenue	177,465	212,958	35,493	20.00%
Transfers from other funds	8,158,203	13,404,217	5,246,014	64.30%
Total revenues	228,084,285	235,311,463	7,227,178	3.17%
Expenditures				
Current				
Legislative	1,481,976	1,453,198	(28,778)	-1.94%
Judicial	33,262,954	32,713,302	(549,652)	-1.65%
General government	41,019,308	41,270,045	250,737	0.61%
Public safety	69,453,561	71,954,581	2,501,020	3.60%
Public works	5,744,645	6,009,697	265,052	4.61%
Health and welfare	21,733,867	22,768,428	1,034,561	4.76%
Community and economic development	3,133,710	3,236,906	103,196	3.29%
Other / Non-departmental	1,854,569	2,092,312	237,743	12.82%
Capital outlay	2,054,059	2,670,774	616,715	30.02%
Transfers out	56,388,457	46,536,959	(9,851,498)	-17.47%
Total expenditures	236,127,106	230,706,202	(5,420,904)	-2.30%
Net change in fund balance	\$ (8,042,821)	\$ 4,605,261	\$ 12,648,082	157.26%

Property tax revenue increased by \$2.5 million, or 2.08%, due to a robust housing market in 2018, which led to increased taxable values and associated property tax revenue collections for the year.

Federal and state grants decreased by \$2.4 million, or 6.14%, mainly due to a decrease of \$2.85 million in the county's personal property tax reimbursement amount in 2018. The reimbursement is based on a formula set by state statute and is designed to replace a portion of certain personal property taxes formerly collected that have been abolished by state statute.

Charges for services increased by \$1.1 million, or 2.64%, with significant increases attributable to real estate driven fee collections, and increases in contract revenues as a result of expansion of agreements with local communities for sheriff

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2018

road patrols. Real estate driven fees, such as recording fees and real estate transfer taxes, increased by a net of \$0.2 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. While recording fees decreased because fewer homes were sold in 2018, real estate transfer taxes increased as homes being sold were valued higher than the prior year. Several communities contracted with the county sheriff department for increased patrols, which increased road patrol contract revenues by \$1.1 million in 2018.

Transfers from other funds increased by \$5.2 million, or 64.3%. This was driven by transfers into the General Fund from the Workers Compensation and General Liability Internal Service Funds in order to reimburse the fund for excess contributions the General Fund had made to these funds in previous fiscal years. The transfer was made because the funds had a surplus net position higher than targeted by management.

Expenditures decreased approximately \$5.4 million across all functional categories in 2018. Excluding transfers out, expenditures in capital outlay and departments actually increased approximately \$4.4 million in 2018. About 16% 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. In addition to increased wage cost, costs of operations increased most significantly in the county's sheriff department, health department, and animal shelter.

The sheriff department's (public safety) costs increased by \$2.5 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, deputies entered into a new agreement effective for 2018 that increased wages by 4%.

The county health department's costs increased by \$0.7 million, while the animal shelter's costs increased by \$0.3 million. Both departments saw increases in indirect cost rates charged to them in 2018 as a result in additional supporting county resources being used in these departments as compared to previous years.

The county's capital outlay costs in the General Fund increased by \$0.6 million as a result of sheriff-related capital outlay requests throughout the year. Most notably, the sheriff department purchased more police vehicles than a typical year as a result of the timing of the department's fleet replacement schedule in 2018.

Finally, transfers out decreased by \$9.9 million compared to prior year. The decrease was driven by a reduction in capital project transfers of \$10.3M. The drop occurred because of lower capital costs charged to the capital improvement fund in 2018 as compared to 2017, falling from \$10,352,728 in 2017 to \$5,498,178 in 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2018

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

	2017	2018	Increase (Decrease)	
			\$ Change	% Change
Revenues				
Licenses and permits	\$ 707,846	\$ 941,109	\$ 233,263	32.95%
Federal and state grants	74,246,919	87,365,072	13,118,153	17.67%
Charges for services	9,894,619	9,517,730	(376,889)	-3.81%
Interest and rents	478,700	1,218,861	740,161	154.62%
Other revenue	353,674	516,442	162,768	46.02%
Face amount of long-term debt	-	400,000	400,000	100.00%
Transfers in	-	2,312,574	2,312,574	100.00%
Total revenues	85,681,758	102,271,788	16,590,030	19.36%
Expenditures				
Current				
Public works	78,182,030	82,077,252	3,895,222	4.98%
Capital outlay	3,397,899	4,659,815	1,261,916	37.14%
Debt service				
Principal	167,778	236,042	68,264	40.69%
Interest and fees	20,543	20,088	(455)	-2.21%
Transfers out	457,029	-	(457,029)	-100.00%
Total expenditures	82,225,279	86,993,197	4,767,918	5.80%
Net change in fund balance	\$ 3,456,479	\$ 15,278,591	\$ 11,822,112	342.03%

Increases in both revenues as well as expenditures are the result of a combination of increased roads projects throughout the county in 2018 as compared to 2017 as well as the county-wide wage increases given to road employees.

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

The fund balances of the county's nonmajor governmental funds were approximately \$29.4 million at year-end, a decrease of approximately \$3.2 million over the prior year. The decrease consists of an increase of \$2.9 million in the special revenue funds, a small increase of \$24,665 in the debt service fund, and a decrease of \$6.1 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 \$6.1 million in 2018 because of the timing of ongoing capital project funding needs.

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2018

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

	2017	2018	Increase (Decrease)	
			\$ Change	% Change
Revenues				
Charges for services	\$ 10,829,988	\$ 10,857,867	\$ 27,879	0.26%
Investment income	1,209,080	2,823,086	1,614,006	133.49%
Transfer in	5,534	-	(5,534)	-100.00%
Total revenues	12,044,602	13,680,953	1,636,351	13.59%
Expenses				
Wages and fringe benefits	469,595	475,128	5,533	1.18%
Supplies and services	2,461,274	2,533,981	72,707	2.95%
Transfers out	8,000,000	8,000,000	-	0.00%
Total expenditures	10,930,869	11,009,109	78,240	0.72%
Change in net position	\$ 1,113,733	\$ 2,671,844	\$ 1,558,111	139.90%

The most notable change in operating results was a \$1.6 million increase in investment income, which was the result of a better performing investment portfolio in 2018 as compared to 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2018

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

	2017	2018	Increase (Decrease)	
			\$ Change	% Change
Revenues				
Federal and state grants	\$ 15,927,220	\$ 16,685,697	\$ 758,477	4.76%
Charges for services	198,920,345	192,899,841	(6,020,504)	-3.03%
Other	467,389	1,814,734	1,347,345	288.27%
Investment income	323,364	369,612	46,248	14.30%
Transfers in	7,162,189	7,269,294	107,105	1.50%
Total revenues	222,800,507	219,039,178	(3,761,329)	-1.69%
Expenses				
Wages and fringe benefits	28,285,365	28,949,541	664,176	2.35%
Contractual services	184,452,956	189,157,840	4,704,884	2.55%
Utilities	349,489	390,367	40,878	11.70%
Repairs and maintenance	53,808	58,306	4,498	8.36%
Supplies and services	15,404,816	12,274,991	(3,129,825)	-20.32%
Total expenditures	228,546,434	230,831,045	2,284,611	1.00%
Change in net position	\$ (5,745,927)	\$ (11,791,867)	\$ (6,045,940)	105.22%

Community Mental Health is funded primarily by Medicare and Medicaid. Revenue from charges for services (primarily Medicare and Medicaid) decreased by \$6.0 million due to less Medicaid funding availability. Contractual services increased by \$4.7 million because of increasing demand for service as well as increased costs of contractors being passed onto Community Mental Health. Supplies and services decreased by \$3.1 million primarily as the result of less claims tax being paid, which was driven by the corresponding decrease in Medicaid funding.

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2018

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

	2017	2018	Increase (Decrease)	
			\$ Change	% Change
Revenues				
Charges for services	\$ 239,918	\$ 189,435	\$ (50,483)	-21.04%
Other	11,092	500	(10,592)	-95.49%
Transfers in	39,956	11,330	(28,626)	-71.64%
Total revenues	290,966	201,265	(89,701)	-30.83%
Expenses				
Wages and fringe benefits	-	18,782	18,782	100.00%
Contractual services	-	4,193	4,193	100.00%
Utilities	88,181	104,613	16,432	18.63%
Repairs and maintenance	81,067	70,467	(10,600)	-13.08%
Supplies and services	50,447	103,210	52,763	104.59%
Depreciation	126,786	131,533	4,747	3.74%
Transfer out	7,471	-	(7,471)	-100.00%
Total expenditures	353,952	432,798	78,846	22.28%
Change in net position	<u>\$ (62,986)</u>	<u>\$ (231,533)</u>	<u>\$ (168,547)</u>	<u>267.59%</u>

Total revenue decreased by \$89,701, which was primarily driven by slightly lower charges for services at the facility as well as a write off of long-outstanding receivables in the amount of \$48,240 the county is still pursuing but considers less likely to be collected.

Expenses increased by \$78,846, which was primarily driven by the county adding \$51,760 of accounts payable and related supplies and services expense that the county is still discussing with its vendor but considers it more likely to be a county obligation. Additionally, the county added a new full time position to the fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2018

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	\$ 119,965,426	\$ 121,162,580	\$ 120,887,274	\$ (275,306)	-0.23%
Licenses and permits	1,473,044	1,473,044	1,540,465	67,421	4.58%
Federal and state grants	36,053,702	38,056,134	36,560,471	(1,495,663)	-3.93%
Charges for services	38,958,556	40,770,752	43,022,656	2,251,904	5.52%
Charges to other funds for administrative services	15,245,889	15,546,153	14,570,767	(975,386)	-6.27%
Fines and forfeitures	487,750	487,750	560,396	72,646	14.89%
Interest and rents	3,132,561	3,832,561	4,552,259	719,698	18.78%
Other revenue	193,300	194,720	212,958	18,238	9.37%
Transfers in	8,063,000	8,084,680	13,404,217	5,319,537	65.80%
Total revenues	\$ 223,573,228	\$ 229,608,374	\$ 235,311,463	\$ 5,703,089	2.48%

The federal and state grants unfavorable variance of \$1.5 million was mainly the result of the state personal property tax reimbursement program, which was budgeted at \$6.0 million while the county received reimbursement of just \$4.2 million. The 2018 budget had been a conservative estimate based on the prior year collection of \$7.0 million.

The charges for services favorable variance of \$2.3 million was mainly the result of higher than anticipated real estate transfer taxes, road patrol revenues, and jail substance abuse charges. The county collected \$5.1 million of real estate transfer fees, which was \$0.4 million more than budgeted. Real estate transfer taxes are based on the sale price of a property, so while the number of home sales were down in the county in 2018, the price of the homes that were sold were high enough to still collect more transfer taxes than budgeted in 2018. Other favorable variances included road patrol revenues, which were \$0.4 million more than budgeted because of personnel added to existing contracts in 2018, which increased the revenues collected from communities in those contracts in order to cover those additional costs. Also, the jail substance abuse charges increased by \$0.7 million, while utility reimbursements from the Martha T. Berry Medical Care Facility increased by \$0.2 million over budgeted levels in 2018.

Finally, transfers in were \$5.3 million higher than budgeted as a result of transfers in from the county's general liability and workers compensation internal service funds. In years when liabilities in these funds exceed targeted net position, the General Fund has historically made up the difference. In years like 2018 when targeted net position is exceeded because of lower than expected liabilities and expenses, the additional contributions made in prior years are returned to the General Fund.

Macomb County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2018

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	\$ 1,732,622	\$ 1,634,525	\$ 1,453,198	\$ 181,327	11.09%
Judicial					
Circuit court	12,445,065	11,140,261	11,160,689	(20,428)	-0.18%
District court - 3rd class	20,000	20,000	16,523	3,477	17.39%
District court - New Baltimore	1,267,169	1,225,849	1,219,106	6,743	0.55%
District court - Romeo	970,037	913,261	900,924	12,337	1.35%
Family counseling	71,319	71,319	39,876	31,443	44.09%
Family court - Juvenile division	5,266,930	5,036,366	5,172,775	(136,409)	-2.71%
Jury commission	183,475	183,475	157,613	25,862	14.10%
Law library	40,950	40,950	43,433	(2,483)	-6.06%
Probate court	3,200,698	3,102,727	3,107,522	(4,795)	-0.15%
Probation - Circuit court	118,137	118,137	112,098	6,039	5.11%
Probation - District court	499,663	472,644	461,401	11,243	2.38%
Prosecuting attorney	10,281,441	10,047,634	10,321,342	(273,708)	-2.72%
Total judicial	34,364,884	32,372,623	32,713,302	(340,679)	-1.05%
General government					
Building authority	\$ 500	\$ 500	\$ -	\$ 500	100.00%
County clerk	4,907,469	4,599,924	4,520,321	79,603	1.73%
County executive	1,568,835	1,438,316	1,401,952	36,364	2.53%
Corporation counsel	1,080,157	1,078,625	1,093,739	(15,114)	-1.40%
Elections	29,763	29,763	29,062	701	2.36%
Ethics board	14,600	14,600	306	14,294	97.90%
Equalization	897,690	822,506	820,694	1,812	0.22%
Facilities and operations	14,011,186	14,252,238	15,073,812	(821,574)	-5.76%
Finance	2,194,321	2,192,602	2,163,654	28,948	1.32%
Human resources	2,334,949	2,190,965	2,199,903	(8,938)	-0.41%
Information technology	8,213,414	8,117,639	8,008,162	109,477	1.35%
MSU extension	963,980	933,101	920,499	12,602	1.35%
Purchasing	1,354,054	1,282,080	1,222,865	59,215	4.62%
Register of deeds	1,864,442	1,695,616	1,625,201	70,415	4.15%
Treasurer	2,279,121	2,244,261	2,189,875	54,386	2.42%
Total general government	41,714,481	40,892,736	41,270,045	(377,309)	-0.92%
Public safety					
Civil service commission	60,925	60,925	32,780	28,145	46.20%
Emergency management	1,223,655	1,154,827	1,152,582	2,245	0.19%
Sheriff department	69,373,298	69,752,744	70,769,219	(1,016,475)	-1.46%
Total public safety	70,657,878	70,968,496	71,954,581	(986,085)	-1.39%

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2018

General Fund Expenditures - Budgetary Comparison Schedule (concluded)

Expenditures (concluded)	Original	Final Amended	Actual	Variance, Positive (Negative)	
	Budget	Budget		\$ Unused	% Unused
Current (concluded)					
Public works	6,511,090	5,884,107	6,009,697	(125,590)	-2.13%
Health and welfare					
Animal shelter	2,315,235	2,170,211	2,370,106	(199,895)	-9.21%
Health & community services	306,038	292,386	292,843	(457)	-0.16%
Health department	20,805,086	20,281,515	20,047,359	234,156	1.15%
Social services	72,472	72,472	58,120	14,352	19.80%
Total health and welfare	23,498,831	22,816,584	22,768,428	48,156	0.21%
Community and economic development					
Planning and economic development	3,387,813	3,337,170	3,236,906	100,264	3.00%
Other current operations					
Non-departmental appropriations	2,451,800	2,574,273	2,092,312	481,961	18.72%
Vacant position turnover factor	(4,794,254)	-	-	-	0.00%
Total other current operations	(2,342,454)	2,574,273	2,092,312	481,961	18.72%
Capital outlay	1,019,600	2,756,291	2,670,774	85,517	3.10%
Transfers out	39,415,246	46,555,248	46,536,959	18,289	0.04%
Total expenditures	<u>\$ 219,959,991</u>	<u>\$ 229,792,053</u>	<u>\$ 230,706,202</u>	<u>\$ (914,149)</u>	<u>-0.40%</u>

The total budget for the General Fund was increased by \$9.8 million during the year. While there was no single significant budget amendment in the General Fund in 2018, cumulative budget amendments totaling \$7.1 million occurred in order to increase transfers out for various capital projects approved by the board throughout 2018.

The \$0.3 million unfavorable variance in the Prosecutor's Office was due primarily to overages in temporary employee and overtime budgets. Facilities and operations' unfavorable variance of \$0.8 million was due primarily to overages in overtime and unexpected costs associated with asbestos abatement work at the circuit court building. The Sheriff's Department was \$1.0 million over budget because of a combination of jail medical costs, labor-related costs, and costs associated with substance abuse programs in the jail. The Sheriff's Department continues to struggle with substance abuse issues among the jail inmate population, which was a major reason for the budget overages in the department in 2018. Finally, the Animal Shelter had an unfavorable variance of \$0.2 million, mainly as a result of higher than budgeted indirect costs. Indirect cost increases in the Animal Shelter were driven by upgrades to the department's IT systems.

In summary, General Fund revenues exceeded expenditures by \$4.6 million for the year ended December 31, 2018, but actual expenditures exceeded final budgeted expenditures by \$0.9 million. Assigned and Unassigned fund balance was \$54.6 million or 23.8% of 2018 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 \$1.7 million for business-type activities as shown on the following page.

Macomb County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2018

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

	Governmental Activities		Business-type Activities		Totals	
	2017	2018	2017	2018	2017	2018
Land	\$ 249,770,756	\$ 253,095,600	\$ 50,000	\$ 50,000	\$ 249,820,756	\$ 253,145,600
Land improvements	6,014,265	5,125,374	348,181	348,181	6,362,446	5,473,555
Buildings and improvements	177,618,175	172,432,473	1,359,163	1,229,997	178,977,338	173,662,470
Machinery, equipment and vehicles	19,503,241	18,771,024	16,704	49,140	19,519,945	18,820,164
Infrastructure	539,927,697	542,570,365	-	-	539,927,697	542,570,365
Construction in progress	36,673,787	45,763,967	-	-	36,673,787	45,763,967
Total assets	<u>\$ 1,029,507,921</u>	<u>\$ 1,037,758,803</u>	<u>\$ 1,774,048</u>	<u>\$ 1,677,318</u>	<u>\$ 1,031,281,969</u>	<u>\$ 1,039,436,121</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 \$283.9 million at December 31, 2018. 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	\$ 261,072,174	\$ 400,000	\$ 15,453,623	\$ 246,018,551	\$ 15,836,632
Business-type activities	41,217,116	-	3,320,131	37,896,985	1,712,301
Total general obligation bonds	<u>\$ 302,289,290</u>	<u>\$ 400,000</u>	<u>\$ 18,773,754</u>	<u>\$ 283,915,536</u>	<u>\$ 17,548,933</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, 2018 was \$27.1 billion. After adjustments as shown on page E-16, the county's debt limitation was \$2.5 billion at year-end. The county's outstanding debt of \$283.9 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 2019 budget:

Property values were projected to increase 3.5% in 2019.

Across the board wage increases of 1% were factored into the 2019 budget.

Health care costs are anticipated to increase 4% for employees and 8% for retirees in 2019.

Market interest rates in 2019 are expected to remain consistent with 2018 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, 2018

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, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and pooled investments	\$ 209,914,867	\$ 139,343,917	\$ 349,258,784	\$ 53,649,110
Restricted cash	-	-	-	7,365,106
Investments, at fair value	199,644,634	40,891,070	240,535,704	-
Receivables				
Property taxes, net	7,122,022	24,033,020	31,155,042	-
Accrued interest	1,097,698	1,284,638	2,382,336	-
Trade accounts, net	14,221,203	7,056,408	21,277,611	10,747,733
Special assessments	-	-	-	293,166,102
Inventories	3,221,361	-	3,221,361	-
Due from other governments	37,575,096	4,379,096	41,954,192	3,861,639
Due from component units	16,989,300	-	16,989,300	-
Internal balances	(4,446,747)	1,971,611	(2,475,136)	-
Due from fiduciary funds	10,327,404	-	10,327,404	-
Other assets	4,412,478	1,819,356	6,231,834	823,164
Assets held for sale	-	-	-	1,743,939
Capital assets, net				
Assets not being depreciated	298,859,567	50,000	298,909,567	63,008,486
Assets being depreciated	738,899,236	1,627,318	740,526,554	294,671,494
TOTAL ASSETS	1,537,838,119	222,456,434	1,760,294,553	729,036,773
DEFERRED OUTFLOWS OF RESOURCES				
Related to pension	80,819,387	10,735,479	91,554,866	1,119,850
Related to other post-employment benefits	27,478,851	4,329,405	31,808,256	1,582,394
TOTAL DEFERRED OUTFLOWS OF RESOURCES	108,298,238	15,064,884	123,363,122	2,702,244
LIABILITIES				
Accounts payable and accrued liabilities	39,303,350	30,080,281	69,383,631	13,897,693
Accrued wages payable	5,161,802	333,704	5,495,506	831,137
Accrued interest payable	1,528,978	235,131	1,764,109	3,721,229
Due to other governments	437,160	2,346,781	2,783,941	113,660
Unearned revenue	89,746	44,950	134,696	7,190,756
Long-term liabilities				
Due within one year	20,443,140	1,912,301	22,355,441	18,058,842
Due within more than one year	247,454,415	37,511,626	284,966,041	316,738,487
Net pension liability	90,325,682	11,998,229	102,323,911	1,251,571
Net other post-employment benefits liability	256,717,706	46,959,665	303,677,371	17,163,727
TOTAL LIABILITIES	661,461,979	131,422,668	792,884,647	378,967,102
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied in advance	1,947,186	-	1,947,186	-
Related to pension	19,616,245	2,605,684	22,221,929	271,807
Related to other post-employment benefits	17,167,434	3,306,358	20,473,792	1,208,472
TOTAL DEFERRED INFLOWS OF RESOURCES	38,730,865	5,912,042	44,642,907	1,480,279
NET POSITION				
Net investment in capital assets	977,518,267	1,677,318	979,195,585	104,137,203
Restricted for:				
Capital projects	86,478,556	-	86,478,556	27,989,201
Debt service	2,063,411	-	2,063,411	223,489,424
General government	2,431,878	-	2,431,878	-
Health and welfare	6,765,550	-	6,765,550	-
Planning and economic development	473,852	-	473,852	-
Judicial	1,088,689	-	1,088,689	-
Housing rehabilitation loans	7,078,309	-	7,078,309	-
Mental health and substance abuse	-	17,096,290	17,096,290	-
Public safety	1,895,220	-	1,895,220	-
Public works	-	-	-	24,086,149
Department of Roads liability insurance	7,711,837	-	7,711,837	-
Unrestricted (deficit)	(147,562,056)	81,413,000	(66,149,056)	(28,410,341)
TOTAL NET POSITION	\$ 945,943,513	\$ 100,186,608	\$ 1,046,130,121	\$ 351,291,636

See accompanying notes to the financial statements.

Macomb County, Michigan

STATEMENT OF ACTIVITIES

Year Ended December 31, 2018

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities					
Legislative	\$ 1,612,412	\$ 2,717	\$ -	\$ -	\$ (1,609,695)
Judicial	54,423,710	6,842,751	14,930,105	-	(32,650,854)
General government	40,549,774	14,639,859	420,944	-	(25,488,971)
Public safety	97,943,373	23,929,006	3,643,739	5,234,820	(65,135,808)
Public works	98,981,689	14,645,181	-	87,365,072	3,028,564
Health and welfare	99,544,530	15,991,646	39,826,539	-	(43,726,345)
Community and economic development	4,157,212	222,110	277,206	-	(3,657,896)
Recreation and culture	146,947	29,160	-	-	(117,787)
Interest and fees on long-term debt	8,716,839	-	-	-	(8,716,839)
Total governmental activities	406,076,486	76,302,430	59,098,533	92,599,892	(178,075,631)
Business-type activities					
Delinquent tax collections	3,009,109	10,857,867	-	-	7,848,758
Community mental health	236,737,512	199,407,179	16,685,697	-	(20,644,636)
Freedom hill park	443,260	198,868	-	-	(244,392)
Interest and fees on long-term debt	1,382,748	-	-	-	(1,382,748)
Total business-type activities	241,572,629	210,463,914	16,685,697	-	(14,423,018)
Total primary government	\$ 647,649,115	\$ 286,766,344	\$ 75,784,230	\$ 92,599,892	\$ (192,498,649)
Component units					
Drainage districts	\$ 81,851,753	\$ 78,593,660	\$ -	\$ 2,892,854	\$ (365,239)
Martha T. Berry medical care facility	28,587,069	29,568,519	-	-	981,450
Workforce development board	24,177,608	193,132	24,010,079	-	25,603
Total component units	\$ 134,616,430	\$ 108,355,311	\$ 24,010,079	\$ 2,892,854	\$ 641,814
		Governmental Activities	Business-Type Activities	Total	Component Units
Changes in net position					
Net (expense) revenue from above		\$ (178,075,631)	\$ (14,423,018)	\$ (192,498,649)	\$ 641,814
General revenues					
Property taxes		123,095,312	-	123,095,312	-
Intergovernmental revenues - unrestricted		27,253,517	-	27,253,517	-
Investment earnings		-	-	-	11,730,716
Transfers - internal activities		809,964	(719,376)	90,588	-
Total general revenues and transfers		151,158,793	(719,376)	150,439,417	11,730,716
CHANGE IN NET POSITION		(26,916,838)	(15,142,394)	(42,059,232)	12,372,530
Net position, beginning of year as restated*		972,860,351	115,329,002	1,088,189,353	338,919,106
Net position, end of year		\$ 945,943,513	\$ 100,186,608	\$ 1,046,130,121	\$ 351,291,636

*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, 2018

	Major Governmental Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Special Revenue Fund Road Fund (1)		
ASSETS				
Cash and pooled investments	\$ 47,179,300	\$ 88,527,036	\$ 30,888,439	\$ 166,594,775
Receivables				
Property taxes, net	5,359,072	-	1,762,950	7,122,022
Accrued interest	346,608	493,363	-	839,971
Trade accounts, net	3,143,934	3,013,419	7,857,380	14,014,733
Inventories	-	3,034,005	-	3,034,005
Due from other governments	16,758,260	10,864,017	9,952,819	37,575,096
Due from governmental funds	168,180	-	-	168,180
Due from proprietary funds	7,153,585	-	-	7,153,585
Due from component units	3,109,300	-	-	3,109,300
Other assets	468,185	1,136,340	198,915	1,803,440
TOTAL ASSETS	\$ 83,686,424	\$ 107,068,180	\$ 50,660,503	\$ 241,415,107
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 3,665,039	\$ 23,017,964	\$ 9,505,760	\$ 36,188,763
Accrued liabilities	-	-	96,519	96,519
Accrued compensation and benefits	4,092,059	403,520	666,223	5,161,802
Due to other governments	735	-	436,425	437,160
Due to governmental funds	-	-	2,935,739	2,935,739
Accrued workers compensation claims	-	321,411	-	321,411
Unearned revenue	-	-	89,746	89,746
TOTAL LIABILITIES	7,757,833	23,742,895	13,730,412	45,231,140
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied in advance	-	-	1,947,186	1,947,186
Unavailable property taxes	3,885,263	-	-	3,885,263
Unavailable grants and other charges	13,846,415	1,204,563	5,589,282	20,640,260
TOTAL DEFERRED INFLOWS OF RESOURCES	17,731,678	1,204,563	7,536,468	26,472,709
FUND BALANCES				
Nonspendable	3,577,485	4,170,345	727,866	8,475,696
Restricted	-	77,950,377	21,196,357	99,146,734
Assigned	8,844,007	-	10,107,135	18,951,142
Unassigned	45,775,421	-	(2,637,735)	43,137,686
TOTAL FUND BALANCES	58,196,913	82,120,722	29,393,623	169,711,258
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 83,686,424	\$ 107,068,180	\$ 50,660,503	\$ 241,415,107

(1) - Balance Sheet as of September 30, 2018

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, 2018

Total fund balances for governmental funds \$ 169,711,258

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	\$ 253,095,600
Land improvements	11,921,009
Buildings and improvements	321,562,986
Machinery, equipment, and vehicles	93,259,615
Infrastructure	1,327,782,377
Construction in progress	45,763,967
Accumulated depreciation	<u>(1,016,722,152)</u>

Capital assets, net of accumulated depreciation 1,036,663,402

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. (170,779,153)

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. 24,525,523

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	(19,616,245)
Deferred outflows related to pension	80,819,387

Net pension liability is not due and payable in the current year and is not reported in the governmental funds. (90,325,682)

Certain changes in the Department of Roads' OPEB 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 other post-employment benefits	(1,024,625)
Deferred outflows related to other post-employment benefits	6,341,168

Net OPEB liability is not due and payable in the current year and is not reported in the governmental funds. (27,444,047)

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. (60,775,536)

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. (379,420)

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. (1,416,495)

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. (356,022)

Net position of governmental activities \$ 945,943,513

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, 2018

	Major Governmental Funds			Total Governmental Funds
	General Fund	Special Revenue Fund Road Fund (1)	Nonmajor Governmental Funds	
REVENUES				
Property taxes	\$ 120,887,274	\$ -	\$ 1,897,198	\$ 122,784,472
Licenses and permits	1,540,465	941,109	430,826	2,912,400
Federal and state grants	36,560,471	87,365,072	53,352,590	177,278,133
Other grants	-	-	497,734	497,734
Charges for services	43,022,656	9,517,730	10,751,103	63,291,489
Charges to other funds for administrative services	14,570,767	-	-	14,570,767
Fines and forfeitures	560,396	-	1,051,043	1,611,439
Interest and rents	4,552,259	1,218,861	31,871	5,802,991
Other revenue	212,958	516,442	2,804,531	3,533,931
TOTAL REVENUES	221,907,246	99,559,214	70,816,896	392,283,356
EXPENDITURES				
Current				
Legislative	1,453,198	-	-	1,453,198
Judicial	32,713,302	-	13,239,230	45,952,532
General government	41,270,045	-	1,245,223	42,515,268
Public safety	71,954,581	-	8,671,509	80,626,090
Public works	6,009,697	82,077,252	158,147	88,245,096
Health and welfare	22,768,428	-	60,697,534	83,465,962
Community and economic development	3,236,906	-	345,043	3,581,949
Recreational and cultural	-	-	70,892	70,892
Other	2,092,312	-	-	2,092,312
Capital outlay	2,670,774	4,659,815	17,371,863	24,702,452
Debt service				
Principal	-	236,042	6,995,000	7,231,042
Interest and fees	-	20,088	1,981,584	2,001,672
TOTAL EXPENDITURES	184,169,243	86,993,197	110,776,025	381,938,465
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	37,738,003	12,566,017	(39,959,129)	10,344,891
OTHER FINANCING SOURCES (USES)				
Face amount of long-term debt	-	400,000	-	400,000
Transfers in	13,404,217	2,312,574	53,028,125	68,744,916
Transfers out	(46,536,959)	-	(16,234,120)	(62,771,079)
TOTAL OTHER FINANCING SOURCES (USES)	(33,132,742)	2,712,574	36,794,005	6,373,837
NET CHANGE IN FUND BALANCES	4,605,261	15,278,591	(3,165,124)	16,718,728
Fund balances, beginning of year	53,591,652	66,842,131	32,558,747	152,992,530
Fund balances, end of year	\$ 58,196,913	\$ 82,120,722	\$ 29,393,623	\$ 169,711,258

(1) - Year ended September 30, 2018

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, 2018

Net change in fund balances - total governmental funds	\$ 16,718,728
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	\$ 68,513,531
Current year depreciation expense	(59,451,135)
Net book value of assets disposed	<u>(844,693)</u>
	8,217,703
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	3,741,039
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.	
	7,231,042
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.	
	(400,000)
Net 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.	
	(22,553,569)
Net OPEB liability and deferred inflows and outflows related to the Department of Roads' OPEB plan are reported in the statement of activities at the time it is earned or incurred, but not in the governmental funds until paid.	
	1,378,931
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.	
	(41,119,802)
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	(38,317)
(Increase) in workers' compensation claims	(128,491)
Decrease in accrued interest payable	<u>35,898</u>
	<u>(130,910)</u>
Change in net position of governmental activities	<u>\$ (26,916,838)</u>

See accompanying notes to the financial statements.

Macomb County, Michigan

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

December 31, 2018

	Major Business-Type Activities - Enterprise Funds		Nonmajor Enterprise Fund	Enterprise Fund Totals	Internal Service Funds
	Delinquent Tax Revolving	Community Mental Health (1)	Freedom Hill Park		
ASSETS					
Current Assets					
Cash and pooled investments	\$ 95,788,453	\$ 41,569,140	\$ 432,393	\$ 137,789,986	\$ 44,874,023
Investments, at fair value	-	-	-	-	240,535,704
Receivables					
Property taxes, net	24,033,020	-	-	24,033,020	-
Accrued interest	1,114,574	117,276	-	1,231,850	310,515
Trade accounts, net	4,249,985	2,730,347	36,486	7,016,818	246,060
Inventories	-	-	-	-	187,356
Due from other governments	-	4,379,096	-	4,379,096	-
Due from component unit	-	-	-	-	13,880,000
Due from governmental funds	-	-	-	-	292,423
Due from fiduciary funds	-	-	-	-	10,327,404
Other assets	-	1,819,356	-	1,819,356	2,609,038
Total current assets	125,186,032	50,615,215	468,879	176,270,126	313,262,523
Noncurrent assets					
Capital assets, net					
Assets not being depreciated	-	-	50,000	50,000	-
Assets being depreciated	-	-	1,627,318	1,627,318	1,095,401
Total noncurrent assets	-	-	1,677,318	1,677,318	1,095,401
TOTAL ASSETS	125,186,032	50,615,215	2,146,197	177,947,444	314,357,924
DEFERRED OUTFLOWS OF RESOURCES					
Related to pension	-	10,735,479	-	10,735,479	-
Related to other post-employment benefits	-	-	-	-	25,467,088
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	10,735,479	-	10,735,479	25,467,088
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	552,317	29,359,421	75,828	29,987,566	3,110,783
Accrued wages payable	11,376	319,726	2,602	333,704	-
Accrued interest payable	-	-	-	-	1,384,689
Due to other governments	11,547	2,335,234	-	2,346,781	-
Due to governmental funds	-	-	-	-	7,153,585
Unearned revenue	-	44,950	-	44,950	-
Long-term liabilities due within one year	-	-	-	-	13,194,597
Total current liabilities	575,240	32,059,331	78,430	32,713,001	24,843,654
Noncurrent liabilities					
Long-term liabilities due in more than one year	-	-	-	-	231,257,421
Net pension liability	-	11,998,229	-	11,998,229	-
Net other post-employment benefits liability	-	-	-	-	276,233,324
Total noncurrent liabilities	-	11,998,229	-	11,998,229	507,490,745
TOTAL LIABILITIES	575,240	44,057,560	78,430	44,711,230	532,334,399
DEFERRED INFLOWS OF RESOURCES					
Related to pension	-	2,605,684	-	2,605,684	-
Related to other post-employment benefits	-	-	-	-	19,449,167
TOTAL DEFERRED INFLOWS OF RESOURCES	-	2,605,684	-	2,605,684	19,449,167
NET POSITION					
Net investment in capital assets	-	-	1,677,318	1,677,318	1,095,401
Restricted for:					
Mental health and substance abuse	-	17,096,290	-	17,096,290	-
Department of Roads liability insurance	-	-	-	-	7,711,837
Unrestricted (deficit)	124,610,792	(2,408,840)	390,449	122,592,401	(220,765,792)
TOTAL NET POSITION	\$ 124,610,792	\$ 14,687,450	\$ 2,067,767	\$ 141,366,009	\$ (211,958,554)

RECONCILIATION OF THE STATEMENT OF NET POSITION FOR PROPRIETARY FUNDS

Total net position of enterprise funds / internal service funds	\$ 141,366,009	\$ (211,958,554)
Add (subtract): Business-type equity in the net position of internal service funds	(41,179,401)	41,179,401

(1) - Year ended September 30, 2018

Net position reported in the government-wide statement of net position	\$ 100,186,608	\$ (170,779,153)
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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, 2018

	Major Business-Type Activities - Enterprise Funds	
	Delinquent Tax Revolving	Community Mental Health (1)
OPERATING REVENUES		
Federal and state grants	\$ -	\$ 16,685,697
Charges for services	10,857,867	192,899,841
Other	-	1,814,734
TOTAL OPERATING REVENUES	10,857,867	211,400,272
OPERATING EXPENSES		
Wages and fringe benefits	475,128	28,949,541
Contractual services	-	189,157,840
Utilities	-	390,367
Repairs and maintenance	-	58,306
Benefits and claims expenses	-	-
Supplies and services	2,533,981	12,274,991
Depreciation	-	-
TOTAL OPERATING EXPENSES	3,009,109	230,831,045
OPERATING INCOME (LOSS)	7,848,758	(19,430,773)
NONOPERATING REVENUES (EXPENSES)		
Investment income (expense)	2,823,086	369,612
Interest expense	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	2,823,086	369,612
NET INCOME (LOSS) BEFORE TRANSFERS	10,671,844	(19,061,161)
TRANSFERS		
Transfers in	-	7,269,294
Transfers out	(8,000,000)	-
NET TRANSFERS	(8,000,000)	7,269,294
CHANGE IN NET POSITION	2,671,844	(11,791,867)
Net position, beginning of year	121,938,948	26,479,317
Net position, end of year	<u>\$ 124,610,792</u>	<u>\$ 14,687,450</u>

(1) - Year ended September 30, 2018

Macomb County, Michigan

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

Year Ended December 31, 2018

	Nonmajor Enterprise Fund		Internal Service Funds
	Freedom Hill Park	Enterprise Fund Totals	
OPERATING REVENUES			
Federal and state grants	\$ -	\$ 16,685,697	\$ -
Charges for services	189,435	203,947,143	84,337,572
Other	500	1,815,234	1,780,000
TOTAL OPERATING REVENUES	189,935	222,448,074	86,117,572
OPERATING EXPENSES			
Wages and fringe benefits	18,782	29,443,451	-
Contractual services	4,193	189,162,033	-
Utilities	104,613	494,980	-
Repairs and maintenance	70,467	128,773	-
Benefits and claims expenses	-	-	96,134,512
Supplies and services	103,210	14,912,182	4,424,752
Depreciation	131,533	131,533	450,205
TOTAL OPERATING EXPENSES	432,798	234,272,952	101,009,469
OPERATING INCOME (LOSS)	(242,863)	(11,824,878)	(14,891,897)
NONOPERATING REVENUES (EXPENSES)			
Investment income (expense)	-	3,192,698	(18,721,056)
Interest expense	-	-	(8,133,814)
TOTAL NONOPERATING REVENUES (EXPENSES)	-	3,192,698	(26,854,870)
NET INCOME (LOSS) BEFORE TRANSFERS	(242,863)	(8,632,180)	(41,746,767)
TRANSFERS			
Transfers in	11,330	7,280,624	1,151,439
Transfers out	-	(8,000,000)	(6,315,312)
NET TRANSFERS	11,330	(719,376)	(5,163,873)
CHANGE IN NET POSITION	(231,533)	(9,351,556)	(46,910,640)
Net position, beginning of year as restated*	2,299,300	150,717,565	(165,047,914)
Net position, end of year	<u>\$ 2,067,767</u>	<u>\$ 141,366,009</u>	<u>\$ (211,958,554)</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		\$ (9,351,556)	\$ (46,910,640)
Add (subtract): Increase (decrease) in business-type activities' equity of internal service funds		<u>(5,790,838)</u>	<u>5,790,838</u>
Net income (loss) in the government-wide statement of activities		<u>\$ (15,142,394)</u>	<u>\$ (41,119,802)</u>

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

See accompanying notes to the financial statements.

Macomb County, Michigan

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

Year Ended December 31, 2018

	Major Business-Type Activities - Enterprise Funds	
	Delinquent Tax Revolving	Community Mental Health (1)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 50,276,147	\$ 217,603,102
Cash received from interfund services	-	-
Cash payments for delinquent taxes	(39,562,708)	-
Cash payments to employees and employee trusts	(476,774)	(25,876,083)
Cash payments to suppliers	(3,380,789)	(198,759,513)
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	6,855,876	(7,032,494)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Principal and interest paid on long-term debt	-	-
Transfers in	-	7,269,294
Transfers out	(8,000,000)	-
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	(8,000,000)	7,269,294
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	-	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	1,799,251	290,116
Proceeds from sale and maturities of investment securities	-	-
Change in fair value of cash equivalents	-	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	1,799,251	290,116
NET INCREASE (DECREASE) IN CASH AND POOLED INVESTMENTS	655,127	526,916
Cash and pooled investments, beginning of year	95,133,326	41,042,224
Cash and pooled investments, end of year	<u>\$ 95,788,453</u>	<u>\$ 41,569,140</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	\$ 7,848,758	\$ (19,430,773)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	-	-
Changes in deferrals related to pension or OPEB	-	(8,169,343)
Changes in assets and liabilities:		
Taxes receivable	(158,305)	-
Accounts receivable	15,508	8,588,214
Inventory	-	-
Due from other governments	-	(2,377,197)
Due from component unit	-	-
Due from other funds	-	-
Due from fiduciary funds	-	-
Other assets	-	1,774,275
Accounts payable	(846,808)	3,645,451
Accrued employee benefits	(1,646)	2,374
Due to other governments	(1,631)	(2,297,735)
Due to other funds	-	-
Unearned revenue	-	(8,187)
Long term liabilities	-	-
Net pension or net OPEB liability	-	11,240,427
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 6,855,876	\$ (7,032,494)

(1) - Year ended September 30, 2018

See accompanying notes to the financial statements.

-CONTINUED-

Macomb County, Michigan

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONCLUDED)

Year Ended December 31, 2018

	Nonmajor Enterprise Fund	Enterprise Fund Totals	Internal Service Funds
	Freedom Hill Park		
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 245,407	\$ 268,124,656	\$ -
Cash received from interfund services	-	-	87,670,484
Cash payments for delinquent taxes	-	(39,562,708)	-
Cash payments to employees and employee trusts	(16,180)	(26,369,037)	(36,778,193)
Cash payments to suppliers	(219,399)	(202,359,701)	(66,746,833)
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	9,828	(166,790)	(15,854,542)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Principal and interest paid on long-term debt	-	-	(19,513,297)
Transfers in	11,330	7,280,624	1,151,439
Transfers out	-	(8,000,000)	(6,315,312)
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	11,330	(719,376)	(24,677,170)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(34,803)	(34,803)	(483,384)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments	-	2,089,367	106,620
Proceeds from sale and maturities of investment securities	-	-	34,854,511
Change in fair value of cash equivalents	-	-	(510,524)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	-	2,089,367	34,450,607
NET INCREASE (DECREASE) IN CASH AND POOLED INVESTMENTS	(13,645)	1,168,398	(6,564,489)
Cash and pooled investments, beginning of year	446,038	136,621,588	51,438,512
Cash and pooled investments, end of year	<u>\$ 432,393</u>	<u>\$ 137,789,986</u>	<u>\$ 44,874,023</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ (242,863)	\$ (11,824,878)	\$ (14,891,897)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	131,533	131,533	450,205
Changes in deferrals related to pension or OPEB	-	(8,169,343)	(6,017,921)
Changes in assets and liabilities:			
Taxes receivable	-	(158,305)	-
Accounts receivable	55,472	8,659,194	196,616
Inventory	-	-	25,949
Due from other governments	-	(2,377,197)	403
Due from component unit	-	-	615,000
Due from other funds	-	-	(53,812)
Due from fiduciary funds	-	-	(5,850,758)
Other assets	-	1,774,275	3,218,463
Accounts payable	63,084	2,861,727	4,636,951
Accrued employee benefits	2,602	3,330	-
Due to other governments	-	(2,299,366)	-
Due to other funds	-	-	6,851,778
Unearned revenue	-	(8,187)	-
Long term liabilities	-	-	(3,829,345)
Net pension or net OPEB liability	-	11,240,427	(1,206,174)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 9,828	\$ (166,790)	\$ (15,854,542)

See accompanying notes to the financial statements.

Macomb County, Michigan

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended December 31, 2018

	Pension and Other Postemployment Benefit Funds
ADDITIONS	
Investment income (loss):	
Interest and dividends	\$ 26,240,821
Net (decrease) in fair value of investments	(90,250,847)
Less investment expenses	<u>(6,702,557)</u>
Net investment income (loss)	(70,712,583)
Contributions	
Employer	23,747,047
Employee	3,252,673
Contribution from Retiree Healthcare Intermediate Trust Fund	<u>38,365,857</u>
Total contributions	<u>65,365,577</u>
TOTAL ADDITIONS	(5,347,006)
DEDUCTIONS	
Benefit payments	86,363,591
Withdrawals and refunds of contributions	461,792
Administrative expenses	<u>773,347</u>
TOTAL DEDUCTIONS	<u>87,598,730</u>
CHANGE IN NET POSITION	(92,945,736)
Net Position - beginning of year	<u>1,292,863,004</u>
Net Position - end of year	<u>\$ 1,199,917,268</u>

See accompanying notes to the financial statements.

Macomb County, Michigan

COMBINING STATEMENT OF NET POSITION – COMPONENT UNITS

December 31, 2018

	Drainage Districts (1)	Martha T. Berry Medical Care Facility	Workforce Development Board (2)	Total
ASSETS				
Cash and pooled investments	\$ 49,350,255	\$ 4,298,855	\$ -	\$ 53,649,110
Restricted cash	7,346,007	19,099	-	7,365,106
Receivables				
Trade accounts, net	7,291,691	3,447,470	8,572	10,747,733
Special assessments	293,166,102	-	-	293,166,102
Due from other governments	116,653	-	3,744,986	3,861,639
Other assets	157,734	610,668	54,762	823,164
Assets held for sale	1,743,939	-	-	1,743,939
Capital assets, net				
Assets not being depreciated	61,093,465	1,915,021	-	63,008,486
Assets being depreciated	292,698,728	1,972,766	-	294,671,494
TOTAL ASSETS	712,964,574	12,263,879	3,808,320	729,036,773
DEFERRED OUTFLOWS OF RESOURCES				
Related to pension	-	1,119,850	-	1,119,850
Related to other post-employment benefits	-	1,582,394	-	1,582,394
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	2,702,244	-	2,702,244
LIABILITIES				
Accounts payable and accrued liabilities	9,032,587	1,382,578	3,482,528	13,897,693
Accrued wages payable	-	678,364	152,773	831,137
Accrued interest payable	3,635,095	86,134	-	3,721,229
Due to other governments	-	-	113,660	113,660
Unearned revenue	7,190,756	-	-	7,190,756
Long-term liabilities				
Due within one year	16,811,211	1,247,631	-	18,058,842
Due within more than one year	300,480,735	16,257,752	-	316,738,487
Net pension liability	-	1,251,571	-	1,251,571
Net other post-employment benefits liability	-	17,163,727	-	17,163,727
TOTAL LIABILITIES	337,150,384	38,067,757	3,748,961	378,967,102
DEFERRED INFLOWS OF RESOURCES				
Related to pension	-	271,807	-	271,807
Related to other post-employment benefits	-	1,208,472	-	1,208,472
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	1,480,279	-	1,480,279
NET POSITION				
Net investment in capital assets	100,249,416	3,887,787	-	104,137,203
Restricted for:				
Capital projects	27,989,201	-	-	27,989,201
Debt service	223,489,424	-	-	223,489,424
Public works	24,086,149	-	-	24,086,149
Unrestricted (deficit)	-	(28,469,700)	59,359	(28,410,341)
TOTAL NET POSITION	\$ 375,814,190	\$ (24,581,913)	\$ 59,359	\$ 351,291,636

(1) - Balance Sheet as of September 30, 2018

(2) - Balance Sheet as of June 30, 2018

See accompanying notes to the financial statements.

Macomb County, Michigan

COMBINING STATEMENT OF ACTIVITIES – COMPONENT UNITS

Year Ended December 31, 2018

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	\$ 70,808,857	\$ 78,593,660	\$ -	\$ 2,892,854	\$ 10,677,657
Interest and fees on long-term debt	11,042,896	-	-	-	(11,042,896)
Total Drainage Districts	81,851,753	78,593,660	-	2,892,854	(365,239)
Martha T. Berry Medical Care Facility					
Governmental activities					
Health and welfare	28,063,365	29,568,519	-	-	1,505,154
Interest and fees on long-term debt	523,704	-	-	-	(523,704)
Total Martha T. Berry Medical Care Facility	28,587,069	29,568,519	-	-	981,450
Workforce Development Board (2)					
Governmental activities					
Health and welfare	24,177,608	193,132	24,010,079	-	25,603
Total component units	\$ 134,616,430	\$ 108,355,311	\$ 24,010,079	\$ 2,892,854	\$ 641,814
		Drainage Districts (1)	Martha T. Berry Medical Care Facility	Workforce Development Board (2)	Total
Changes in net position					
Net (expense) revenue from above		\$ (365,239)	\$ 981,450	\$ 25,603	\$ 641,814
General revenues					
Investment earnings		11,616,433	114,283	-	11,730,716
CHANGE IN NET POSITION		11,251,194	1,095,733	25,603	12,372,530
Net position, beginning of year as restated*		364,562,996	(25,677,646)	33,756	338,919,106
Net position, end of year		<u>\$ 375,814,190</u>	<u>\$ (24,581,913)</u>	<u>\$ 59,359</u>	<u>\$ 351,291,636</u>

(1) - Year ended September 30, 2018

(2) - Year ended June 30, 2018

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

See accompanying notes to the financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2018

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, 2018, 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, 2018. 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, 2018.

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, 2018

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. 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, 2018

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, 2018

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, 2018

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 \$21,277,611 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, 2018

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 \$35,000 or 5% 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, 2018

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 plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. 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 – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB 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 are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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, 2018

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, 2018 levy (calendar 2018 revenue) was \$27,104,275,785.

The county operating tax rate for the 2018 levy was 4.4925 mills, the Veteran's rate was .0682 mills, and the Drain Debt was .0050 mills. The county records an allowance of 0.5% for assessment appeals and personal property tax delinquencies. The amount recorded in 2018 was \$605,489.

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, such as use of fund balance in a subsequent budget, require formal approval by the Board of Commissioners. Other assignments of fund balances do not require board approval. Fund balances in governmental funds other than the General Fund, which are not classified as nonspendable, restricted or committed are classified as assigned in accordance with GASB Statement No. 54, even though specific intended uses may not have been declared by the government.
- Unassigned – The residual amount of fund balance remaining in the General Fund after all other classifications have been made and negative amounts in other governmental funds.

Macomb County, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2018

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 as follows:

	Major Governmental Funds		Nonmajor Governmental Funds	Total
	General Fund	Road Fund		
Nonspendable for:				
Inventories	\$ -	\$ 3,034,005	\$ -	\$ 3,034,005
Long-term receivables	3,109,300	-	528,951	3,638,251
Prepaid items	468,185	1,136,340	198,915	1,803,440
TOTAL NONSPENDABLE	3,577,485	4,170,345	727,866	8,475,696
Restricted for:				
Capital projects	-	77,950,377	2,717,621	80,667,998
Community Action Agency	-	-	1,304,866	1,304,866
Community Corrections	-	-	6,136	6,136
Concealed Pistol License	-	-	967,720	967,720
Debt service	-	-	2,063,411	2,063,411
Health Department	-	-	3,078,011	3,078,011
Housing rehabilitation loans	-	-	7,078,309	7,078,309
MSU Extension	-	-	143,897	143,897
Prosecuting Attorney	-	-	231,898	231,898
Sheriff Department	-	-	1,493,088	1,493,088
Technology	-	-	995,868	995,868
Urban County Block Grant	-	-	76,313	76,313
Veterans Affairs	-	-	1,039,219	1,039,219
TOTAL RESTRICTED	-	77,950,377	21,196,357	99,146,734
Assigned for:				
Use of fund balance in a subsequent budget	8,844,007	-	-	8,844,007
Capital projects	-	-	9,049,330	9,049,330
Community Action Agency	-	-	302,852	302,852
MSU Extension	-	-	228,541	228,541
Health Department	-	-	900	900
Prosecuting Attorney	-	-	8,103	8,103
Sheriff Department	-	-	19,761	19,761
Urban Block Grant	-	-	497,648	497,648
TOTAL ASSIGNED	8,844,007	-	10,107,135	18,951,142
Unassigned	45,775,421	-	(2,637,735)	43,137,686
TOTAL FUND BALANCES	\$ 58,196,913	\$ 82,120,722	\$ 29,393,623	\$ 169,711,258

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, 2018

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 and other post-employment benefits in its governmental activities, business-type activities, and the Martha T. Berry component unit. Explanations of the pension-related deferred outflows can be found in Note 12 of the notes to the basic financial statements. Explanations of the other post-employment benefit-related deferred outflows can be found in Notes 13 and 14 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 five 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 the subsequent fiscal year. Finally, the county had deferred inflows at year-end related to pension and other post-employment benefits in its governmental activities, business-type activities, and the Martha T. Berry component unit. Explanations of the pension-related deferred outflows can be found in Note 12 of the notes to the basic financial statements. Explanations of the other post-employment benefit-related deferred outflows can be found in Notes 13 and 14 of the notes to the basic financial statements.

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2018

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Primary Government and Component Unit Deposits and Investments (continued)

The Board of Commissioners adopts a depository resolution, including a list of authorized institutions, each year as recommended by the County Treasurer. The provisions of the depository resolution are as follows:

- 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, 2018 and September 30, 2018 respectively, are presented below.

	Primary Government	Component Units	Percent of Total
Cash on hand	\$ 59,962	\$ 9,782,254	1.50%
Bank and money market accounts	96,079,842	26,095,326	18.63%
Certificates of deposit	<u>164,159,963</u>	<u>25,136,636</u>	<u>28.86%</u>
Subtotal - deposits	260,299,767	61,014,216	48.98%
Commercial paper	92,098,522	-	14.04%
US Government securities	6,596,941	-	1.01%
Corporate and municipal bonds	6,085,996	-	0.93%
Common stock	126,332,680	-	19.26%
Foreign stock	32,625,170	-	4.97%
Real estate investment trusts	20,901,097	-	3.19%
Fixed income common collective trusts	5,112,754	-	0.78%
Equity common collective trusts	<u>44,898,711</u>	<u>-</u>	<u>6.84%</u>
Subtotal - investments	<u>334,651,871</u>	<u>-</u>	<u>51.02%</u>
Total deposits and investments	594,951,638	61,014,216	100.00%
Timing effect of different year ends	<u>6,326,730</u>	<u>-</u>	
Amount reported at December 31, 2018	<u>\$ 601,278,368</u>	<u>\$ 61,014,216</u>	
Amount reported in primary government	\$ 589,794,488		
Amount reported in agency funds	<u>11,483,880</u>		
	<u>\$ 601,278,368</u>		

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2018

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, 2018:

	Component Units (Total)
Restricted cash and cash equivalents	
Unspent bond proceeds	\$ 7,346,007
Residents' Trust	19,099
	<u>\$ 7,365,106</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 \$311,838,878, with corresponding bank balances of \$321,274,208. Qualifying deposits are insured by the FDIC up to \$250,000. Of the bank balances, \$3,515,342 was insured and the remaining \$317,758,866 was uninsured and uncollateralized.

The county believes that it is impractical to insure all deposits given the size of the portfolio and the limits of insurance established by the FDIC. As a result, the county evaluates each institution with which it deposits funds and assesses the level of risk associated with each institution and adjusts its deposits accordingly.

Investments – Investments of the primary government and component units are subject to various types of risks as defined below:

Custodial Credit Risk exists when securities are uninsured, unregistered or held by a counterparty or its agent but not in the government's name. All investments of the primary government are held in the name of the county and are evidenced by a safekeeping receipt and, therefore, are not exposed to custodial credit risk.

Credit Risk is a measure of the creditworthiness of the issuers of the instruments being held and represents the risk that the issuer or other counterparty to an investment will not fulfill its obligations. Statutes of the State of Michigan authorize the county to invest in the following instruments: obligations of the U.S. Treasury and its agencies and instrumentalities, commercial paper rated within the two highest classifications established by not less than two standard rating services, bankers' acceptances, investment pools of the Treasurer of the State of Michigan, and repurchase agreements.

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, 2018, 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, 2018

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	\$ 3,432,772	\$ 3,164,169	\$ 101,539	\$ 6,698,480	37.64%	0.91%
AA+	-	-	52,100	52,100	0.29%	0.47%
AA	-	-	48,570	48,570	0.27%	0.43%
AA-	-	-	2,367,339	2,367,339	13.30%	21.14%
A+	-	-	252,087	252,087	1.42%	2.25%
A	-	-	708,049	708,049	3.98%	6.32%
A-	-	-	472,846	472,846	2.66%	4.22%
BBB+	-	-	851,411	851,411	4.78%	7.60%
BBB	-	-	424,999	424,999	2.39%	3.80%
BBB-	-	-	192,118	192,118	1.08%	1.72%
BB	-	-	193,356	193,356	1.09%	1.73%
D	-	-	20,309	20,309	0.11%	0.18%
Not Rated	-	-	5,514,027	5,514,027	30.99%	49.23%
	<u>\$ 3,432,772</u>	<u>\$ 3,164,169</u>	<u>\$ 11,198,750</u>	<u>\$ 17,795,691</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, 2018.

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 7.9 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, 2018. 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, 2018 are presented below:

	Amount	Percent of Total
Cash and pooled investments	\$ 294,538	0.11%
Common stock	84,579	0.03%
Foreign stock	39,262,593	14.38%
Limited partnerships	6,017	0.00%
Real estate investment trusts	39,926,483	14.62%
Fixed income common collective trusts	54,781,309	20.07%
Equity common collective trusts	138,652,258	50.79%
	<u>\$ 273,007,777</u>	<u>100.00%</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2018

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, 2018, 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	\$ 21,255,148	\$ 1,588,658	\$ 22,890,143	\$ 45,733,949	83.49%	71.68%
AA	-	-	1,278,779	1,278,779	2.33%	4.00%
A	-	-	3,548,611	3,548,611	6.48%	11.11%
BAA	-	-	4,219,970	4,219,970	7.70%	13.21%
	<u>\$ 21,255,148</u>	<u>\$ 1,588,658</u>	<u>\$ 31,937,503</u>	<u>\$ 54,781,309</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, 2018.

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 7.7 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 Employees' 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 \$77,592,945 with corresponding bank balances of \$77,670,739. 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 \$77,420,739 was uninsured and uncollateralized.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2018

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, 2018 is presented below:

	<u>Amount</u>	<u>Percent of Total</u>
Cash and pooled investments	\$ 77,592,945	8.23%
Corporate bonds	13,260,484	1.41%
Common stock	331,605,877	35.16%
Foreign stock	69,935,791	7.41%
Limited partnerships	186,418,220	19.76%
Fixed income common collective trusts	48,744,246	5.17%
Equity common collective trusts	215,655,253	22.86%
	<u>\$ 943,212,816</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, 2018, 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	\$ 18,912,767	\$ 1,413,583	\$ 52,887	\$ 20,379,237	32.87%	0.13%
AA	-	-	3,885,424	3,885,424	6.27%	9.32%
A-	-	-	6,526,244	6,526,244	10.53%	15.66%
BBB	-	-	4,132,230	4,132,230	6.66%	9.91%
BBB-	-	-	4,340,252	4,340,252	7.00%	10.41%
BB	-	-	403,520	403,520	0.65%	0.97%
BB-	-	-	5,285,164	5,285,164	8.52%	12.68%
B+	-	-	169,238	169,238	0.27%	0.41%
B	-	-	3,871,321	3,871,321	6.24%	9.29%
B-	-	-	155,135	155,135	0.25%	0.37%
CC	-	-	10,665	10,665	0.02%	0.03%
D	-	-	24,288	24,288	0.04%	0.06%
Not Rated	-	-	12,822,012	12,822,012	20.68%	30.76%
	<u>\$ 18,912,767</u>	<u>\$ 1,413,583</u>	<u>\$ 41,678,380</u>	<u>\$ 62,004,730</u>	<u>100.00%</u>	<u>100.00%</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2018

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 1.9 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 21.5 percent of the Employees' Retirement System assets and 8.7 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, 2018 as presented on the following page:

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2018

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	\$ 6,596,941	\$ -	\$ 6,596,941	\$ -
Corporate and municipal bonds	6,085,996	-	6,085,996	-
Total debt securities	12,682,937	-	12,682,937	-
Equity securities				
Common stock	126,332,680	126,332,680	-	-
Foreign stock	32,625,170	32,625,170	-	-
Total equity securities	158,957,850	158,957,850	-	-
Commercial paper	92,098,522	-	92,098,522	-
Fixed income common collective trusts	5,112,754	-	5,112,754	-
Equity common collective trusts	44,898,711	-	44,898,711	-
Total investments by fair value level	313,750,774	<u>\$ 158,957,850</u>	<u>\$ 154,792,924</u>	<u>\$ -</u>
Investments measured at net asset value (NAV)				
Hedge funds	9,560,984			
Private equity	3,634,886			
Real estate funds	7,705,227			
Total investments measured at NAV	20,901,097			
Total investments measured at fair value	<u>\$ 334,651,871</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, 2018, 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, 2018

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	\$ 9,560,984	\$ -	Daily	3 days
Private equity funds	3,634,886	2,162,091	None	N/A
Real estate funds	<u>7,705,227</u>	<u>5,894,588</u>	None	N/A
Total investments measured at NAV	<u>\$ 20,901,097</u>	<u>\$ 8,056,679</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 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 1 to 7 years.

The real estate funds class is comprised of the Alidade Capital Fund and the Bloomfield Capital Income Fund. Both funds' portfolios 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 funds 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 1 to 7 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, 2018 as presented on the following page.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2018

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	\$ 13,260,484	\$ -	\$ 13,236,196	\$ 24,288
Equity securities				
Common stock	331,690,456	331,690,456	-	-
Foreign stock	109,198,384	109,198,384	-	-
Total equity securities	440,888,840	440,888,840	-	-
Limited Partnership investments	6,017	6,017	-	-
Fixed income common collective trusts	103,525,555	-	103,525,555	-
Equity common collective trusts	354,307,511	15,860,821	338,446,690	-
Real estate investment trust funds	39,926,483	39,926,483	-	-
Total investments by fair value level	951,914,890	<u>\$ 496,682,161</u>	<u>\$ 455,208,441</u>	<u>\$ 24,288</u>
Investments measured at net asset value (NAV)				
Fixed income funds	19,237,456			
Hedge funds	37,603,076			
Infrastructure funds	17,374,690			
Private equity funds	45,813,686			
Real estate funds	61,580,898			
International real estate funds	4,808,414			
Total investments measured at NAV	<u>186,418,220</u>			
Total investments measured at fair value	<u>\$ 1,138,333,110</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, 2018

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

At the year ended December 31, 2018, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Fixed income funds	\$ 19,237,456	\$ -	Daily	3 days
Hedge funds	37,603,076	14,237,349	None	N/A
Infrastructure funds	17,374,690	13,386,734	None	N/A
Private equity funds	45,813,686	18,262,499	None	N/A
Real estate funds	61,580,898	35,574,404	None	N/A
International real estate funds	4,808,414	9,240,000	None	N/A
Total investments measured at NAV	<u>\$ 186,418,220</u>	<u>\$ 90,700,986</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 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 12 percent of the value of the investments in the private equity funds are in the process of being liquidated by fund manager. Distributions from each fund will be received as the underlying investments of the fund are liquidated. It is estimated that the underlying investments of the fund will be liquidated over the next month to 3 years.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2018

NOTE 3 – FAIR VALUE MEASUREMENTS (CONCLUDED)

Fiduciary Trust Funds (concluded)

The real estate funds class includes investments in funds whose objective is to operate a core portfolio of real estate investments predominately located in the U.S. The funds acquire ownership in underlying investments either through direct real estate ownership or ownership in real estate companies or the equity of real estate investment trusts. The funds predominately target purchases in office, industrial, retail, or multifamily real estate classes. The fair value of the investments in this class have been estimated using the net asset value per share of the investments. Approximately 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, \$13,880,000 was outstanding at December 31, 2018 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, 2018, the amount of \$3,109,300 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, 2018, the county has recorded a total due from component unit on the governmental activities statement of net position in the amount of \$16,989,300, which will be paid back to the county with installment payments due each May 1 and November 1 of each year through 2035.

Macomb County, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2018

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, 2018:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases and Transfers</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 249,770,756	\$ 3,324,844	\$ -	\$ 253,095,600
Construction in progress	36,673,787	12,751,139	3,660,959	45,763,967
Total capital assets not being depreciated	286,444,543	16,075,983	3,660,959	298,859,567
Capital assets being depreciated:				
Land improvements	14,002,353	-	2,081,344	11,921,009
Buildings and building improvements	318,066,785	4,421,471	925,270	321,562,986
Machinery, equipment, and vehicles	96,683,020	6,500,510	3,124,695	100,058,835
Infrastructure	1,282,122,467	45,659,910	-	1,327,782,377
Total capital assets being depreciated	1,710,874,625	56,581,891	6,131,309	1,761,325,207
Less accumulated depreciation for:				
Land Improvements	7,988,088	478,164	1,670,617	6,795,635
Buildings and building improvements	140,448,610	9,312,432	630,529	149,130,513
Machinery, equipment, and vehicles	77,179,779	7,093,502	2,985,470	81,287,811
Infrastructure	742,194,770	43,017,242	-	785,212,012
Total accumulated depreciation	967,811,247	59,901,340	5,286,616	1,022,425,971
Net capital assets being depreciated	743,063,378	(3,319,449)	844,693	738,899,236
Net governmental capital assets	\$ 1,029,507,921	\$ 12,756,534	\$ 4,505,652	\$ 1,037,758,803

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	1,100,983	-	1,100,983
General government	4,430,150	450,205	4,880,355
Health and welfare	2,689,305	-	2,689,305
Recreation and culture	65,211	-	65,211
Public safety	4,382,147	-	4,382,147
Public works	46,776,935	-	46,776,935
	\$ 59,451,135	\$ 450,205	\$ 59,901,340

A summary of capital asset activity of the business-type activities of the county for the year ended December 31, 2018 is presented on the following page.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2018

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	491,310	-	-	491,310
Buildings and building improvements	2,449,173	-	-	2,449,173
Machinery, equipment, and vehicles	416,086	53,068	-	469,154
Total capital assets being depreciated	3,356,569	53,068	-	3,409,637
Less accumulated depreciation for:				
Land Improvements	143,129	-	-	143,129
Buildings and building improvements	1,090,010	129,166	-	1,219,176
Machinery, equipment, and vehicles	399,382	20,632	-	420,014
Total accumulated depreciation	1,632,521	149,798	-	1,782,319
Net capital assets being depreciated	1,724,048	(96,730)	-	1,627,318
Net business-type capital assets	<u>\$ 1,774,048</u>	<u>\$ (96,730)</u>	<u>\$ -</u>	<u>\$ 1,677,318</u>

Depreciation expense of the business-type activities by function totaled \$131,533 for recreation and culture. The above capital asset activity schedule also includes \$18,265 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 \$149,798.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2018

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, 2018:

	<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	\$ -	\$ 130,428	\$ 1,862,000
Construction in progress	64,667,049	13,549,476	18,985,060	59,231,465
Total capital assets not being depreciated	66,659,477	13,549,476	19,115,488	61,093,465
Capital assets being depreciated:				
Machinery, equipment, and vehicles	1,194,277	332,025	-	1,526,302
Infrastructure	415,717,740	18,985,060	-	434,702,800
Total capital assets being depreciated	416,912,017	19,317,085	-	436,229,102
Less accumulated depreciation for:				
Machinery, equipment, and vehicles	109,357	120,497	-	229,854
Infrastructure	134,538,909	8,761,611	-	143,300,520
Total accumulated depreciation	134,648,266	8,882,108	-	143,530,374
Net capital assets being depreciated	282,263,751	10,434,977	-	292,698,728
Net drainage district capital assets	<u>\$ 348,923,228</u>	<u>\$ 23,984,453</u>	<u>\$ 19,115,488</u>	<u>\$ 353,792,193</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, 2018:

	<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	\$ 554,480	\$ 1,822,332	\$ 461,791	\$ 1,915,021
Capital assets being depreciated:				
Buildings and building improvements	1,031,327	647,354	-	1,678,681
Machinery, equipment, and vehicles	959,547	354,350	-	1,313,897
Total capital assets being depreciated	1,990,874	1,001,704	-	2,992,578
Less accumulated depreciation for:				
Buildings and building improvements	305,942	113,222	-	419,164
Machinery, equipment, and vehicles	441,829	158,819	-	600,648
Total accumulated depreciation	747,771	272,041	-	1,019,812
Net capital assets being depreciated	1,243,103	729,663	-	1,972,766
Net Martha T. Berry capital assets	<u>\$ 1,797,583</u>	<u>\$ 2,551,995</u>	<u>\$ 461,791</u>	<u>\$ 3,887,787</u>

Macomb County, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2018

NOTE 6 – LONG-TERM DEBT

The following is a summary of the long-term liability transactions for the year ended December 31, 2018:

	<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	\$ 790,000	\$ -	\$ 280,000	\$ 510,000	\$ 300,000
Series 2012 Public Works / Warehouse Refunding	3,910,000	-	515,000	3,395,000	560,000
Series 2012A 800Mhz/NB Court Refunding	11,730,000	-	1,360,000	10,370,000	1,395,000
Series 2014 MTB / Youth Home Refunding	10,015,000	-	1,860,000	8,155,000	1,910,000
General County					
Series 2015 Capital Improvement Bonds	39,340,000	-	2,510,000	36,830,000	2,565,000
Series 2015 Retiree Health Care Bonds	193,465,596	-	8,222,581	185,243,015	8,367,699
Michigan Transportation Fund					
Series 2012 - Bridge Refunding Bonds	1,005,000	-	470,000	535,000	535,000
Department of Roads					
2007 MDOT Infrastructure Loan	99,380	-	49,476	49,904	49,904
2010 MDOT Infrastructure Loan	137,774	-	30,986	106,788	34,239
2010 MDOT Infrastructure Loan	209,830	-	51,493	158,337	51,940
2014 MDOT Infrastructure Loan	369,594	-	104,087	265,507	32,146
2017 MDOT Infrastructure Loan	-	400,000	-	400,000	35,704
Total bonded debt and loans	261,072,174	400,000	15,453,623	246,018,551	15,836,632
Other liabilities					
Compensated absences					
General County	12,755,423	2,001,613	1,516,628	13,240,408	1,500,000
Department of Roads	1,378,178	1,514,594	1,476,277	1,416,495	1,100,000
General liability claims					
General County	8,175,007	821,520	4,662,747	4,333,780	1,103,000
Department of Roads	269,252	48,482	35,234	282,500	100,000
Workers' compensation claims					
General County	2,412,836	912,949	1,397,397	1,928,388	482,097
Department of Roads	569,507	425,804	317,878	677,433	321,411
Total other liabilities	25,560,203	5,724,962	9,406,161	21,879,004	4,606,508
Total governmental activities	286,632,377	6,124,962	24,859,784	267,897,555	20,443,140
Business-Type Activities					
Series 2015 Retiree Health Care Bonds	41,217,116	-	3,320,131	37,896,985	1,712,301
Compensated absences	1,528,845	184,707	186,610	1,526,942	200,000
Total business-type activities	42,745,961	184,707	3,506,741	39,423,927	1,912,301
TOTAL PRIMARY GOVERNMENT	\$ 329,378,338	\$ 6,309,669	\$ 28,366,525	\$ 307,321,482	\$ 22,355,441
DISCRETELY PRESENTED COMPONENT UNITS					
Martha T. Berry Medical Care Facility					
Notes payable to Macomb County	\$ 17,787,200	\$ -	\$ 797,900	\$ 16,989,300	\$ 807,900
Compensated absences	470,016	621,474	575,407	516,083	439,731
Total Martha T. Berry Medical Care Facility	18,257,216	621,474	1,373,307	17,505,383	1,247,631
Drainage Districts					
Special assessment debt	309,135,083	9,026,435	24,995,416	293,166,102	15,674,548
Unamortized premiums	24,601,824	1,830,585	1,253,778	25,178,631	1,232,370
Unamortized discounts	(1,148,494)	-	(95,707)	(1,052,787)	(95,707)
Total Drainage Districts	332,588,413	10,857,020	26,153,487	317,291,946	16,811,211
TOTAL COMPONENT UNITS	\$ 350,845,629	\$ 11,478,494	\$ 27,526,794	\$ 334,797,329	\$ 18,058,842

Macomb County, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2018

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	\$ 510,000
Series 2012 Public Works / Warehouse Refunding	2.00 - 2.50	03/01/12	05/01/24	6,550,000	3,395,000
Series 2012A 800Mhz/NB Court Refunding	2.00 - 2.50	10/01/12	11/01/25	14,160,000	10,370,000
Series 2014 MTB / Youth Home Refunding	4.00	09/01/14	03/01/22	15,155,000	8,155,000
General County					
Series 2015 Capital Improvement Bonds	2.00 - 4.00	06/23/15	05/01/30	44,210,000	36,830,000
Series 2015 Retiree Health Care Bonds	1.731 - 4.416	03/10/15	11/01/35	218,794,324	185,243,015
Michigan Transportation Fund					
Series 2012 - Bridge Refunding Bonds	2.00	11/01/12	12/01/19	2,265,000	535,000
Department of Roads					
2007 MDOT Infrastructure Loan	1.00	11/14/08	11/14/18	477,720	49,904
2010 MDOT Infrastructure Loan	1.00	10/29/10	10/29/20	334,405	106,788
2010 MDOT Infrastructure Loan	2.00	12/22/10	12/22/20	495,000	158,337
2014 MDOT Infrastructure Loan	3.00	07/01/14	07/01/16	569,620	265,507
2017 MDOT Infrastructure Loan	2.50	11/09/17	11/09/27	400,000	400,000
Total governmental activities				306,286,069	246,018,551
Business-Type Activities					
Series 2015 Retiree Health Care Bonds	1.731 - 4.416	03/10/15	11/01/35	44,760,676	37,896,985
TOTAL PRIMARY GOVERNMENT				351,046,745	283,915,536
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	2,450,000
State Revolving Fund Loan (5393-01)	2.50	Various	10/01/30	1,246,579	818,579
State Revolving Fund Loan (5460-01)	2.50	Various	04/01/31	418,488	299,994
State Revolving Fund Loan (5579-01)	2.50	Various	10/01/34	445,000	348,366
Lake St. Clair Clean Water Initiative					
State Revolving Fund Series #1 (5186-01)	2.50	Various	10/01/22	20,670,000	5,005,000
State Revolving Fund Series #2 (5186-02)	2.50	Various	04/01/22	13,630,000	3,300,000
State Revolving Fund Series #3 (5186-03)	2.50	Various	04/08/22	2,640,000	640,000
State Revolving Fund Series #4 (5186-04)	2.50	Various	10/01/22	5,550,000	1,345,000
State Revolving Fund Series #5 (5186-05)	2.50	Various	10/01/23	975,000	290,000
Series 2010 refunding	4.00 - 5.00	08/03/10	10/01/29	12,270,000	8,255,000
Series 2013 refunding	5.00	12/19/13	10/01/29	13,725,000	10,400,000
Macomb Interceptor Drain Drainage District					
State Revolving Fund Loan (5487-01)	2.50	Various	04/01/34	8,565,000	7,088,434
State Revolving Fund Loan (5540-01)	2.00	Various	10/01/33	2,250,000	1,764,999
State Revolving Fund Loan (5605-01)	2.50	03/30/16	10/01/36	3,145,000	2,895,000
State Revolving Fund Loan (5624-01)	2.50	Various	10/01/35	3,675,000	2,450,019
Series 2011	5.00	10/18/11	05/01/31	30,800,000	24,250,000
Series 2017A refunding	3.00 - 5.00	06/07/17	05/01/42	126,425,000	122,505,000
North Gratiot Interceptor					
Series 2006 (Phase 5)	4.00 - 4.20	11/01/06	05/01/32	3,380,000	2,450,000
Lenox Local	4.00 - 4.125	03/01/07	05/01/31	15,200,000	-
Series 2010	4.55 - 6.35	05/11/10	05/01/35	16,965,000	12,865,000
Series 2015 refunding	3.50 - 5.00	08/06/15	05/01/33	16,990,000	15,585,000
Series 2018 refunding	5.00	08/09/15	11/01/31	8,890,000	8,890,000
Oakland-Macomb Interceptor					
State Revolving Fund Loan (5368-01)	2.50	Various	04/01/31	13,429,140	9,470,850
State Revolving Fund Loan (5368-02)	2.50	Various	10/01/20	12,532,062	9,952,505
State Revolving Fund Loan (5368-03)	2.00	Various	10/01/34	31,966,690	26,544,036
Series 2010B	4.35 - 5.90	04/15/10	04/01/30	3,450,500	2,448,825
Series 2014	2.00 - 3.125	10/15/14	10/01/34	5,150,335	4,328,131
SAW Program Loan 2001-01	2.50	Various	04/01/36	6,638,642	6,362,032
Richmond-Columbus - Series 2010	4.70	11/23/10	06/01/21	547,778	164,332
TOTAL DISCRETELY PRESENTED COMPONENT UNIT				385,595,214	293,166,102
TOTAL REPORTING ENTITY				<u>\$ 736,641,959</u>	<u>\$ 577,081,638</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2018

NOTE 6 – LONG-TERM DEBT (CONTINUED)

All long-term obligations are presented as of December 31, 2018 except for the Special Assessment Debt with Governmental Commitment and Department of Road obligations, which are presented as of September 30, 2018. 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
2019	\$ 15,836,632	\$ 8,704,585	\$ 1,712,301	\$ 1,392,829	\$ 17,548,933	\$ 10,097,414	\$ 16,482,448	\$ 12,365,011
2020	15,511,091	8,311,349	1,748,521	1,353,293	17,259,612	9,664,642	16,912,622	11,872,353
2021	15,769,186	7,906,695	1,791,079	1,308,190	17,560,265	9,214,885	17,487,595	11,239,639
2022	15,996,688	7,471,609	1,839,071	1,257,598	17,835,759	8,729,207	18,072,963	10,571,239
2023	14,280,194	7,022,959	1,892,495	1,201,966	16,172,689	8,224,925	15,948,167	9,876,678
2024 - 2028	71,080,106	28,086,136	10,433,172	4,999,573	81,513,278	33,085,709	89,141,764	39,121,737
2029 - 2033	68,924,612	14,867,549	12,625,388	2,722,674	81,550,000	17,590,223	85,525,729	20,372,045
2034 - 2038	28,620,042	1,909,442	5,854,958	263,280	34,475,000	2,172,722	35,784,114	6,872,494
2039 - 2043	-	-	-	-	-	-	14,800,000	1,895,000
	<u>\$ 246,018,551</u>	<u>\$ 84,280,324</u>	<u>\$ 37,896,985</u>	<u>\$ 14,499,403</u>	<u>\$ 283,915,536</u>	<u>\$ 98,779,727</u>	<u>\$ 310,155,402</u>	<u>\$ 124,186,196</u>

New Debt Issued

On August 9, 2018, the North Gratiot Interceptor – Lenox Local Drain Drainage District (the “Drainage District”) issued \$8,890,000 of Series 2018 drain and refunding bonds for the purpose of refunding the 2007 North Gratiot Interceptor – Lenox Local Drain Drainage District Bonds. The bonds were issued pursuant to Section 276 of Michigan Public Act 40, Michigan Public Act 34 of 2001, and a resolution of the Drainage Board of the Drainage District dated June 28, 2018.

The net proceeds of the bonds, including the reoffering premium less issuance costs, were \$10,059,340, and were placed in an irrevocable trust with an escrow agent and held either in uninvested cash or used to purchase obligations of the U.S. Treasury. Those funds were kept in escrow until the 2007 bonds were called on November 1, 2018. The economic gain realized by the Drainage District as a result of the refunding was \$754,838, which represents the difference between the present value of the debt service payments on the old and new debt.

The Series 2018 bonds bear interest of 5% and are due semiannually each May 1 and November 1, commencing November 1, 2018 and concluding on May 1, 2031. The bonds will be payable from installments of special assessments from district member communities, which includes Lenox Township. Additionally, Macomb County pledged its full faith and credit as additional security for the bonds.

On November 9, 2017, Macomb County entered into a loan agreement with the Michigan Department of Transportation in the amount of \$400,000 for the purpose of funding road infrastructure projects within Bruce Township, a community within Macomb County. The loan is to be repaid from assessments against Bruce Township. The loan bears interest at the rate of 2.5% and is due in annual payments each November 9, commencing on November 9, 2018 and concluding on November 9, 2027.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2018

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.

Interfund receivables, payables, and transfers are reported below.

	Due From			
	Major Governmental Fund			Total
	Roads Fund	Nonmajor Governmental Funds	Internal Service Funds	
Due to				
General Fund	\$ -	\$ 168,180	\$ 7,153,585	\$ 7,321,765
Internal Service	292,423	-	-	292,423
	292,423	168,180	7,153,585	7,614,188
Timing differences as a result of interfund transactions occurring in funds with different fiscal year ends	(292,423)	2,767,559	-	2,475,136
	<u>\$ -</u>	<u>\$ 2,935,739</u>	<u>\$ 7,153,585</u>	<u>\$ 10,089,324</u>

Macomb County, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2018

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

Interfund transfers are reported below.

	Transfers In						Total
	Major Governmental Fund			Internal Service	Major Enterprise Fund		
	General Fund	Road Fund	Nonmajor Governmental Funds		Community Mental Health	Nonmajor Enterprise Funds	
Transfers Out							
Major governmental funds							
General Fund	\$ -	\$ -	\$ 39,296,748	\$ -	\$ 7,228,881	\$ 11,330	\$ 46,536,959
Nonmajor governmental funds	240,344	2,312,574	13,681,202	-	-	-	16,234,120
Internal service funds	5,163,873	-	-	1,151,439	-	-	6,315,312
Major enterprise fund							
Delinquent Tax Revolving	8,000,000	-	-	-	-	-	8,000,000
Subtotal	13,404,217	2,312,574	52,977,950	1,151,439	7,228,881	11,330	77,086,391
Timing differences as a result of interfund transactions occurring in funds with different fiscal year ends	-	-	50,175	-	40,413	-	90,588
	<u>\$ 13,404,217</u>	<u>\$ 2,312,574</u>	<u>\$ 53,028,125</u>	<u>\$ 1,151,439</u>	<u>\$ 7,269,294</u>	<u>\$ 11,330</u>	<u>\$ 77,176,979</u>

NOTE 9 - LEASES

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

Year	Primary Government	Component Units	Total
2019	\$ 3,559,392	\$ 904,308	\$ 4,463,700
2020	3,219,853	600,179	3,820,032
2021	1,900,389	440,004	2,340,393
2022	478,451	104,628	583,079
2023	27,793	-	27,793
	<u>\$ 9,185,878</u>	<u>\$ 2,049,119</u>	<u>\$ 11,234,997</u>

Rental expense for the year ended December 31, 2018 in the primary government totaled \$3,986,981 and totaled \$950,045 for component units, for a grand total of \$4,937,026.

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2018

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 \$2,144,235 during the current year. Additionally, eligible employees contributed \$570,011 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, 2017 (date of the most recent actuarial valuation), the System's membership consisted of:

	Primary Government	Component Unit	Total
Retirees and beneficiaries currently receiving benefits	2,752	200	2,952
Deferred members entitled to benefits but not yet receiving them	543	125	668
Active employees covered by the plan	1,742	100	1,842
	<u>5,037</u>	<u>425</u>	<u>5,462</u>

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

Benefits Provided

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

General County – Virtually all employees hired on or before December 21, 2001 may retire if their age plus years of service equals or exceeds 70 and they have attained a minimum age of 50. The annual retirement benefit, payable monthly for life, is computed at 2.4% of final average compensation for the first 26 years of service and 1% for every year thereafter, with a maximum employer pension of 65%. Employees hired on or after January 1, 2002 and certain employees hired before that

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2018

NOTE 12 – EMPLOYEES’ RETIREMENT SYSTEM (CONTINUED)

Benefits Provided (continued)

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 2018 was \$22,169,777. The county contributed \$23,747,047 for the year ended December 31, 2018, which represents an excess contribution of \$1,577,270.

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 \$23,481,272 accumulated in DROP accounts at December 31, 2018.

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2018

NOTE 12 – EMPLOYEES’ RETIREMENT SYSTEM (CONTINUED)

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

Investment Policy (concluded)

The Board’s adopted asset allocation policy as of December 31, 2018 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, 2018 was -5.01%. 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, 2018

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, 2018 are as follows:

Primary Government Reserves

	<u>Required</u>	<u>Actual</u>	<u>Over (Under) Funded</u>
Retiree reserve	\$ 673,466,088	\$ 673,466,088	\$ -
Employee reserve	46,834,982	46,834,982	-
Employer reserve	N/A	179,283,283	N/A

Component Unit Reserves

	<u>Required</u>	<u>Actual</u>	<u>Over (Under) Funded</u>
Retiree reserve	\$ 28,150,899	\$ 28,150,899	\$ -
Employee reserve	1,882,543	1,882,543	-
Employer reserve	N/A	7,470,137	N/A

Total Reserves, Employees' Retirement System

	<u>Required</u>	<u>Actual</u>	<u>Over (Under) Funded</u>
Retiree reserve	\$ 701,616,987	\$ 701,616,987	\$ -
Employee reserve	48,717,525	48,717,525	-
Employer reserve	N/A	186,753,420	N/A

Net Pension Liability of the County

The December 31, 2018 total pension liability was determined by an actuarial valuation dated December 31, 2017 and rolled forward to the measurement date. Changes in the net pension liability during the year are presented on the following page:

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2018

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

	Primary Government	Component Unit	Total
Total Pension Liability			
Service cost	\$ 16,747,246	\$ 204,843	\$ 16,952,089
Interest	73,394,794	1,187,857	74,582,651
Change in benefit terms	4,350,654	53,215	4,403,869
Difference between expected and actual experience of the total pension liability	(33,332,894)	(407,710)	(33,740,604)
Changes of assumptions	647,150	7,916	655,066
Benefit payments, including refunds of member contributions	<u>(63,964,080)</u>	<u>(2,795,463)</u>	<u>(66,759,543)</u>
Net change in total pension liability	(2,157,130)	(1,749,342)	(3,906,472)
Total pension liability - beginning of year	<u>1,023,600,051</u>	<u>20,969,835</u>	<u>1,044,569,886</u>
Total pension liability - end of year (a)	<u>\$ 1,021,442,921</u>	<u>\$ 19,220,493</u>	<u>\$ 1,040,663,414</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 23,143,088	\$ 603,959	\$ 23,747,047
Contributions - employee	3,134,653	118,020	3,252,673
Net investment income	(59,091,267)	(722,773)	(59,814,040)
Benefit payments, including refunds of member contributions	(63,964,080)	(2,795,463)	(66,759,543)
Administrative expense	<u>(702,478)</u>	<u>(8,592)</u>	<u>(711,070)</u>
Net change in plan fiduciary net position	(97,480,084)	(2,804,849)	(100,284,933)
Plan fiduciary net position - beginning of year	<u>1,016,599,094</u>	<u>20,773,771</u>	<u>1,037,372,865</u>
Plan fiduciary net position - end of year (b)	<u>\$ 919,119,010</u>	<u>\$ 17,968,922</u>	<u>\$ 937,087,932</u>
County's net pension liability - end of year (a) - (b)	<u>\$ 102,323,911</u>	<u>\$ 1,251,571</u>	<u>\$ 103,575,482</u>
Plan fiduciary net position as a percent of total pension liability	89.98%	93.49%	90.05%
Covered payroll	\$ 110,599,464	\$ 5,974,925	\$ 116,574,389
County's net pension liability as a percent of covered payroll	92.52%	20.95%	88.85%

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2018

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, 2018, the county recognized pension expense of \$49,568,931 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	\$ 17,814,560	\$ 22,221,929
Differences between projected and actual earnings on pension plan investments	64,262,134	-
Changes in assumptions	<u>9,478,172</u>	<u>-</u>
Totals, Primary Government	<u>\$ 91,554,866</u>	<u>\$ 22,221,929</u>
Component Unit	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual liability experience	\$ 218,175	\$ 271,807
Differences between projected and actual earnings on pension plan investments	785,779	-
Changes in assumptions	<u>115,896</u>	<u>-</u>
Totals, Component Unit	<u>\$ 1,119,850</u>	<u>\$ 271,807</u>
Totals, Employees' Retirement System	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual liability experience	\$ 18,032,735	\$ 22,493,736
Differences between projected and actual earnings on pension plan investments	65,047,913	-
Changes in assumptions	<u>9,594,068</u>	<u>-</u>
Totals	<u>\$ 92,674,716</u>	<u>\$ 22,493,736</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2018

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 as follows:

<u>Year Ending December 31,</u>	<u>Primary Government</u>	<u>Component Unit</u>	<u>Total Pension Expense</u>
2019	\$ 31,106,761	\$ 380,625	\$ 31,487,386
2020	2,133,524	26,088	2,159,612
2021	9,698,955	118,596	9,817,551
2022	<u>26,393,697</u>	<u>322,734</u>	<u>26,716,431</u>
Totals	<u>\$ 69,332,937</u>	<u>\$ 848,043</u>	<u>\$ 70,180,980</u>

Actuarial Assumptions

The December 31, 2018 total pension liability was determined by an actuarial valuation as of December 31, 2017, which was then rolled forward to December 31, 2018. 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 7.00%, net of pension plan investment expense and adjusted for inflation. Mortality rates were based on the RP-2014 (Base 2006) for all divisions. All divisions used the MP-2018 mortality improvement scale. The actuarial assumptions in the roll forward of the December 31, 2017 valuation were based on the results of an actuarial experience study for the period from December 31, 2012 to December 31, 2017.

Discount Rate

A single discount rate of 7.00% was used to measure the total pension liability. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and employer contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the employee rates.

Projected Cash Flows

Based on those assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Had there been a point where assets were projected to be depleted, a municipal bond rate of 3.57% would have been used in the development of the blended GASB discount rate after that point. The 3.57% 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, 2018 for each major asset class included in the System’s target asset allocation, are summarized in the table on the following page and are presented as geometric means.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2018

NOTE 12 – EMPLOYEES’ RETIREMENT SYSTEM (CONTINUED)

Projected Cash Flows (concluded)

	<u>Long-Term Expected Real 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 7.00% percent, as well as what that same liability would be if it were calculated using a discount rate that is one percentage-point lower (6.00%) or one percentage-point higher (8.00%) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Current Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Primary Government Net Pension Liability	\$ 217,564,670	\$ 102,323,911	\$ 5,731,307
Component Unit Net Pension Liability	<u>2,660,318</u>	<u>1,251,571</u>	<u>70,081</u>
Total Net Pension Liability	\$ 220,224,988	\$ 103,575,482	\$ 5,801,388

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, 2018

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, 2018 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	\$ 77,592,945	Investment income (loss):	
Investments, at fair value		Interest and dividends	\$ 8,397,859
Corporate bonds	13,260,484	Net change in fair value of investments	(61,642,515)
Common stock	331,605,877	Less investment expenses	(6,569,384)
Foreign stock	69,935,791		
Limited partnership	186,418,220	Net investment income (loss)	(59,814,040)
Fixed income common collective trusts	48,744,246		
Equity common collective trusts	215,655,253	Contributions	
		Employer	23,747,047
Total investments	865,619,871	Employee	3,252,673
Receivables		Total contributions	26,999,720
Accrued interest	514,914		
Other	845,939	TOTAL ADDITIONS	(32,814,320)
Other assets	1,750		
		DEDUCTIONS	
TOTAL ASSETS	944,575,419	Benefit payments	66,297,751
		Withdrawals and refunds of contributions	461,792
LIABILITIES		Administrative expenses	711,070
Accounts payable	2,017,942		
Accrued compensation and benefits	5,469,545	TOTAL DEDUCTIONS	67,470,613
TOTAL LIABILITIES	7,487,487	CHANGE IN NET POSITION	(100,284,933)
		Net position - beginning of year	1,037,372,865
NET POSITION RESTRICTED FOR			
PENSION BENEFITS	\$ 937,087,932	Net position - end of year	\$ 937,087,932

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 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2018

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

Plan Description (concluded)

The county finances these expenditures for general county and sheriff department retirees through the Retiree Health Care Trust Fund of the primary government. At December 31, 2016 (date of the most recent actuarial valuation), membership consisted of:

	Primary Government	Component Unit	Total
Retirees and beneficiaries currently receiving benefits	1,951	175	2,126
Deferred members entitled to benefits but not yet receiving them	205	11	216
Active employees covered by the plan	1,908	54	1,962
	<u>4,064</u>	<u>240</u>	<u>4,304</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 \$38,365,857 to the Macomb County Retiree Health Care Trust Fund for the year ended December 31, 2018. Employee contributions for the year totaled \$1,062,338, for total contributions to the Macomb County Retiree Health Care Trust Fund in the amount of \$39,428,195. The total cost of retiree health care benefits, administrative expenses of the plan and investment management fees for the year ended December 31, 2018 was \$21,323,628.

Net OPEB Liability

The December 31, 2018 fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the December 31, 2018 measurement date. The December 31, 2018 measurement date total OPEB liability was determined by an actuarial valuation performed as of December 31, 2016.

Changes in the net OPEB liability during the measurement year were as presented on the following page:

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2018

NOTE 13 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS – GENERAL AND SHERIFF EMPLOYEES (CONTINUED)**Net OPEB Liability (concluded)**

	Primary Government	Component Unit	Total
Total OPEB Liability			
Service cost	\$ 7,682,105	\$ 477,327	\$ 8,159,432
Interest	38,441,385	2,388,551	40,829,936
Difference between expected and actual experience of the total OPEB liability	(24,823,350)	(1,542,396)	(26,365,746)
Changes of assumptions	2,948,992	183,235	3,132,227
Benefit payments	<u>(18,545,452)</u>	<u>(1,152,320)</u>	<u>(19,697,772)</u>
Net change in total OPEB liability	5,703,680	354,397	6,058,077
Total OPEB liability - beginning of year	<u>517,708,379</u>	<u>32,459,931</u>	<u>550,168,310</u>
Total OPEB liability - end of year (a)	<u>\$ 523,412,059</u>	<u>\$ 32,814,328</u>	<u>\$ 556,226,387</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 36,121,454	\$ 2,244,403	\$ 38,365,857
Contributions - member	1,000,191	62,147	1,062,338
Net investment income	(10,260,977)	(637,565)	(10,898,542)
Employer paid benefits	(19,039,328)	(1,026,512)	(20,065,840)
Member paid benefits	(1,000,191)	(62,147)	(1,062,338)
Administrative expense	<u>(58,634)</u>	<u>(3,643)</u>	<u>(62,277)</u>
Net change in plan fiduciary net position	6,762,515	576,683	7,339,198
Plan fiduciary net position - beginning of year	<u>240,416,220</u>	<u>15,073,918</u>	<u>255,490,138</u>
Plan fiduciary net position - end of year (b)	<u>\$ 247,178,735</u>	<u>\$ 15,650,601</u>	<u>\$ 262,829,336</u>
County's net OPEB liability - end of year (a) - (b)	<u>\$ 276,233,324</u>	<u>\$ 17,163,727</u>	<u>\$ 293,397,051</u>
Plan fiduciary net position as a percent of total OPEB liability	47.22%	47.69%	47.25%
Covered employee payroll	\$ 98,813,225	\$ 5,974,925	104,788,150
County's net OPEB liability as a percent of covered employee payroll	279.55%	287.26%	279.99%

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the county recognized OPEB expense of \$30,324,824 and reported deferred outflows and inflows of resources related to OPEB from the sources on the following page:

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2018

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

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

Primary Government	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual liability experience	\$ -	\$ 19,449,167
Differences between projected and actual earnings on OPEB plan investments	23,156,545	-
Changes in assumptions	<u>2,310,544</u>	<u>-</u>
Totals, Primary Government	<u>\$ 25,467,089</u>	<u>\$ 19,449,167</u>
Component Unit	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual liability experience	\$ -	\$ 1,208,472
Differences between projected and actual earnings on OPEB plan investments	1,438,829	-
Changes in assumptions	<u>143,565</u>	<u>-</u>
Totals, Component Unit	<u>\$ 1,582,394</u>	<u>\$ 1,208,472</u>
Plan Totals	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual liability experience	\$ -	\$ 20,657,639
Differences between projected and actual earnings on OPEB plan investments	24,595,374	-
Changes in assumptions	<u>2,454,109</u>	<u>-</u>
Totals	<u>\$ 27,049,483</u>	<u>\$ 20,657,639</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2018

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

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (concluded)

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB revenue as follows:

Year Ending December 31,	Primary Government	Component Unit	Total OPEB Revenue
2019	\$ 1,053,402	\$ 65,453	\$ 1,118,855
2020	1,053,402	65,453	1,118,855
2021	1,053,402	65,453	1,118,855
2022	2,857,716	177,563	3,035,279
Total	<u>\$ 6,017,922</u>	<u>\$ 373,922</u>	<u>\$ 6,391,844</u>

Actuarial Assumptions for Determining the Total OPEB Liability

The total OPEB liability was calculated as of December 31, 2018 using the County Retiree Health Care Plan valuation as of December 31, 2016 rolled forward to December 31, 2018. 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 3.50% in year 11. Dental and Vision – 3.50% trend for all years.
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	3.50%
Payroll Growth Rate	General County (including Martha T. Berry) – 3.50% to 6.50% Sheriff – 3.50% to 10.50% All percentages include inflation
Investment Rate of Return	7.25%, net of OPEB plan expenses

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2018

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

Actuarial Assumptions for Determining the Total OPEB Liability (concluded)

Inactive plan members do not share in the cost of OPEB. The actuarial assumptions in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period from December 31, 2001 to December 31, 2004.

Discount Rate

A single discount rate of 7.25% 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.

Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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, 2018, 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, 2018 are summarized in the following table.

	<u>Long-Term Expected Real 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 7.25% 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:

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2018

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

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate (concluded)

	1% Decrease (6.25%)	Current Rate (7.25%)	1% Increase (8.25%)
Primary Government Net OPEB Liability	\$ 342,351,352	\$ 276,233,324	\$ 221,340,880
Component Unit Net OPEB Liability	21,271,964	17,163,727	13,752,992
Total Net OPEB Liability	<u>\$ 363,623,316</u>	<u>\$ 293,397,051</u>	<u>\$ 235,093,872</u>

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 county, 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.

	1% Decrease (8.00%)	Current Rate (9.00%)	1% Increase (10.00%)
Primary Government Net OPEB Liability	\$ 209,385,009	\$ 276,233,324	\$ 358,047,987
Component Unit Net OPEB Liability	13,010,115	17,163,727	22,247,273
Total Net OPEB Liability	<u>\$ 222,395,124</u>	<u>\$ 293,397,051</u>	<u>\$ 380,295,260</u>

Rate of Return

The annual money-weighted rate of return on Plan investments for the year ended December 31, 2018 was -1.24%. The money-weighted rate of return expressed investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Basis of Accounting and Financial Reporting

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

Separate independently audited financial statements are not issued for the Plan. Therefore, financial statements as of and for the year ended December 31, 2018 are presented below and on the following page.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2018

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

<u>Statement of Fiduciary Net Position</u>		<u>Statement of Changes in Fiduciary Net Position</u>	
	<u>Retiree Health Care Trust Fund</u>		<u>Retiree Health Care Trust Fund</u>
ASSETS		ADDITIONS	
Cash and pooled investments	<u>\$ 294,538</u>	Investment income (loss):	
Investments, at fair value		Interest and dividends	\$ 17,842,962
Common stock	84,579	Net change in fair value of investments	(28,608,332)
Foreign stock	39,262,593	Less investment expenses	<u>(133,173)</u>
Limited partnership	6,017		
Real estate investment trusts	39,926,483	Net investment income (loss)	(10,898,543)
Fixed income common collective trusts	54,781,309		
Equity common collective trusts	<u>138,652,258</u>	Contributions	
		Contribution from Retiree Health Care Intermediate Trust Fund	<u>38,365,857</u>
Total investments, at fair value	272,713,239		
		TOTAL ADDITIONS	<u>27,467,314</u>
Receivables		DEDUCTIONS	
Accrued interest	709,742	Benefit payments	20,065,840
Other	83,120	Administrative expenses	<u>62,277</u>
Due from primary government	9,500		
Other assets	<u>34,907</u>	TOTAL DEDUCTIONS	<u>20,128,117</u>
TOTAL ASSETS	<u>273,845,046</u>	CHANGE IN NET POSITION	7,339,197
		Net position - beginning of year	<u>255,490,139</u>
LIABILITIES		Net position - end of year	<u>\$ 262,829,336</u>
Accounts payable	688,306		
Due to primary government	<u>10,327,404</u>		
TOTAL LIABILITIES	<u>11,015,710</u>		
NET POSITION RESTRICTED FOR OTHER POSTEMPLOYMENT BENEFITS	<u>\$ 262,829,336</u>		

NOTE 14 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS – DEPARTMENT OF ROADS**Plan Description**

The county's Department of Roads sponsors a defined benefit postretirement healthcare plan (the "Plan") that provides certain health care benefits for department of roads retirees and their spouses so long as the retiree is currently receiving a pension from the Macomb County Employees' Retirement System. The Plan is a single employer defined benefit plan administered by the Municipal Employees' Retirement System (MERS). Assets of the Plan are held by MERS. The Plan does not issue a separate stand-alone financial statement.

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2018

NOTE 14 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS – DEPARTMENT OF ROADS (CONTINUED)**Plan Description (concluded)**

The county Department of Roads finances these expenditures through the Department of Roads Special Revenue Fund. At December 31, 2016 (date of the most recent actuarial valuation), membership consisted of:

Retirees and beneficiaries currently receiving benefits	316
Deferred members entitled to benefits but not yet receiving them	17
Active employees covered by the plan	<u>191</u>
	<u><u>524</u></u>

Funding Policy

It is the policy of the Department of Roads to fund the annual required contribution (ARC) to the Plan each year. There are no employee contributions to the Plan. The Department of Roads contributed \$6,118,373 to the Plan for the year ended September 30, 2018. Of this amount, \$3,118,373 was for payment of current healthcare invoices, while \$3,000,000 was a contribution to MERS. The total cost of retiree health care benefits, administrative expenses of the plan and investment management fees for the year ended September 30, 2018 was \$3,266,706.

Net OPEB Liability

The September 30, 2018 fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the September 30, 2018 measurement date. The September 30, 2018 measurement date total OPEB liability was determined by an actuarial valuation performed as of December 31, 2016.

Changes in the net OPEB liability during the measurement year were as presented below:

Changes in Net OPEB Liability	Total OPEB Liability	Increase (Decrease)	
		Plan Net Position	Net OPEB Liability
Balance, beginning of year	\$ 80,429,290	\$ 56,922,855	\$ 23,506,435
Changes for the year:			
Service cost	1,214,302	-	1,214,302
Interest	5,960,794	-	5,960,794
Difference between expected and actual experience of the total OPEB liability	(1,390,288)	-	(1,390,288)
Contributions - employer	-	6,118,373	(6,118,373)
Net investment income	-	3,145,994	(3,145,994)
Employer paid benefits	-	(3,118,373)	3,118,373
Administrative expense	-	(148,333)	148,333
Changes of assumptions	7,268,838	-	7,268,838
Benefit payments	<u>(3,118,373)</u>	<u>-</u>	<u>(3,118,373)</u>
Net changes	<u>9,935,273</u>	<u>5,997,661</u>	<u>3,937,612</u>
Balance, end of year	<u><u>\$ 90,364,563</u></u>	<u><u>\$ 62,920,516</u></u>	<u><u>\$ 27,444,047</u></u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the Department of Roads recognized OPEB expense of \$4,739,442 and reported deferred outflows and inflows of resources related to OPEB from the sources on the following page:

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2018

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

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (concluded)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual liability experience	\$ -	\$ 1,024,625
Differences between projected and actual earnings on OPEB plan investments	984,126	-
Changes in assumptions	<u>5,357,041</u>	<u>-</u>
Totals	<u>\$ 6,341,167</u>	<u>\$ 1,024,625</u>

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending September 30,</u>	<u>Total OPEB Expense</u>
2019	\$ 1,792,165
2020	1,792,165
2021	1,486,183
2022	<u>246,029</u>
Total	<u>\$ 5,316,542</u>

Actuarial Assumptions for Determining the Total OPEB Liability

The total OPEB liability was calculated as of September 30, 2018 using the Department of Roads Retiree Health Care Plan valuation as of December 31, 2016. Key actuarial assumptions are as follows:

Expected Point in Time at Which Benefit Payments will Begin to be Made	Age-based table of rates specific to the type of eligibility condition.
Marital Status and Dependency Status	100% of males and 100% of females are assumed to be married for purposes of death-in-service benefits. Male spouses are assumed to be three years older than female spouses for active member valuation purposes.
Mortality	RP-2000 Mortality Table, adjusted for projected mortality improvements to 2015.
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 0.75% increments to 4% in year 10.
Coverage Options	Determined by union membership and original date of hire at the date of retirement. 80% of retirees were assumed to elect two-person health care coverage at retirement.
Inflation Rate	3.00%

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2018

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

Actuarial Assumptions for Determining the Total OPEB Liability (concluded)

Payroll Growth Rate	5% - 10%
	Percentages include inflation
Investment Rate of Return	6.75%, net of OPEB plan expenses

Inactive plan members do not share in the cost of OPEB. The actuarial assumptions in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period from December 31, 2001 to December 31, 2004.

Discount Rate

A single discount rate of 6.75% 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.

Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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 Plan's investment policy in regard to the allocation of invested assets is established and may be amended by amending the agreement with MERS, which requires approval by the County Executive and a majority vote of the Board of Commissioners. For the year ended September 30, 2018, there were no changes to the 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 September 30, 2018 are summarized in the following table.

	<u>Long-Term Expected Real Rate of Return</u>	<u>Targeted Asset Allocation Policy</u>
International fixed income	0.76%	18.50%
Diversifying strategies	4.50%	12.50%
International equities	5.65%	55.50%
Real assets	6.72%	13.50%

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

The following presents the net OPEB liability of the county related to the Department of Roads OPEB plan, calculated using the discount rate of 6.75% percent, as well as what that same liability would be if it were calculated using a discount rate that is one percentage-point lower (5.75%) or one percentage-point higher (7.75%) than the current rate:

	<u>1% Decrease (5.75%)</u>	<u>Current Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
Net OPEB liability	\$ 38,837,900	\$ 27,444,047	\$ 17,960,416

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2018

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

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 county related to the Department of Roads OPEB 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.

	1% Decrease (8.00%)	Current Rate (9.00%)	1% Increase (10.00%)
Net OPEB liability	\$ 16,133,345	\$ 27,444,047	\$ 41,291,606

Rate of Return

The annual money-weighted rate of return on Plan investments for the year ended September 30, 2018 was 1.27%. The money-weighted rate of return expressed investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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, 2018, with estimated total project costs of \$16,471,543. Of the total, \$3,390,529 represents amount previously expended and \$13,081,014 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 \$7,346,007.

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 2018 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, 2018, the county has accrued an aggregate of \$1,928,388 for unresolved workers' compensation claims, exclusive of the Department of Roads.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2018

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

At September 30, 2018, the Department of Roads has accrued an aggregate of \$677,433 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,	
	2017	2018	2017	2018
Estimated liability - beginning of year	\$ 2,689,451	\$ 2,412,836	\$ 302,448	\$ 569,507
Estimated claims incurred, including changes in estimates	876,221	912,949	470,212	425,804
Claims payments	(1,152,836)	(1,397,397)	(203,153)	(317,878)
Estimated liability - end of year	<u>\$ 2,412,836</u>	<u>\$ 1,928,388</u>	<u>\$ 569,507</u>	<u>\$ 677,433</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, 2018, the Department of Roads had an accrual of \$282,500 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, 2018, the general county reported a balance of \$4,333,780 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,	
	2017	2018	2017	2018
Estimated liability - beginning of year	\$ 5,477,555	\$ 8,175,007	\$ 269,270	\$ 269,252
Estimated claims incurred, including changes in estimates	5,452,519	821,520	7,744	48,482
Claims payments	(2,755,067)	(4,662,747)	(7,762)	(35,234)
Estimated liability - end of year	<u>\$ 8,175,007</u>	<u>\$ 4,333,780</u>	<u>\$ 269,252</u>	<u>\$ 282,500</u>

Health Insurance

As of January 1, 2018, the county is self-insured for all three of its health care plans offered to employees and retirees. Two of the plans are administered by Blue Cross/Blue Shield of Michigan and one is administered by Health Alliance Plan. For all three plans, the county deposits a weekly amount based on estimated claims and settles these deposits against actual claims incurred on a quarterly basis.

In 2017 and 2018, 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, 2018

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

	<u>General County</u>	
	<u>Year Ended December 31,</u>	
	<u>2017</u>	<u>2018</u>
Estimated liability (asset) - beginning of year	\$ 350,291	\$ (1,563,859)
Estimated claims incurred, including changes in estimates	7,533,201	34,456,740
Claims payments	<u>(9,447,351)</u>	<u>(34,659,499)</u>
Estimated liability (asset) - end of year	<u>\$ (1,563,859)</u>	<u>\$ (1,766,618)</u>

NOTE 17 – NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of December 31, 2018 is presented below:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Units</u>
CAPITAL ASSETS			
Capital assets not being depreciated	\$ 298,859,567	\$ 50,000	\$ 63,008,486
Capital assets being depreciated	<u>738,899,236</u>	<u>1,627,318</u>	<u>294,671,494</u>
	1,037,758,803	1,677,318	357,679,980
RELATED DEBT			
Total bonds payable related to capital assets	60,240,536	-	293,166,102
Net bond discounts and premiums	-	-	24,125,844
Less:			
Unspent bond proceeds	-	-	(7,346,007)
Bond proceeds not capitalized	<u>-</u>	<u>-</u>	<u>(56,403,162)</u>
	<u>60,240,536</u>	<u>-</u>	<u>253,542,777</u>
NET INVESTMENT IN CAPITAL ASSETS	<u>\$ 977,518,267</u>	<u>\$ 1,677,318</u>	<u>\$ 104,137,203</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, 2018, the county's property tax revenues were reduced by \$800,087 under these programs.

There were no significant abatements made by the county.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2018

NOTE 19 – ACCOUNTING PRONOUNCEMENTS IMPLEMENTED

Effective January 1, 2018, the county implemented the provisions of Governmental Accounting Standards Board (GASB) statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result, the primary government, proprietary, and component unit funds now include a liability for the county's estimated unfunded other postemployment benefit (OPEB) costs. Some of the changes in this net OPEB liability will be recognized immediately as part of the OPEB expense measurement, and part will be deferred and recognized over future years. See Notes 13 and 14 for disclosures related to the county's OPEB plans. This change does not impact the county's modified accrual funds.

The following table presents the various restatements related to other postemployment benefits for the year ending December 31, 2018:

	Primary Government			Proprietary Fund	Component Unit
	Governmental Activities	Business Type Activities	Total	Internal Service Funds	Martha T. Berry Medical Care Facility
Beginning net position as previously reported	\$ 1,272,670,303	\$ 170,328,949	\$ 1,442,999,252	\$ 154,234,622	\$ (5,658,868)
Restatement of beginning net OPEB asset related to the County Retiree Health Care Trust as a result of implementation of <i>GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions</i>	(35,754,076)	(6,236,301)	(41,990,377)	(41,990,377)	(2,632,765)
Restatement of beginning net OPEB asset related to the Roads Retiree Health Care Plan as a result of implementation of <i>GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions</i>	(12,020,928)	-	(12,020,928)	-	-
Restatement of beginning net OPEB liability related to the County Retiree Health Care Trust as a result of implementation of <i>GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions</i>	(228,528,513)	(48,763,646)	(277,292,159)	(277,292,159)	(17,386,013)
Restatement of beginning net OPEB liability related to the Roads Retiree Health Care Plan as a result of implementation of <i>GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions</i>	(23,506,435)	-	(23,506,435)	-	-
Beginning net position as restated	<u>\$ 972,860,351</u>	<u>\$ 115,329,002</u>	<u>\$ 1,088,189,353</u>	<u>\$ (165,047,914)</u>	<u>\$ (25,677,646)</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2018

NOTE 20 – UPCOMING ACCOUNTING PRONOUNCEMENTS

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 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.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. The statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. 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 August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The county is currently evaluating the impact this standard will have on the financial statements when adopted, during the county's 2019 fiscal year.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. The Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The county is currently evaluating the impact this standard will have on the financial statements when adopted, during the county's 2021 fiscal year.

Macomb County, Michigan

General Fund

REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)

Year Ended December 31, 2018

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 119,965,426	\$ 121,162,580	\$ 120,887,274	\$ (275,306)
Licenses and permits	1,473,044	1,473,044	1,540,465	67,421
Federal grants	1,710,000	1,710,000	1,514,633	(195,367)
State grants				
Revenue sharing	16,669,223	16,669,223	16,797,848	128,625
Court financing	4,708,145	4,708,145	4,906,748	198,603
Liquor tax	6,300,000	6,300,000	6,281,832	(18,168)
Health department	2,217,182	2,217,182	2,254,124	36,942
Personal property tax stabilization	4,000,000	6,000,000	4,173,837	(1,826,163)
Other	449,152	451,584	631,449	179,865
Total state grants	34,343,702	36,346,134	35,045,838	(1,300,296)
Charges for services				
Attorney fees	1,350,000	1,075,000	1,142,910	67,910
Certified copies	975,468	975,468	1,052,852	77,384
Commissions	1,254,500	1,254,500	1,359,236	104,736
Court costs and fees	1,907,100	1,907,100	2,082,155	175,055
Foster care	385,000	385,000	301,273	(83,727)
Health department	816,500	816,500	821,554	5,054
Housing inmates	1,680,000	1,680,000	1,598,790	(81,210)
Land transfer tax	3,000,000	4,644,000	5,058,468	414,468
Medicare / Medicaid	561,900	580,205	633,075	52,870
Other sheriff services	4,632,467	4,733,431	4,862,793	129,362
Probation oversight fees	416,000	416,000	344,557	(71,443)
Public works - pumping station	3,324,696	3,354,265	2,958,748	(395,517)
Recording fees	3,333,800	3,333,800	3,211,969	(121,831)
Sheriff road patrol	12,130,000	12,254,358	12,641,274	386,916
Soil erosion fees	930,000	930,000	945,369	15,369
Miscellaneous	2,261,125	2,431,125	4,007,633	1,576,508
Total charges for services	38,958,556	40,770,752	43,022,656	2,251,904
Charges to other funds for				
administrative services	15,245,889	15,546,153	14,570,767	(975,386)
Fines and forfeitures	487,750	487,750	560,396	72,646
Interest and rents	3,132,561	3,832,561	4,552,259	719,698
Other revenue	193,300	194,720	212,958	18,238
TOTAL REVENUES	215,510,228	221,523,694	221,907,246	383,552

-CONTINUED-

Macomb County, Michigan

General Fund

REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS) (CONTINUED)

Year Ended December 31, 2018

EXPENDITURES	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
Current				
Legislative - Board of commissioners	\$ 1,732,622	\$ 1,634,525	\$ 1,453,198	\$ 181,327
Judicial				
Circuit court	12,445,065	11,140,261	11,160,689	(20,428)
District court - 3rd class	20,000	20,000	16,523	3,477
District court - New Baltimore	1,267,169	1,225,849	1,219,106	6,743
District court - Romeo	970,037	913,261	900,924	12,337
Family counseling	71,319	71,319	39,876	31,443
Family court - Juvenile division	5,266,930	5,036,366	5,172,775	(136,409)
Jury commission	183,475	183,475	157,613	25,862
Law library	40,950	40,950	43,433	(2,483)
Probate court	3,200,698	3,102,727	3,107,522	(4,795)
Probation - Circuit court	118,137	118,137	112,098	6,039
Probation - District court	499,663	472,644	461,401	11,243
Prosecuting attorney	10,281,441	10,047,634	10,321,342	(273,708)
Total judicial	34,364,884	32,372,623	32,713,302	(340,679)
General government				
Building authority	500	500	-	500
County clerk	4,907,469	4,599,924	4,520,321	79,603
County executive	1,568,835	1,438,316	1,401,952	36,364
Corporation counsel	1,080,157	1,078,625	1,093,739	(15,114)
Elections	29,763	29,763	29,062	701
Ethics board	14,600	14,600	306	14,294
Equalization	897,690	822,506	820,694	1,812
Facilities and operations	14,011,186	14,252,238	15,073,812	(821,574)
Finance	2,194,321	2,192,602	2,163,654	28,948
Human resources	2,334,949	2,190,965	2,199,903	(8,938)
Information technology	8,213,414	8,117,639	8,008,162	109,477
MSU extension	963,980	933,101	920,499	12,602
Purchasing	1,354,054	1,282,080	1,222,865	59,215
Register of deeds	1,864,442	1,695,616	1,625,201	70,415
Treasurer	2,279,121	2,244,261	2,189,875	54,386
Total general government	41,714,481	40,892,736	41,270,045	(377,309)
Public safety				
Civil service commission	60,925	60,925	32,780	28,145
Emergency management	1,223,655	1,154,827	1,152,582	2,245
Sheriff department	69,373,298	69,752,744	70,769,219	(1,016,475)
Total public safety	70,657,878	70,968,496	71,954,581	(986,085)

-CONTINUED-

Macomb County, Michigan

General Fund

REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS) (CONCLUDED)

Year Ended December 31, 2018

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES (CONCLUDED)				
Current				
Public works	\$ 6,511,090	\$ 5,884,107	\$ 6,009,697	\$ (125,590)
Health and welfare				
Animal shelter	2,315,235	2,170,211	2,370,106	(199,895)
Health & community services	306,038	292,386	292,843	(457)
Health department	20,805,086	20,281,515	20,047,359	234,156
Social services	<u>72,472</u>	<u>72,472</u>	<u>58,120</u>	<u>14,352</u>
Total health and welfare	23,498,831	22,816,584	22,768,428	48,156
Community and economic development				
Planning and economic development	3,387,813	3,337,170	3,236,906	100,264
Other current operations				
Non-departmental appropriations	2,451,800	2,574,273	2,092,312	481,961
Vacant position turnover factor	<u>(4,794,254)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other current operations	(2,342,454)	2,574,273	2,092,312	481,961
Capital outlay	<u>1,019,600</u>	<u>2,756,291</u>	<u>2,670,774</u>	<u>85,517</u>
TOTAL EXPENDITURES	<u>180,544,745</u>	<u>183,236,805</u>	<u>184,169,243</u>	<u>(932,438)</u>
EXCESS OF REVENUES OVER EXPENDITURES	34,965,483	38,286,889	37,738,003	(548,886)
OTHER FINANCING SOURCES (USES)				
Transfers in	8,063,000	8,084,680	13,404,217	5,319,537
Transfers out	<u>(39,415,246)</u>	<u>(46,555,248)</u>	<u>(46,536,959)</u>	<u>18,289</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(31,352,246)</u>	<u>(38,470,568)</u>	<u>(33,132,742)</u>	<u>5,337,826</u>
NET CHANGE IN FUND BALANCES	3,613,237	(183,679)	4,605,261	4,788,940
Fund balances, beginning of year	<u>53,591,652</u>	<u>53,591,652</u>	<u>53,591,652</u>	<u>-</u>
Fund balances, end of year	<u>\$ 57,204,889</u>	<u>\$ 53,407,973</u>	<u>\$ 58,196,913</u>	<u>\$ 4,788,940</u>

Macomb County, Michigan

Department of Roads Special Revenue Fund

REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)

Year Ended September 30, 2018

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Licenses and permits	\$ 826,200	\$ 826,200	\$ 941,109	\$ 114,909
Federal & state grants	92,996,307	92,996,307	87,365,072	(5,631,235)
Charges for services	16,779,083	16,779,083	9,517,730	(7,261,353)
Interest and rents	261,217	261,217	1,218,861	957,644
Other revenue	272,850	272,850	516,442	243,592
TOTAL REVENUES	111,135,657	111,135,657	99,559,214	(11,576,443)
EXPENDITURES				
Current				
Public works	123,479,145	123,479,145	82,077,252	41,401,893
Capital outlay	14,493,821	5,993,821	4,659,815	1,334,006
Debt service				
Principal	-	-	236,042	(236,042)
Interest and fees	-	-	20,088	(20,088)
TOTAL EXPENDITURES	137,972,966	129,472,966	86,993,197	42,479,769
EXCESS OF REVENUES OVER EXPENDITURES	(26,837,309)	(18,337,309)	12,566,017	30,903,326
OTHER FINANCING SOURCES (USES)				
Face amount of long-term debt	-	-	400,000	400,000
Transfers in	-	-	2,312,574	2,312,574
TOTAL OTHER FINANCING SOURCES (USES)	-	-	2,712,574	2,712,574
NET CHANGE IN FUND BALANCES	(26,837,309)	(18,337,309)	15,278,591	33,615,900
Fund balances, beginning of year	66,842,131	66,842,131	66,842,131	-
Fund balances, end of year	<u>\$ 40,004,822</u>	<u>\$ 48,504,822</u>	<u>\$ 82,120,722</u>	<u>\$ 33,615,900</u>

Macomb County, Michigan

Employees' Retirement System

REQUIRED SUPPLEMENTARY INFORMATION –
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

December 31, 2018

PRIMARY GOVERNMENT

	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	\$ 16,747,246	\$ 18,253,702	\$ 16,707,110	\$ 17,035,507	\$ 18,289,395
Interest	73,394,794	69,818,491	60,533,328	62,303,941	63,471,122
Benefit changes	4,350,654	-	-	-	1,716,085
Difference between expected and actual experience of the total pension liability	(33,332,894)	18,650,468	29,559,285	(6,274,414)	-
Changes of assumptions	647,150	-	31,223,761	-	-
Benefit payments, including refunds of member contributions	(63,964,080)	(63,450,584)	(60,781,867)	(61,931,585)	(55,421,776)
Net change in total pension liability	(2,157,130)	43,272,077	77,241,617	11,133,449	28,054,826
Total pension liability - beginning of year	1,023,600,051	980,327,974	903,086,357	891,952,908	863,898,082
Total pension liability - end of year (a)	<u>\$ 1,021,442,921</u>	<u>\$ 1,023,600,051</u>	<u>\$ 980,327,974</u>	<u>\$ 903,086,357</u>	<u>\$ 891,952,908</u>
Plan Fiduciary Net Position					
Contributions - employer	\$ 23,143,088	\$ 21,228,348	\$ 20,465,070	\$ 20,829,238	\$ 21,354,411
Contributions - employee	3,134,653	3,305,129	3,482,800	3,589,742	3,427,754
Net investment income	(59,091,267)	146,248,922	80,861,322	(15,609,781)	63,060,743
Benefit payments, including refunds of member contributions	(63,964,080)	(63,450,584)	(60,781,867)	(61,931,585)	(55,421,663)
Administrative expense	(702,478)	(655,261)	(735,605)	(516,333)	(512,644)
Net change in plan fiduciary net position	(97,480,084)	106,676,554	43,291,720	(53,638,719)	31,908,601
Plan fiduciary net position - beginning of year	1,016,599,094	909,922,540	866,630,820	920,269,539	888,360,938
Plan fiduciary net position - end of year (b)	<u>\$ 919,119,010</u>	<u>\$ 1,016,599,094</u>	<u>\$ 909,922,540</u>	<u>\$ 866,630,820</u>	<u>\$ 920,269,539</u>
County's net pension liability - end of year (a) - (b)	<u>\$ 102,323,911</u>	<u>\$ 7,000,957</u>	<u>\$ 70,405,434</u>	<u>\$ 36,455,537</u>	<u>\$ (28,316,631)</u>
Plan fiduciary net position as a percent of total pension liability	89.98%	99.32%	92.82%	95.96%	103.17%
Covered payroll	\$ 110,599,464	\$ 99,396,859	\$ 104,678,022	\$ 99,786,490	\$ 100,593,159
County's net pension liability (asset) as a percent of covered employee payroll	92.52%	7.04%	67.26%	36.53%	-28.15%

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

REQUIRED SUPPLEMENTARY INFORMATION –
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (CONTINUED)

December 31, 2018

COMPONENT UNIT	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	\$ 204,843	\$ 511,202	\$ 487,906	\$ 369,981	\$ 392,316
Interest	1,187,857	1,774,841	1,723,528	1,353,130	1,361,485
Benefit changes	53,215	-	-	-	36,811
Difference between expected and actual experience of the total pension liability	(407,710)	522,314	863,235	(136,269)	-
Changes of assumptions	7,916	-	826,993	-	-
Benefit payments, including refunds of member contributions	(2,795,463)	(2,771,686)	(2,581,930)	(1,345,044)	(2,651,364)
Net change in total pension liability	(1,749,342)	36,671	1,319,732	241,798	(860,752)
Total pension liability - beginning of year	20,969,835	20,933,164	19,613,432	19,371,634	20,232,386
Total pension liability - end of year (a)	<u>\$ 19,220,493</u>	<u>\$ 20,969,835</u>	<u>\$ 20,933,164</u>	<u>\$ 19,613,432</u>	<u>\$ 19,371,634</u>
Plan Fiduciary Net Position					
Contributions - employer	\$ 603,959	\$ 444,465	\$ 444,465	\$ 452,374	\$ 798,409
Contributions - employee	118,020	146,508	145,968	77,963	169,309
Net investment income	(722,773)	4,095,757	2,068,374	(339,017)	1,352,682
Benefit payments, including refunds of member contributions	(2,795,463)	(2,771,686)	(2,581,930)	(1,345,044)	(2,651,364)
Administrative expense	(8,592)	(18,351)	(21,482)	(11,214)	(10,996)
Net change in plan fiduciary net position	(2,804,849)	1,896,693	55,395	(1,164,938)	(341,960)
Plan fiduciary net position - beginning of year	20,773,771	18,877,078	18,821,683	19,986,621	20,328,581
Plan fiduciary net position - end of year (b)	<u>\$ 17,968,922</u>	<u>\$ 20,773,771</u>	<u>\$ 18,877,078</u>	<u>\$ 18,821,683</u>	<u>\$ 19,986,621</u>
County's net pension liability - end of year (a) - (b)	<u>\$ 1,251,571</u>	<u>\$ 196,064</u>	<u>\$ 2,056,086</u>	<u>\$ 791,749</u>	<u>\$ (614,987)</u>
Plan fiduciary net position as a percent of total pension liability	93.49%	99.07%	90.18%	95.96%	103.17%
Covered payroll	\$ 5,974,925	\$ 5,857,665	\$ 5,481,022	\$ 2,466,385	\$ 6,772,360
County's net pension liability (asset) as a percent of covered payroll	20.95%	3.35%	37.51%	32.10%	-9.08%

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

REQUIRED SUPPLEMENTARY INFORMATION –
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (CONCLUDED)

December 31, 2018

TOTAL, EMPLOYEES' RETIREMENT SYSTEM

	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	\$ 16,952,089	\$ 18,764,904	\$ 17,195,016	\$ 17,405,488	\$ 18,681,711
Interest	74,582,651	71,593,332	62,256,856	63,657,071	64,832,607
Benefit changes	4,403,869	-	-	-	1,752,896
Difference between expected and actual experience of the total pension liability	(33,740,604)	19,172,782	30,422,520	(6,410,683)	-
Changes of assumptions	655,066	-	32,050,754	-	-
Benefit payments, including refunds of member contributions	<u>(66,759,543)</u>	<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	(3,906,472)	43,308,748	78,561,349	11,375,247	27,194,074
Total pension liability - beginning of year	<u>1,044,569,886</u>	<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>\$ 1,040,663,414</u>	<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	\$ 23,747,047	\$ 21,672,813	\$ 20,909,535	\$ 21,281,612	\$ 22,152,820
Contributions - employee	3,252,673	3,451,637	3,628,768	3,667,705	3,597,063
Net investment income	(59,814,040)	150,344,679	82,929,696	(15,948,798)	64,413,425
Benefit payments, including refunds of member contributions	(66,759,543)	(66,222,270)	(63,363,797)	(63,276,629)	(58,073,027)
Administrative expense	<u>(711,070)</u>	<u>(673,612)</u>	<u>(757,087)</u>	<u>(527,547)</u>	<u>(523,640)</u>
Net change in plan fiduciary net position	(100,284,933)	108,573,247	43,347,115	(54,803,657)	31,566,641
Plan fiduciary net position - beginning of year	<u>1,037,372,865</u>	<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>\$ 937,087,932</u>	<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>\$ 103,575,482</u>	<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	90.05%	99.31%	92.76%	95.96%	103.17%
Covered payroll	\$ 116,574,389	\$ 105,254,524	\$ 110,159,044	\$ 102,252,875	\$ 107,365,519
County's net pension liability (asset) as a percent of covered payroll	88.85%	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.

See accompanying notes to the required supplementary information.

Macomb County, Michigan

Employees' Retirement System

REQUIRED SUPPLEMENTARY INFORMATION –
SCHEDULE OF EMPLOYER CONTRIBUTIONS
AND SCHEDULE OF MONEY WEIGHTED INVESTMENT RATE OF RETURN

December 31, 2018

Schedule of Employer Contributions, Primary Government

Year Ended December 31,	Actuarially Determined Contribution	Actual Contributions	Covered Payroll	Contribution as % of Covered Payroll
2009	\$ 17,743,242	\$ 17,743,242	\$ 109,692,921	16.18%
2010	14,329,905	14,329,905	103,550,479	13.84%
2011	15,451,109	15,451,109	102,443,344	15.08%
2012	15,912,883	15,912,883	98,550,099	16.15%
2013	19,163,081	19,163,081	95,696,324	20.02%
2014	21,354,411	21,354,411	101,248,699	21.09%
2015	20,610,979	20,610,989	96,521,906	21.35%
2016	20,465,070	20,465,070	104,678,022	19.55%
2017	19,355,242	21,228,348	99,396,859	21.36%
2018	21,565,818	23,143,088	110,599,464	20.93%

Schedule of Employer Contributions, Component Unit

Year Ended December 31,	Actuarially Determined Contribution	Actual Contributions	Covered Payroll	Contribution as % of Covered Payroll
2009	\$ 764,279	\$ 764,279	\$ 6,830,017	11.19%
2010	840,872	840,872	7,244,761	11.61%
2011	599,380	599,380	6,456,836	9.28%
2012	691,958	691,958	6,841,775	10.11%
2013	769,661	769,661	6,556,551	11.74%
2014	798,409	798,409	6,116,820	13.05%
2015	670,623	670,623	5,730,969	11.70%
2016	444,465	444,465	5,481,022	8.11%
2017	565,241	444,465	5,857,665	7.59%
2018	603,959	603,959	5,974,925	10.11%

See accompanying notes to the required supplementary information.

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Macomb County, Michigan

Employees' Retirement System

REQUIRED SUPPLEMENTARY INFORMATION –
SCHEDULE OF EMPLOYER CONTRIBUTIONS
AND SCHEDULE OF MONEY WEIGHTED INVESTMENT RATE OF RETURN (CONCLUDED)

December 31, 2018

Schedule of Employer Contributions, Total, Employees' Retirement System					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
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%
2018	22,169,777	23,747,047	116,574,389	20.37%	-5.01%

Significant 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, 2018 contribution was determined by the December 31, 2016 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	17 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.

See accompanying notes to the required supplementary information.

Macomb County, Michigan

Retiree Health Care Trust Fund

REQUIRED SUPPLEMENTARY INFORMATION –
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

December 31, 2018

PRIMARY GOVERNMENT

	<u>2018</u>	<u>2017</u>
Total OPEB Liability		
Service cost	\$ 7,682,105	\$ 8,164,058
Interest	38,441,385	36,672,615
Difference between expected and actual experience of the total OPEB liability	(24,823,350)	(3,200,142)
Changes of assumptions	2,948,992	-
Benefit payments	<u>(18,545,452)</u>	<u>(20,828,811)</u>
 Net change in total OPEB liability	 5,703,680	 20,807,720
Total OPEB liability - beginning of year	<u>517,708,379</u>	<u>496,900,659</u>
 Total OPEB liability - end of year (a)	 <u>\$ 523,412,059</u>	 <u>\$ 517,708,379</u>
 Plan Fiduciary Net Position		
Contributions - employer	\$ 36,121,454	\$ 34,335,823
Contributions - member	1,000,191	745,968
Net investment income	(10,260,977)	31,220,986
Employer paid benefits	(19,039,328)	(20,828,811)
Member paid benefits	(1,000,191)	(745,968)
Administrative expense	<u>(58,634)</u>	<u>(20,406)</u>
 Net change in plan fiduciary net position	 6,762,515	 44,707,592
Plan fiduciary net position - beginning of year	<u>240,416,220</u>	<u>195,708,628</u>
 Plan fiduciary net position - end of year (b)	 <u>\$ 247,178,735</u>	 <u>\$ 240,416,220</u>
 County's net OPEB liability - end of year (a) - (b)	 <u>\$ 276,233,324</u>	 <u>\$ 277,292,159</u>
 Plan fiduciary net position as a percent of total OPEB liability	 47.22%	 46.44%
 Covered employee payroll	 \$ 98,813,225	 \$ 87,479,044
 County's net OPEB liability as a percent of covered employee payroll	 279.55%	 316.98%

NOTE: Governmental Accounting Standards Board Statement No. 74 was implemented beginning with fiscal year 2017. Therefore, ten year trend information is not yet available.

Macomb County, Michigan

Retiree Health Care Trust Fund

REQUIRED SUPPLEMENTARY INFORMATION –
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS (CONTINUED)

December 31, 2018

COMPONENT UNIT

	2018	2017
Total OPEB Liability		
Service cost	\$ 477,327	\$ 511,880
Interest	2,388,551	2,299,346
Difference between expected and actual experience of the total OPEB liability	(1,542,396)	(200,646)
Changes of assumptions	183,235	-
Benefit payments	(1,152,320)	(1,305,951)
Net change in total OPEB liability	354,397	1,304,629
Total OPEB liability - beginning of year	32,459,931	31,155,302
Total OPEB liability - end of year (a)	<u>\$ 32,814,328</u>	<u>\$ 32,459,931</u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 2,244,403	\$ 2,152,831
Contributions - member	62,147	46,772
Net investment income	(637,565)	1,957,532
Employer paid benefits	(1,026,512)	(1,305,951)
Member paid benefits	(62,147)	(46,772)
Administrative expense	(3,643)	(1,279)
Net change in plan fiduciary net position	576,683	2,803,133
Plan fiduciary net position - beginning of year	15,073,918	12,270,785
Plan fiduciary net position - end of year (b)	<u>\$ 15,650,601</u>	<u>\$ 15,073,918</u>
County's net OPEB liability - end of year (a) - (b)	<u>\$ 17,163,727</u>	<u>\$ 17,386,013</u>
Plan fiduciary net position as a percent of total OPEB liability	47.69%	46.44%
Covered employee payroll	\$ 5,974,925	\$ 5,857,665
County's net OPEB liability as a percent of covered employee payroll	287.26%	296.81%

NOTE: Governmental Accounting Standards Board Statement No. 74 was implemented beginning with fiscal year 2017. Therefore, ten year trend information is not yet available.

Macomb County, Michigan

Retiree Health Care Trust Fund

REQUIRED SUPPLEMENTARY INFORMATION –
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS (CONCLUDED)

December 31, 2018

TOTAL, RETIREE HEALTH CARE TRUST

	2018	2017
Total OPEB Liability		
Service cost	\$ 8,159,432	\$ 8,675,938
Interest	40,829,936	38,971,961
Difference between expected and actual experience of the total OPEB liability	(26,365,746)	(3,400,788)
Changes of assumptions	3,132,227	-
Benefit payments	(19,697,772)	(22,134,762)
Net change in total OPEB liability	6,058,077	22,112,349
Total OPEB liability - beginning of year	550,168,310	528,055,961
Total OPEB liability - end of year (a)	\$ 556,226,387	\$ 550,168,310
Plan Fiduciary Net Position		
Contributions - employer	\$ 38,365,857	\$ 36,488,654
Contributions - member	1,062,338	792,740
Net investment income	(10,898,542)	33,178,518
Employer paid benefits	(20,065,840)	(22,134,762)
Member paid benefits	(1,062,338)	(792,740)
Administrative expense	(62,277)	(21,685)
Net change in plan fiduciary net position	7,339,198	47,510,725
Plan fiduciary net position - beginning of year	255,490,138	207,979,413
Plan fiduciary net position - end of year (b)	\$ 262,829,336	\$ 255,490,138
County's net OPEB liability - end of year (a) - (b)	\$ 293,397,051	\$ 294,678,172
Plan fiduciary net position as a percent of total OPEB liability	47.25%	46.44%
Covered employee payroll	\$ 104,788,150	\$ 93,336,709
County's net OPEB liability as a percent of covered employee payroll	279.99%	315.72%

NOTE: Governmental Accounting Standards Board Statement No. 74 was implemented beginning with fiscal year 2017. Therefore, ten year trend information is not yet available.

See accompanying notes to the required supplementary information.

Macomb County, Michigan

Retiree Health Care Trust Fund

REQUIRED SUPPLEMENTARY INFORMATION –
SCHEDULE OF EMPLOYER CONTRIBUTIONS
AND SCHEDULE OF MONEY WEIGHTED INVESTMENT RATE OF RETURN

December 31, 2018

Schedule of Employer Contributions, Primary Government

Year Ended December 31,	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contribution as % of Covered Payroll
2009	\$ 37,863,802	\$ 14,296,370	\$ 23,567,432	\$ 105,244,899	13.58%
2010	39,756,991	11,877,148	27,879,843	100,128,614	11.86%
2011	36,905,369	13,057,446	23,847,923	95,645,001	13.65%
2012	46,421,010	12,890,354	33,530,656	90,808,718	14.20%
2013	41,517,446	14,175,282	27,342,164	89,729,665	15.80%
2014	43,055,147	15,834,200	27,220,947	86,851,093	18.23%
2015	20,901,825	20,901,825	-	84,836,709	24.64%
2016	28,500,810	28,500,810	-	92,249,490	30.90%
2017	34,335,823	34,335,823	-	87,479,044	39.25%
2018	31,910,228	36,121,454	(4,211,226)	98,813,225	36.56%

Schedule of Employer Contributions, Component Unit

Year Ended December 31,	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contribution as % of Covered Payroll
2009	\$ 2,695,522	\$ 1,017,758	\$ 1,677,764	\$ 6,830,017	14.90%
2010	2,830,298	845,533	1,984,765	7,244,761	11.67%
2011	2,481,364	877,929	1,603,435	6,456,836	13.60%
2012	3,121,157	866,694	2,254,463	6,841,775	12.67%
2013	2,650,050	904,805	1,745,245	6,556,551	13.80%
2014	2,748,201	1,010,694	1,737,507	6,116,820	16.52%
2015	1,381,570	1,381,570	-	5,730,969	24.11%
2016	1,890,329	1,890,329	-	5,481,022	34.49%
2017	2,152,831	2,152,831	-	5,857,665	36.75%
2018	1,982,739	2,244,403	(261,664)	5,974,925	37.56%

See accompanying notes to the required supplementary information.

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Macomb County, Michigan

Retiree Health Care Trust Fund

REQUIRED SUPPLEMENTARY INFORMATION –
SCHEDULE OF EMPLOYER CONTRIBUTIONS
AND SCHEDULE OF MONEY WEIGHTED INVESTMENT RATE OF RETURN (CONCLUDED)

December 31, 2018

Schedule of Employer Contributions, Total, Retiree Health Care Trust						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	Investment Rate of Return
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%
2018	33,892,967	38,365,857	(4,472,890)	104,788,150	36.61%	-1.24%

Significant Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The December 31, 2018 actuarially determined contributions to the fund were based on the December 31, 2016 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	26 years, closed
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	3.50% - 10.50%, including inflation of 3.50%
Health care cost inflation	9.0% in year one, reduced by 0.5% each year thereafter until an ultimate rate of 3.50% is reached in year 11 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.

See accompanying notes to the required supplementary information.

Macomb County, Michigan

Department of Roads Retiree Health Care Trust Plan

REQUIRED SUPPLEMENTARY INFORMATION –
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

September 30, 2018

	<u>2018</u>	<u>2017</u>
Total OPEB Liability		
Service cost	\$ 1,214,302	\$ 1,219,920
Interest	5,960,794	5,749,886
Difference between expected and actual experience of the total OPEB liability	(1,390,288)	(929,177)
Changes of assumptions	7,268,838	-
Benefit payments	<u>(3,118,373)</u>	<u>(3,333,061)</u>
Net change in total OPEB liability	9,935,273	2,707,568
Total OPEB liability - beginning of year	<u>80,429,290</u>	<u>77,721,722</u>
Total OPEB liability - end of year (a)	<u>\$ 90,364,563</u>	<u>\$ 80,429,290</u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 6,118,373	\$ 6,333,061
Net investment income	3,145,994	6,040,085
Employer paid benefits	(3,118,373)	(3,333,061)
Administrative expense	<u>(148,333)</u>	<u>(128,747)</u>
Net change in plan fiduciary net position	5,997,661	8,911,338
Plan fiduciary net position - beginning of year	<u>56,922,855</u>	<u>48,011,517</u>
Plan fiduciary net position - end of year (b)	<u>\$ 62,920,516</u>	<u>\$ 56,922,855</u>
County Roads' net OPEB liability - end of year (a) - (b)	<u>\$ 27,444,047</u>	<u>\$ 23,506,435</u>
Plan fiduciary net position as a percent of total OPEB liability	69.63%	70.77%
Covered employee payroll	\$ 11,786,239	\$ 11,917,815
County Roads' net OPEB liability as a percent of covered employee payroll	232.85%	197.24%

NOTE: Governmental Accounting Standards Board Statement No. 74 was implemented beginning with fiscal year 2017. Therefore, ten year trend information is not yet available.

See accompanying notes to the required supplementary information.

Macomb County, Michigan

Department of Roads Retiree Health Care Trust Plan

REQUIRED SUPPLEMENTARY INFORMATION –
SCHEDULE OF EMPLOYER CONTRIBUTIONS
AND SCHEDULE OF MONEY WEIGHTED INVESTMENT RATE OF RETURN

September 30, 2018

Schedule of Employer Contributions						Schedule of Money Weighted Investment Rate of Return
Year Ended September 30,	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contribution as % of Covered Payroll	
2009	\$ 6,302,811	\$ 8,258,255	(1,955,444)	\$ 14,621,336	56.48%	N/A
2010	6,617,951	6,846,908	(228,957)	14,449,299	47.39%	N/A
2011	5,765,799	7,033,418	(1,267,619)	14,421,101	48.77%	N/A
2012	6,054,090	7,566,212	(1,512,122)	13,144,747	57.56%	N/A
2013	5,805,250	6,087,979	(282,729)	12,613,964	48.26%	N/A
2014	6,095,512	5,884,329	211,183	12,423,961	47.36%	N/A
2015	3,376,175	6,024,655	(2,648,480)	11,685,197	51.56%	N/A
2016	3,511,223	6,365,929	(2,854,706)	12,428,532	51.22%	N/A
2017	4,006,707	6,333,061	(2,326,354)	11,917,815	53.14%	N/A
2018	3,869,893	6,118,373	(2,248,480)	11,786,239	51.91%	1.27%

N/A – Not available

Significant Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The September 30, 2018 actuarially determined contributions to the fund were based on the December 31, 2016 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	21 years, closed
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	6.0% - 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

See accompanying notes to the required supplementary information.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2018

NOTE 1 – BUDGETARY ACCOUNTING

By no later than 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 \$35,000 or 5% of the department budget. Budget amendments that exceed these limits must be approved by the finance committee of the board of commissioners. During the year, supplemental budgetary appropriations were not significant in relation to the original appropriations adopted. Unexpended appropriations lapse at year-end. Encumbrances open at year-end are re-appropriated in the following year. Budgets are adopted on a basis consistent with generally accepted accounting principles and budgeted amounts presented in the financial statements represent final budget authorization, including all amendments approved during the year.

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

	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
GENERAL FUND			
Judicial			
Circuit court	\$ 11,140,261	\$ 11,160,689	\$ (20,428)
Family court - Juvenile division	5,036,366	5,172,775	(136,409)
Law library	40,950	43,433	(2,483)
Probate court	3,102,727	3,107,522	(4,795)
Prosecuting attorney	10,047,634	10,321,342	(273,708)
General government			
Corporation counsel	1,078,625	1,093,739	(15,114)
Facilities and operations	14,252,238	15,073,812	(821,574)
Human resources	2,190,965	2,199,903	(8,938)
Public safety			
Sheriff department	69,752,744	70,769,219	(1,016,475)
Public works	5,884,107	6,009,697	(125,590)
Health and welfare			
Animal shelter	2,170,211	2,370,106	(199,895)
Health & community services	292,386	292,843	(457)
SPECIAL REVENUE FUNDS			
Prosecuting attorney grants	50,000	491,351	(441,351)

Additionally, while the Child Care Fund and Emergency Management Grants Fund remained under budget and not in a deficit position, net of deferred inflows for grants, these funds were budgeted to increase their deficit fund balance in the 2018 budget, which is a violation of Michigan Public Act 2 of 1968.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2018

NOTE 2 – FACTORS THAT SIGNIFICANTLY AFFECT TRENDS IN PENSION AND OPEB PLANS

Employees' Retirement System

The determination of the total pension liability as of December 31, 2018 was based on the December 31, 2017 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. 75% of eligible participants were assumed to enter DROP when eligible and remain in DROP for 4 years. The discount rate was assumed to be 7.00%. Finally, all divisions were changed to the RP-2014 (Base 2006) Mortality Tables and MP-2018 mortality improvement scales.

The total pension liability as of December 31, 2018 was impacted as a result of benefit changes. The medical benefit waiver election upon retirement was reflected in the Net Pension Liability of the system as of December 31, 2018.

The determination of the total pension liability as of December 31, 2016 was based on the December 31, 2015 actuarial valuation with the following exceptions: The discount rate was lowered from 7.5% to 7.25%. The mortality tables were changed to RP2014 Blue Collar for Road Commission and Sheriff divisions and RP2014 for all other divisions, both with the MP2016 mortality improvement scale. Previous valuations had used the RP-2000 tables with improvements to 2015. Base pay projections and inflation were reduced from 5% to 3%. Administrative expense load was changed from 0.10% of payroll to the previous year's administrative expense increased by the inflation assumption.

Throughout all years shown in the Changes in Net Pension Liability and Related Ratios, the System experienced changes in its total pension liability as a result of differences between actual and expected experience. The most significant changes represented in these differences in experience were related to mortality rates, census populations, and turnover rates.

Retiree Health Care Trust Fund

The following changes in assumptions impacted the calculation of the net OPEB liability as of December 31, 2018: For 2018, a change in assumption regarding the Plan liabilities was made. Plan liabilities were loaded by 0.2% to reflect the expected future liability for the excise tax under the Affordable Care Act (ACA).

Reductions in the census population of the Plan as well as actual healthcare costs as experienced were greater than calculated expectation, which resulted a reduction in the total OPEB liability due to a difference between expected an actual experience in the total OPEB liability as of December 31, 2018.

Benefit provisions did not change for the periods shown in the required supplementary information schedules.

Department of Roads Retiree Health Care Trust Plan

The determination of the total OPEB liability as of September 30, 2018 was based on the December 31, 2016 actuarial valuation with the exception of the discount rate, which was modified from 7.50% per the December 31, 2016 valuation to 6.75% per the September 30, 2018 report.

Benefit provisions did not change for the periods shown in the required supplementary information schedules.

Macomb County, Michigan

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS

December 31, 2018

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
ASSETS				
Cash and pooled investments	\$ 11,725,171	\$ 2,074,560	\$ 17,088,708	\$ 30,888,439
Receivables				
Property taxes, net	1,639,996	122,954	-	1,762,950
Trade accounts, net	7,550,094	-	307,286	7,857,380
Due from other governments	8,782,898	6,645	1,163,276	9,952,819
Other assets	146,110	-	52,805	198,915
TOTAL ASSETS	\$ 29,844,269	\$ 2,204,159	\$ 18,612,075	\$ 50,660,503
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 3,710,718	\$ -	\$ 5,795,042	\$ 9,505,760
Accrued liabilities	15,705	-	80,814	96,519
Accrued compensation and benefits	666,223	-	-	666,223
Due to other governments	436,425	-	-	436,425
Due to governmental funds	2,935,739	-	-	2,935,739
Unearned revenue	89,746	-	-	89,746
TOTAL LIABILITIES	7,854,556	-	5,875,856	13,730,412
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied in advance	1,813,083	134,103	-	1,947,186
Unavailable grants and other charges	4,761,386	6,645	821,251	5,589,282
TOTAL DEFERRED INFLOWS OF RESOURCES	6,574,469	140,748	821,251	7,536,468
FUND BALANCES				
Nonspendable	146,110	-	581,756	727,866
Restricted	16,415,325	2,063,411	2,717,621	21,196,357
Assigned	1,057,805	-	9,049,330	10,107,135
Unassigned	(2,203,996)	-	(433,739)	(2,637,735)
TOTAL FUND BALANCES	15,415,244	2,063,411	11,914,968	29,393,623
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 29,844,269	\$ 2,204,159	\$ 18,612,075	\$ 50,660,503

Macomb County, Michigan

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

Year Ended December 31, 2018

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
REVENUES				
Property taxes	\$ 1,769,493	\$ 127,705	\$ -	\$ 1,897,198
Licenses and permits	430,826	-	-	430,826
Federal and state grants	52,588,088	-	764,502	53,352,590
Other grants	497,734	-	-	497,734
Charges for services	10,181,172	-	569,931	10,751,103
Fines and forfeitures	1,051,043	-	-	1,051,043
Interest and rents	25,496	-	6,375	31,871
Other revenue	1,593,982	-	1,210,549	2,804,531
TOTAL REVENUES	68,137,834	127,705	2,551,357	70,816,896
EXPENDITURES				
Current				
Judicial	13,239,230	-	-	13,239,230
General government	1,245,223	-	-	1,245,223
Public safety	8,199,521	-	471,988	8,671,509
Public works	-	158,147	-	158,147
Health and welfare	60,697,534	-	-	60,697,534
Community and economic development	345,043	-	-	345,043
Recreational and cultural	-	-	70,892	70,892
Capital outlay	806,027	-	16,565,836	17,371,863
Debt service				
Principal	-	6,995,000	-	6,995,000
Interest and fees	-	1,981,584	-	1,981,584
TOTAL EXPENDITURES	84,532,578	9,134,731	17,108,716	110,776,025
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(16,394,744)	(9,007,026)	(14,557,359)	(39,959,129)
OTHER FINANCING SOURCES (USES)				
Transfers in	19,471,792	9,031,691	24,524,642	53,028,125
Transfers out	(199,129)	-	(16,034,991)	(16,234,120)
TOTAL OTHER FINANCING SOURCES (USES)	19,272,663	9,031,691	8,489,651	36,794,005
NET CHANGE IN FUND BALANCES	2,877,919	24,665	(6,067,708)	(3,165,124)
Fund balances, beginning of year	12,537,325	2,038,746	17,982,676	32,558,747
Fund balances, end of year	\$ 15,415,244	\$ 2,063,411	\$ 11,914,968	\$ 29,393,623

FUND DESCRIPTIONS – NONMAJOR SPECIAL REVENUE FUNDS

December 31, 2018

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, 2018

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 and state 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.

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, 2018

	Circuit Court Programs (1)	Child Care (1)	Community Corrections	Community Corrections (1)
ASSETS				
Cash and pooled investments	\$ 19,497	\$ 81,926	\$ 10,304	\$ -
Receivables				
Property taxes, net	-	-	-	-
Trade accounts, net	15	30,062	-	-
Due from other governments	74,889	2,438,074	-	129,555
Other assets	-	7,137	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 94,401</u>	<u>\$ 2,557,199</u>	<u>\$ 10,304</u>	<u>\$ 129,555</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 38,571	\$ 249,849	\$ 899	\$ 64,521
Accrued liabilities	-	-	5,006	-
Accrued compensation and benefits	-	112,016	-	11,506
Due to other governments	-	-	-	-
Due to governmental funds	54,942	2,121,385	-	51,791
Unearned revenue	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	93,513	2,483,250	5,905	127,818
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied in advance	-	-	-	-
Unavailable grants and other charges	4,929	823,167	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL DEFERRED INFLOWS OF RESOURCES	4,929	823,167	-	-
FUND BALANCES				
Nonspendable	-	7,137	-	-
Restricted	-	-	4,399	1,737
Assigned	-	-	-	-
Unassigned	(4,041)	(756,355)	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	(4,041)	(749,218)	4,399	1,737
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 94,401</u>	<u>\$ 2,557,199</u>	<u>\$ 10,304</u>	<u>\$ 129,555</u>

(1) - Balance Sheet as of September 30, 2018

Macomb County, Michigan

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

December 31, 2018

	Community Action Agency	Community Action Agency (1)	Concealed Pistol License	Emergency Management Grants
ASSETS				
Cash and pooled investments	\$ 1,187,890	\$ 639,083	\$ 968,289	\$ 10,922
Receivables				
Property taxes, net	-	-	-	-
Trade accounts, net	7,078,309	67,152	-	-
Due from other governments	527,014	1,291,785	1,692	1,888,854
Other assets	-	90,576	-	9,725
TOTAL ASSETS	\$ 8,793,213	\$ 2,088,596	\$ 969,981	\$ 1,909,501
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 527,839	\$ 545,426	\$ 384	\$ 1,663,937
Accrued liabilities	-	-	-	-
Accrued compensation and benefits	19,205	202,218	1,877	8,369
Due to other governments	-	-	-	4,265
Due to governmental funds	-	-	-	134,703
Unearned revenue	-	39,179	-	-
TOTAL LIABILITIES	547,044	786,823	2,261	1,811,274
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied in advance	-	-	-	-
Unavailable grants and other charges	527,014	244,325	-	762,992
TOTAL DEFERRED INFLOWS OF RESOURCES	527,014	244,325	-	762,992
FUND BALANCES				
Nonspendable	-	90,576	-	9,725
Restricted	7,719,155	664,020	967,720	-
Assigned	-	302,852	-	-
Unassigned	-	-	-	(674,490)
TOTAL FUND BALANCES	7,719,155	1,057,448	967,720	(664,765)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 8,793,213	\$ 2,088,596	\$ 969,981	\$ 1,909,501

(1) - Balance Sheet as of September 30, 2018

Macomb County, Michigan

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

December 31, 2018

	Friend of the Court (1)	Health Grants	Health Grants (1)	Macomb / St. Clair Employment and Training (2)
ASSETS				
Cash and pooled investments	\$ -	\$ 515,589	\$ 2,980,867	\$ 138,533
Receivables				
Property taxes, net	-	-	-	-
Trade accounts, net	-	-	20,372	214
Due from other governments	1,154,681	4,875	175,920	-
Other assets	14,217	-	-	-
TOTAL ASSETS	<u>\$ 1,168,898</u>	<u>\$ 520,464</u>	<u>\$ 3,177,159</u>	<u>\$ 138,747</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 2,747	\$ 17,416	\$ 212,778	\$ 2,774
Accrued liabilities	-	-	-	-
Accrued compensation and benefits	100,662	-	61,195	96,282
Due to other governments	-	-	143,554	-
Due to governmental funds	315,143	-	-	-
Unearned revenue	-	10,876	-	39,691
TOTAL LIABILITIES	418,552	28,292	417,527	138,747
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied in advance	-	-	-	-
Unavailable grants and other charges	1,117,789	4,875	168,018	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,117,789</u>	<u>4,875</u>	<u>168,018</u>	<u>-</u>
FUND BALANCES				
Nonspendable	14,217	-	-	-
Restricted	-	486,397	2,591,614	-
Assigned	-	900	-	-
Unassigned	(381,660)	-	-	-
TOTAL FUND BALANCES	<u>(367,443)</u>	<u>487,297</u>	<u>2,591,614</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 1,168,898</u>	<u>\$ 520,464</u>	<u>\$ 3,177,159</u>	<u>\$ 138,747</u>

(1) - Balance Sheet as of September 30, 2018

(2) - Balance Sheet as of June 30, 2018

Macomb County, Michigan

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

December 31, 2018

	<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	\$ 143,814	\$ 230,301	\$ 283,543	\$ -
Receivables				
Property taxes, net	-	-	-	-
Trade accounts, net	475	-	-	-
Due from other governments	-	-	19,587	281,336
Other assets	-	-	-	-
TOTAL ASSETS	<u>\$ 144,289</u>	<u>\$ 230,301</u>	<u>\$ 303,130</u>	<u>\$ 281,336</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 392	\$ 1,760	\$ 63,129	\$ 1,801
Accrued liabilities	-	-	-	-
Accrued compensation and benefits	-	-	-	25,730
Due to other governments	-	-	-	-
Due to governmental funds	-	-	-	224,298
Unearned revenue	-	-	-	-
TOTAL LIABILITIES	392	1,760	63,129	251,829
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied in advance	-	-	-	-
Unavailable grants and other charges	-	-	-	280,369
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	280,369
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	143,897	-	231,898	-
Assigned	-	228,541	8,103	-
Unassigned	-	-	-	(250,862)
TOTAL FUND BALANCES	<u>143,897</u>	<u>228,541</u>	<u>240,001</u>	<u>(250,862)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 144,289</u>	<u>\$ 230,301</u>	<u>\$ 303,130</u>	<u>\$ 281,336</u>

(1) - Balance Sheet as of September 30, 2018

Macomb County, Michigan

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

December 31, 2018

	Register of Deeds Remonumentation Fund	Register of Deeds Technology Fund	Sheriff Grants	Sheriff Grants (1)
ASSETS				
Cash and pooled investments	\$ -	\$ 1,030,368	\$ 1,509,669	\$ 103,295
Receivables				
Property taxes, net	-	-	-	-
Trade accounts, net	-	62,625	20,870	-
Due from other governments	139,671	-	14,400	404,270
Other assets	-	105	3,350	-
TOTAL ASSETS	\$ 139,671	\$ 1,093,098	\$ 1,548,289	\$ 507,565
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 106,194	\$ 97,125	\$ 17,690	\$ 5,816
Accrued liabilities	-	-	-	10,699
Accrued compensation and benefits	-	-	-	-
Due to other governments	-	-	-	288,606
Due to governmental funds	33,477	-	-	-
Unearned revenue	-	-	-	-
TOTAL LIABILITIES	139,671	97,125	17,690	305,121
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied in advance	-	-	-	-
Unavailable grants and other charges	-	-	14,400	339,032
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	14,400	339,032
FUND BALANCES				
Nonspendable	-	105	3,350	-
Restricted	-	995,868	1,493,088	-
Assigned	-	-	19,761	-
Unassigned	-	-	-	(136,588)
TOTAL FUND BALANCES	-	995,973	1,516,199	(136,588)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 139,671	\$ 1,093,098	\$ 1,548,289	\$ 507,565

(1) - Balance Sheet as of September 30, 2018

Macomb County, Michigan

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

December 31, 2018

	Social Welfare	Urban County Block Grant	Veterans' Affairs
ASSETS			
Cash and pooled investments	\$ -	\$ 616,473	\$ 1,254,808
Receivables			
Property taxes, net	-	-	1,639,996
Trade accounts, net	-	270,000	-
Due from other governments	-	138,358	97,937
Other assets	-	21,000	-
TOTAL ASSETS	\$ -	\$ 1,045,831	\$ 2,992,741
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 74,331	\$ 15,339
Accrued liabilities	-	-	-
Accrued compensation and benefits	-	-	27,163
Due to other governments	-	-	-
Due to governmental funds	-	-	-
Unearned revenue	-	-	-
TOTAL LIABILITIES	-	74,331	42,502
DEFERRED INFLOWS OF RESOURCES			
Property taxes levied in advance	-	-	1,813,083
Unavailable grants and other charges	-	376,539	97,937
TOTAL DEFERRED INFLOWS OF RESOURCES	-	376,539	1,911,020
FUND BALANCES			
Nonspendable	-	21,000	-
Restricted	-	76,313	1,039,219
Assigned	-	497,648	-
Unassigned	-	-	-
TOTAL FUND BALANCES	-	594,961	1,039,219
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ -	\$ 1,045,831	\$ 2,992,741

(1) - Balance Sheet as of September 30, 2018

Macomb County, Michigan

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS (CONCLUDED)

December 31, 2018

	Other Special Revenue	Total Nonmajor Special Revenue Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and pooled investments	\$ -	\$ 11,725,171
Receivables		
Property taxes, net	-	1,639,996
Trade accounts, net	-	7,550,094
Due from other governments	-	8,782,898
Other assets	-	146,110
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 29,844,269</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ -	\$ 3,710,718
Accrued liabilities	-	15,705
Accrued compensation and benefits	-	666,223
Due to other governments	-	436,425
Due to governmental funds	-	2,935,739
Unearned revenue	-	89,746
	<u> </u>	<u> </u>
TOTAL LIABILITIES	-	7,854,556
DEFERRED INFLOWS OF RESOURCES		
Property taxes levied in advance	-	1,813,083
Unavailable grants and other charges	-	4,761,386
	<u> </u>	<u> </u>
TOTAL DEFERRED INFLOWS OF RESOURCES	-	6,574,469
FUND BALANCES		
Nonspendable	-	146,110
Restricted	-	16,415,325
Assigned	-	1,057,805
Unassigned	-	(2,203,996)
	<u> </u>	<u> </u>
TOTAL FUND BALANCES	-	15,415,244
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ -</u>	<u>\$ 29,844,269</u>

(1) - Balance Sheet as of September 30, 2018

Macomb County, Michigan

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

Year Ended December 31, 2018

	Circuit Court Programs (1)	Child Care (1)	Community Corrections	Community Corrections (1)
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Federal and state grants	246,124	8,308,113	22,877	1,479,882
Other grants	-	-	-	-
Charges for services	5,448	559,046	-	-
Fines and forfeitures	-	-	-	-
Interest and rents	-	-	-	-
Other revenue	-	464,383	-	-
TOTAL REVENUES	251,572	9,331,542	22,877	1,479,882
EXPENDITURES				
Current				
Judicial	296,025	-	-	-
General government	-	-	-	-
Public safety	-	-	146,661	1,664,494
Health and welfare	-	18,577,591	-	-
Community and economic development	-	-	-	-
Capital outlay	-	26,237	-	2,094
TOTAL EXPENDITURES	296,025	18,603,828	146,661	1,666,588
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(44,453)	(9,272,286)	(123,784)	(186,706)
OTHER FINANCING SOURCES (USES)				
Transfers in	74,092	9,792,566	122,432	324,926
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	74,092	9,792,566	122,432	324,926
NET CHANGE IN FUND BALANCE	29,639	520,280	(1,352)	138,220
Fund balances, beginning of year	(33,680)	(1,269,498)	5,751	(136,483)
Fund balances, end of year	<u>\$ (4,041)</u>	<u>\$ (749,218)</u>	<u>\$ 4,399</u>	<u>\$ 1,737</u>

(1) - Year ended September 30, 2018

Macomb County, Michigan

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

Year Ended December 31, 2018

	Community Action Agency	Community Action Agency (1)	Concealed Pistol License	Emergency Management Grants
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	430,826	-
Federal and state grants	2,936,293	20,387,189	-	4,445,372
Other grants	-	-	-	51,591
Charges for services	776,968	2,006,751	-	-
Fines and forfeitures	-	-	-	-
Interest and rents	-	-	-	-
Other revenue	452,541	396,723	-	-
TOTAL REVENUES	4,165,802	22,790,663	430,826	4,496,963
EXPENDITURES				
Current				
Judicial	-	-	-	-
General government	-	-	130,539	-
Public safety	-	-	-	3,687,292
Health and welfare	3,189,854	26,337,721	-	-
Community and economic development	-	-	-	-
Capital outlay	1,759	252,652	4,550	210,589
TOTAL EXPENDITURES	3,191,613	26,590,373	135,089	3,897,881
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	974,189	(3,799,710)	295,737	599,082
OTHER FINANCING SOURCES (USES)				
Transfers in	-	3,990,574	-	-
Transfers out	(34,130)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(34,130)	3,990,574	-	-
NET CHANGE IN FUND BALANCE	940,059	190,864	295,737	599,082
Fund balances, beginning of year	6,779,096	866,584	671,983	(1,263,847)
Fund balances, end of year	<u>\$ 7,719,155</u>	<u>\$ 1,057,448</u>	<u>\$ 967,720</u>	<u>\$ (664,765)</u>

(1) - Year ended September 30, 2018

Macomb County, Michigan

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

Year Ended December 31, 2018

	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	7,089,359	37,186	4,262,878	-
Other grants	-	-	-	-
Charges for services	797,496	18,262	700,789	4,158,580
Fines and forfeitures	-	-	-	-
Interest and rents	-	-	-	-
Other revenue	252	-	3,280	-
TOTAL REVENUES	7,887,107	55,448	4,966,947	4,158,580
EXPENDITURES				
Current				
Judicial	10,123,201	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	61,788	6,936,802	4,158,580
Community and economic development	-	-	-	-
Capital outlay	907	649	50,091	-
TOTAL EXPENDITURES	10,124,108	62,437	6,986,893	4,158,580
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,237,001)	(6,989)	(2,019,946)	-
OTHER FINANCING SOURCES (USES)				
Transfers in	2,303,353	-	1,780,682	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	2,303,353	-	1,780,682	-
NET CHANGE IN FUND BALANCE	66,352	(6,989)	(239,264)	-
Fund balances, beginning of year	(433,795)	494,286	2,830,878	-
Fund balances, end of year	<u>\$ (367,443)</u>	<u>\$ 487,297</u>	<u>\$ 2,591,614</u>	<u>\$ -</u>

(1) - Year ended September 30, 2018

(2) - Year ended June 30, 2018

-CONTINUED-

Macomb County, Michigan

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

Year Ended December 31, 2018

	<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	-	-	-	1,460,625
Other grants	-	-	-	-
Charges for services	2,580	-	-	-
Fines and forfeitures	-	-	665,926	-
Interest and rents	-	-	1,504	-
Other revenue	-	-	-	38,662
TOTAL REVENUES	2,580	-	667,430	1,499,287
EXPENDITURES				
Current				
Judicial	-	-	490,271	2,329,733
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	7,210	18,626	-	-
Community and economic development	-	-	-	-
Capital outlay	-	-	1,080	9,317
TOTAL EXPENDITURES	7,210	18,626	491,351	2,339,050
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,630)	(18,626)	176,079	(839,763)
OTHER FINANCING SOURCES (USES)				
Transfers in	4,265	-	-	753,325
Transfers out	-	(4,265)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	4,265	(4,265)	-	753,325
NET CHANGE IN FUND BALANCE	(365)	(22,891)	176,079	(86,438)
Fund balances, beginning of year	144,262	251,432	63,922	(164,424)
Fund balances, end of year	<u>\$ 143,897</u>	<u>\$ 228,541</u>	<u>\$ 240,001</u>	<u>\$ (250,862)</u>

(1) - Year ended September 30, 2018

Macomb County, Michigan

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

Year Ended December 31, 2018

	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	367,140	-	326,761	978,588
Other grants	-	-	-	421,743
Charges for services	-	1,041,310	82,673	-
Fines and forfeitures	-	-	377,640	7,477
Interest and rents	-	16,679	-	-
Other revenue	-	-	46,000	-
TOTAL REVENUES	367,140	1,057,989	833,074	1,407,808
EXPENDITURES				
Current				
Judicial	-	-	-	-
General government	232,784	881,900	-	-
Public safety	-	-	630,797	2,070,277
Health and welfare	-	-	-	-
Community and economic development	-	-	-	-
Capital outlay	-	-	198,153	5,347
TOTAL EXPENDITURES	232,784	881,900	828,950	2,075,624
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	134,356	176,089	4,124	(667,816)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	325,577
Transfers out	-	-	(150,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(150,000)	325,577
NET CHANGE IN FUND BALANCE	134,356	176,089	(145,876)	(342,239)
Fund balances, beginning of year	(134,356)	819,884	1,662,075	205,651
Fund balances, end of year	\$ -	\$ 995,973	\$ 1,516,199	\$ (136,588)

(1) - Year ended September 30, 2018

Macomb County, Michigan

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

Year Ended December 31, 2018

	Social Welfare	Urban County Block Grant	Veterans' Affairs
REVENUES			
Property taxes	\$ -	\$ -	\$ 1,769,493
Licenses and permits	-	-	-
Federal and state grants	-	236,716	2,985
Other grants	-	24,400	-
Charges for services	-	31,269	-
Fines and forfeitures	-	-	-
Interest and rents	-	7,313	-
Other revenue	-	190,841	1,300
TOTAL REVENUES	-	490,539	1,773,778
EXPENDITURES			
Current			
Judicial	-	-	-
General government	-	-	-
Public safety	-	-	-
Health and welfare	-	94,442	1,314,920
Community and economic development	-	345,043	-
Capital outlay	-	34,648	7,954
TOTAL EXPENDITURES	-	474,133	1,322,874
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	16,406	450,904
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
NET CHANGE IN FUND BALANCE	-	16,406	450,904
Fund balances, beginning of year	-	578,555	588,315
Fund balances, end of year	<u>\$ -</u>	<u>\$ 594,961</u>	<u>\$ 1,039,219</u>

(1) - Year ended September 30, 2018

Macomb County, Michigan

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

Year Ended December 31, 2018

	Other Special Revenue	Total Nonmajor Special Revenue Funds
	<u> </u>	<u> </u>
REVENUES		
Property taxes	\$ -	\$ 1,769,493
Licenses and permits	-	430,826
Federal and state grants	-	52,588,088
Other grants	-	497,734
Charges for services	-	10,181,172
Fines and forfeitures	-	1,051,043
Interest and rents	-	25,496
Other revenue	-	1,593,982
	<u> </u>	<u> </u>
TOTAL REVENUES	-	68,137,834
EXPENDITURES		
Current		
Judicial	-	13,239,230
General government	-	1,245,223
Public safety	-	8,199,521
Health and welfare	-	60,697,534
Community and economic development	-	345,043
Capital outlay	-	806,027
	<u> </u>	<u> </u>
TOTAL EXPENDITURES	-	84,532,578
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(16,394,744)
OTHER FINANCING SOURCES (USES)		
Transfers in	-	19,471,792
Transfers out	(10,734)	(199,129)
	<u> </u>	<u> </u>
TOTAL OTHER FINANCING SOURCES (USES)	(10,734)	19,272,663
NET CHANGE IN FUND BALANCE	(10,734)	2,877,919
Fund balances, beginning of year	<u>10,734</u>	<u>12,537,325</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 15,415,244</u>

Macomb County, Michigan

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

Circuit Court Programs
Year Ended September 30, 2018

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Federal and state grants	\$ 325,021	\$ 246,124	\$ (78,897)
Charges for services	5,660	5,448	(212)
TOTAL REVENUES	330,681	251,572	(79,109)
EXPENDITURES			
Current			
Judicial	409,036	296,025	113,011
EXCESS OF REVENUES OVER EXPENDITURES	(78,355)	(44,453)	33,902
OTHER FINANCING SOURCES			
Transfers in	78,355	74,092	(4,263)
NET CHANGE IN FUND BALANCES	-	29,639	29,639
Fund balances, beginning of year	(33,680)	(33,680)	-
Fund balances, end of year	<u>\$ (33,680)</u>	<u>\$ (4,041)</u>	<u>\$ 29,639</u>

Macomb County, Michigan

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

Child Care Fund
Year Ended September 30, 2018

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Federal and state grants	\$ 9,344,912	\$ 8,308,113	\$ (1,036,799)
Charges for services	481,000	559,046	78,046
Other revenue	578,000	464,383	(113,617)
TOTAL REVENUES	10,403,912	9,331,542	(1,072,370)
EXPENDITURES			
Current			
Health and welfare	21,661,062	18,577,591	3,083,471
Capital outlay	30,000	26,237	3,763
TOTAL EXPENDITURES	21,691,062	18,603,828	3,087,234
EXCESS OF REVENUES OVER EXPENDITURES	(11,287,150)	(9,272,286)	2,014,864
OTHER FINANCING SOURCES			
Transfers in	11,277,876	9,792,566	(1,485,310)
NET CHANGE IN FUND BALANCES	(9,274)	520,280	529,554
Fund balances, beginning of year	(1,269,498)	(1,269,498)	-
Fund balances, end of year	<u>\$ (1,278,772)</u>	<u>\$ (749,218)</u>	<u>\$ 529,554</u>

Macomb County, Michigan

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

Community Corrections
Year Ended December 31, 2018

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Federal and state grants	\$ 47,785	\$ 22,877	\$ (24,908)
EXPENDITURES			
Current			
Public safety	205,795	146,661	59,134
EXCESS OF REVENUES OVER EXPENDITURES	(158,010)	(123,784)	34,226
OTHER FINANCING SOURCES			
Transfers in	152,259	122,432	(29,827)
NET CHANGE IN FUND BALANCES	(5,751)	(1,352)	4,399
Fund balances, beginning of year	5,751	5,751	-
Fund balances, end of year	\$ -	\$ 4,399	\$ 4,399

Macomb County, Michigan

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

Community Corrections
Year Ended September 30, 2018

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Federal and state grants	\$ 1,392,582	\$ 1,479,882	\$ 87,300
EXPENDITURES			
Current			
Public safety	1,734,776	1,664,494	70,282
Capital outlay	3,500	2,094	1,406
TOTAL EXPENDITURES	<u>1,738,276</u>	<u>1,666,588</u>	<u>71,688</u>
EXCESS OF REVENUES OVER EXPENDITURES	(345,694)	(186,706)	158,988
OTHER FINANCING SOURCES			
Transfers in	<u>345,694</u>	<u>324,926</u>	<u>(20,768)</u>
NET CHANGE IN FUND BALANCES	-	138,220	138,220
Fund balances, beginning of year	<u>(136,483)</u>	<u>(136,483)</u>	-
Fund balances, end of year	<u>\$ (136,483)</u>	<u>\$ 1,737</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, 2018

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Federal and state grants	\$ 8,131,600	\$ 2,936,293	\$ (5,195,307)
Charges for services	550,137	776,968	226,831
Other revenue	10,000	452,541	442,541
TOTAL REVENUES	8,691,737	4,165,802	(4,525,935)
EXPENDITURES			
Current			
Health and welfare	8,923,618	3,189,854	5,733,764
Capital outlay	2,767	1,759	1,008
TOTAL EXPENDITURES	8,926,385	3,191,613	5,734,772
EXCESS OF REVENUES OVER EXPENDITURES	(234,648)	974,189	1,208,837
OTHER FINANCING (USES)			
Transfers out	(72,020)	(34,130)	37,890
NET CHANGE IN FUND BALANCES	(306,668)	940,059	1,246,727
Fund balances, beginning of year	6,779,096	6,779,096	-
Fund balances, end of year	<u>\$ 6,472,428</u>	<u>\$ 7,719,155</u>	<u>\$ 1,246,727</u>

Macomb County, Michigan

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

Community Action Agency
Year Ended September 30, 2018

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Federal and state grants	\$ 20,827,274	\$ 20,387,189	\$ (440,085)
Charges for services	4,217,029	2,006,751	(2,210,278)
Other revenue	168,908	396,723	227,815
TOTAL REVENUES	25,213,211	22,790,663	(2,422,548)
EXPENDITURES			
Current			
Health and welfare	29,543,409	26,337,721	3,205,688
Capital outlay	262,495	252,652	9,843
TOTAL EXPENDITURES	29,805,904	26,590,373	3,215,531
EXCESS OF REVENUES OVER EXPENDITURES	(4,592,693)	(3,799,710)	792,983
OTHER FINANCING SOURCES			
Transfers in	4,202,385	3,990,574	(211,811)
NET CHANGE IN FUND BALANCES	(390,308)	190,864	581,172
Fund balances, beginning of year	866,584	866,584	-
Fund balances, end of year	\$ 476,276	\$ 1,057,448	\$ 581,172

Macomb County, Michigan

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

Concealed Pistol License
Year Ended December 31, 2018

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Licenses and permits	\$ 141,660	\$ 430,826	\$ 289,166
TOTAL REVENUES	141,660	430,826	289,166
EXPENDITURES			
Current			
General government	137,110	130,539	6,571
Capital outlay	4,550	4,550	-
TOTAL EXPENDITURES	141,660	135,089	6,571
EXCESS OF REVENUES OVER EXPENDITURES	-	295,737	295,737
Fund balances, beginning of year	671,983	671,983	-
Fund balances, end of year	\$ 671,983	\$ 967,720	\$ 295,737

Macomb County, Michigan

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

Emergency Management Grants
Year Ended December 31, 2018

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Federal and state grants	\$ 8,808,362	\$ 4,445,372	\$ (4,362,990)
Other grants	-	51,591	51,591
TOTAL REVENUES	8,808,362	4,496,963	(4,311,399)
EXPENDITURES			
Current			
Public safety	8,504,608	3,687,292	4,817,316
Capital outlay	348,754	210,589	138,165
TOTAL EXPENDITURES	8,853,362	3,897,881	4,955,481
EXCESS OF REVENUES OVER EXPENDITURES	(45,000)	599,082	644,082
Fund balances, beginning of year	(1,263,847)	(1,263,847)	-
Fund balances, end of year	<u>\$ (1,308,847)</u>	<u>\$ (664,765)</u>	<u>\$ 644,082</u>

Macomb County, Michigan

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

Friend of the Court
Year Ended September 30, 2018

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Federal and state grants	\$ 7,023,363	\$ 7,089,359	\$ 65,996
Charges for services	740,000	797,496	57,496
Other revenue	-	252	252
TOTAL REVENUES	7,763,363	7,887,107	123,744
EXPENDITURES			
Current			
Judicial	10,736,612	10,123,201	613,411
Capital outlay	35,000	907	34,093
TOTAL EXPENDITURES	10,771,612	10,124,108	647,504
EXCESS OF REVENUES OVER EXPENDITURES	(3,008,249)	(2,237,001)	771,248
OTHER FINANCING SOURCES			
Transfers in	3,008,249	2,303,353	(704,896)
TOTAL OTHER FINANCING SOURCES (USES)	3,008,249	2,303,353	(704,896)
NET CHANGE IN FUND BALANCES	-	66,352	66,352
Fund balances, beginning of year	(433,795)	(433,795)	-
Fund balances, end of year	\$ (433,795)	\$ (367,443)	\$ 66,352

Macomb County, Michigan

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

	<u>Health Grants</u>		
	<u>Year Ended December 31, 2018</u>		
	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Federal and state grants	\$ 48,274	\$ 37,186	\$ (11,088)
Charges for services	2,000	18,262	16,262
TOTAL REVENUES	50,274	55,448	5,174
EXPENDITURES			
Current			
Health and welfare	147,315	61,788	85,527
Capital outlay	6,503	649	5,854
TOTAL EXPENDITURES	153,818	62,437	91,381
EXCESS OF REVENUES OVER EXPENDITURES	(103,544)	(6,989)	96,555
Fund balances, beginning of year	494,286	494,286	-
Fund balances, end of year	\$ 390,742	\$ 487,297	\$ 96,555

Macomb County, Michigan

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

Health Grants
Year Ended September 30, 2018

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Federal and state grants	\$ 4,636,415	\$ 4,262,878	\$ (373,537)
Charges for services	686,806	700,789	13,983
Other revenues	3,700	3,280	(420)
TOTAL REVENUES	5,326,921	4,966,947	(359,974)
EXPENDITURES			
Current			
Health and welfare	7,506,809	6,936,802	570,007
Capital outlay	68,977	50,091	18,886
TOTAL EXPENDITURES	7,575,786	6,986,893	588,893
EXCESS OF REVENUES OVER EXPENDITURES	(2,248,865)	(2,019,946)	228,919
OTHER FINANCING SOURCES			
Transfers in	2,010,998	1,780,682	(230,316)
TOTAL OTHER FINANCING SOURCES (USES)	2,010,998	1,780,682	(230,316)
NET CHANGE IN FUND BALANCES	(237,867)	(239,264)	(1,397)
Fund balances, beginning of year	2,830,878	2,830,878	-
Fund balances, end of year	\$ 2,593,011	\$ 2,591,614	\$ (1,397)

Macomb County, Michigan

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

Macomb / St. Clair Employment and Training
Year Ended June 30, 2018

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Charges for services	\$ 4,494,705	\$ 4,158,580	\$ (336,125)
EXPENDITURES			
Current			
Health and welfare	4,493,705	4,158,580	335,125
Capital outlay	1,000	-	1,000
TOTAL EXPENDITURES	4,494,705	4,158,580	336,125
EXCESS OF REVENUES OVER EXPENDITURES	-	-	-
Fund balances, beginning of year	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -

Macomb County, Michigan

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

MSU Extension
Year Ended December 31, 2018

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Charges for services	\$ 6,000	\$ 2,580	\$ (3,420)
TOTAL REVENUES	6,000	2,580	(3,420)
EXPENDITURES			
Current			
Health and welfare	34,950	7,210	27,740
Capital outlay	1,200	-	1,200
TOTAL EXPENDITURES	36,150	7,210	28,940
EXCESS OF REVENUES OVER EXPENDITURES	(30,150)	(4,630)	25,520
OTHER FINANCING SOURCES			
Transfers in	-	4,265	4,265
NET CHANGE IN FUND BALANCES	(30,150)	(365)	29,785
Fund balances, beginning of year	144,262	144,262	-
Fund balances, end of year	\$ 114,112	\$ 143,897	\$ 29,785

Macomb County, Michigan

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

MSU Extension
Year Ended September 30, 2018

	<u>Final Amended Budget (Unaudited)</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
EXPENDITURES			
Current			
Health and welfare	\$ 25,301	\$ 18,626	\$ 6,675
EXCESS OF REVENUES OVER EXPENDITURES	(25,301)	(18,626)	6,675
OTHER FINANCING SOURCES			
Transfers out	(4,265)	(4,265)	-
NET CHANGE IN FUND BALANCES	(29,566)	(22,891)	6,675
Fund balances, beginning of year	251,432	251,432	-
Fund balances, end of year	<u>\$ 221,866</u>	<u>\$ 228,541</u>	<u>\$ 6,675</u>

Macomb County, Michigan

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

Prosecuting Attorney Grants
Year Ended December 31, 2018

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Fines and forfeitures	\$ 50,000	\$ 665,926	\$ 615,926
Interest and rents	-	1,504	1,504
TOTAL REVENUES	50,000	667,430	617,430
EXPENDITURES			
Current			
Judicial	48,900	490,271	(441,371)
Capital outlay	1,100	1,080	20
TOTAL EXPENDITURES	50,000	491,351	(441,351)
EXCESS OF REVENUES OVER EXPENDITURES	-	176,079	176,079
Fund balances, beginning of year	63,922	63,922	-
Fund balances, end of year	\$ 63,922	\$ 240,001	\$ 176,079

Macomb County, Michigan

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

Prosecuting Attorney Grants
Year Ended September 30, 2018

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Federal and state grants	\$ 1,568,892	\$ 1,460,625	\$ (108,267)
Other revenue	45,335	38,662	(6,673)
TOTAL REVENUES	1,614,227	1,499,287	(114,940)
EXPENDITURES			
Current			
Judicial	2,386,106	2,329,733	56,373
Capital outlay	13,128	9,317	3,811
TOTAL EXPENDITURES	2,399,234	2,339,050	60,184
EXCESS OF REVENUES OVER EXPENDITURES	(785,007)	(839,763)	(54,756)
OTHER FINANCING SOURCES			
Transfers in	785,007	753,325	(31,682)
TOTAL OTHER FINANCING SOURCES (USES)	785,007	753,325	(31,682)
NET CHANGE IN FUND BALANCES	-	(86,438)	(86,438)
Fund balances, beginning of year	(164,424)	(164,424)	-
Fund balances, end of year	\$ (164,424)	\$ (250,862)	\$ (86,438)

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

Register of Deeds Remonumentation Fund
Year Ended December 31, 2018

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Federal and state grants	\$ 232,784	\$ 367,140	\$ 134,356
EXPENDITURES			
Current			
General government	232,784	232,784	-
TOTAL EXPENDITURES	232,784	232,784	-
EXCESS OF REVENUES OVER EXPENDITURES	-	134,356	134,356
Fund balances, beginning of year	(134,356)	(134,356)	-
Fund balances, end of year	\$ (134,356)	\$ -	\$ 134,356

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

Register of Deeds Technology Fund
Year Ended December 31, 2018

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Charges for services	\$ 1,080,000	\$ 1,041,310	\$ (38,690)
Interest and rents	-	16,679	16,679
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	1,080,000	1,057,989	(22,011)
EXPENDITURES			
Current			
General government	1,270,124	881,900	388,224
	<hr/>	<hr/>	<hr/>
EXCESS OF REVENUES OVER EXPENDITURES	(190,124)	176,089	366,213
Fund balances, beginning of year	819,884	819,884	-
	<hr/>	<hr/>	<hr/>
Fund balances, end of year	<u>\$ 629,760</u>	<u>\$ 995,973</u>	<u>\$ 366,213</u>

Macomb County, Michigan

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

Sheriff Grants
Year Ended December 31, 2018

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Federal and state grants	\$ 377,949	\$ 326,761	\$ (51,188)
Charges for services	100,500	82,673	(17,827)
Fines and forfeitures	215,000	377,640	162,640
Other revenue	16,200	46,000	29,800
TOTAL REVENUES	709,649	833,074	123,425
EXPENDITURES			
Current			
Public safety	1,450,890	630,797	820,093
Capital outlay	766,052	198,153	567,899
TOTAL EXPENDITURES	2,216,942	828,950	1,387,992
EXCESS OF REVENUES OVER EXPENDITURES	(1,507,293)	4,124	1,511,417
OTHER FINANCING SOURCES			
Transfers out	(150,000)	(150,000)	-
NET CHANGE IN FUND BALANCES	(1,657,293)	(145,876)	1,511,417
Fund balances, beginning of year	1,662,075	1,662,075	-
Fund balances, end of year	<u>\$ 4,782</u>	<u>\$ 1,516,199</u>	<u>\$ 1,511,417</u>

Macomb County, Michigan

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

Sheriff Grants
Year Ended September 30, 2018

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Federal and state grants	\$ 1,486,423	\$ 978,588	\$ (507,835)
Other grants	388,382	421,743	33,361
Fines and forfeitures	30,000	7,477	(22,523)
TOTAL REVENUES	1,904,805	1,407,808	(496,997)
EXPENDITURES			
Current			
Public safety	2,214,246	2,070,277	143,969
Capital outlay	13,300	5,347	7,953
TOTAL EXPENDITURES	2,227,546	2,075,624	151,922
EXCESS OF REVENUES OVER EXPENDITURES	(322,741)	(667,816)	(345,075)
OTHER FINANCING SOURCES			
Transfers in	322,741	325,577	2,836
NET CHANGE IN FUND BALANCES	-	(342,239)	(342,239)
Fund balances, beginning of year	205,651	205,651	-
Fund balances, end of year	\$ 205,651	\$ (136,588)	\$ (342,239)

-CONTINUED-

Macomb County, Michigan

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

Social Welfare Fund
Year Ended December 31, 2018

	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
EXCESS OF REVENUES OVER EXPENDITURES	-	-	-
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, 2018

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Federal and state grants	\$ 678,368	\$ 236,716	\$ (441,652)
Other grants	-	24,400	24,400
Charges for services	7,000	31,269	24,269
Interest and rents	-	7,313	7,313
Other revenue	175,327	190,841	15,514
TOTAL REVENUES	860,695	490,539	(370,156)
EXPENDITURES			
Current			
Health and welfare	93,575	94,442	(867)
Community and economic development	793,384	345,043	448,341
Capital outlay	34,648	34,648	-
TOTAL EXPENDITURES	921,607	474,133	447,474
EXCESS OF REVENUES OVER EXPENDITURES	(60,912)	16,406	77,318
Fund balances, beginning of year	578,555	578,555	-
Fund balances, end of year	<u>\$ 517,643</u>	<u>\$ 594,961</u>	<u>\$ 77,318</u>

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Macomb County, Michigan

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

Veterans' Affairs Fund
Year Ended December 31, 2018

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	\$ 1,774,385	\$ 1,769,493	\$ (4,892)
Federal and state grants	-	2,985	2,985
Other revenue	-	1,300	1,300
TOTAL REVENUES	1,774,385	1,773,778	(607)
EXPENDITURES			
Current			
Health and welfare	1,375,706	1,314,920	60,786
Capital outlay	14,000	7,954	6,046
TOTAL EXPENDITURES	1,389,706	1,322,874	66,832
EXCESS OF REVENUES OVER EXPENDITURES	384,679	450,904	66,225
Fund balances, beginning of year	588,315	588,315	-
Fund balances, end of year	<u>\$ 972,994</u>	<u>\$ 1,039,219</u>	<u>\$ 66,225</u>

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Macomb County, Michigan

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

Other Special Revenue
Year Ended December 31, 2018

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
OTHER FINANCING SOURCES			
Transfers out	\$ (10,734)	\$ (10,734)	-
NET CHANGE IN FUND BALANCES	(10,734)	(10,734)	-
Fund balances, beginning of year	10,734	10,734	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

FUND DESCRIPTION – NONMAJOR DEBT SERVICE FUND

December 31, 2018

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-41 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, 2018

	Final Amended Budget (Unaudited)	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	\$ 128,576	\$ 127,705	\$ (871)
Charges for services	18,385,355	-	(18,385,355)
TOTAL REVENUES	18,513,931	127,705	(18,386,226)
EXPENDITURES			
Current			
Public works	183,683	158,147	25,536
Debt service			
Principal	17,800,000	6,995,000	10,805,000
Interest and fees	11,061,938	1,981,584	9,080,354
TOTAL EXPENDITURES	29,045,621	9,134,731	19,910,890
EXCESS OF REVENUES OVER EXPENDITURES	(10,531,690)	(9,007,026)	1,524,664
OTHER FINANCING SOURCES			
Transfers in	10,531,690	9,031,691	(1,499,999)
TOTAL OTHER FINANCING SOURCES (USES)	10,531,690	9,031,691	(1,499,999)
NET CHANGE IN FUND BALANCES	-	24,665	24,665
Fund balances, beginning of year	2,038,746	2,038,746	-
Fund balances, end of year	\$ 2,038,746	\$ 2,063,411	\$ 24,665

FUND DESCRIPTIONS – NONMAJOR CAPITAL PROJECT FUNDS

December 31, 2018

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 \$70 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 2019, is being funded primarily through a \$45 million bond issue, with the remaining \$25 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.

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

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

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

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

FUND DESCRIPTIONS – NONMAJOR CAPITAL PROJECT FUNDS (CONCLUDED)

December 31, 2018

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, 2018

	Bridge Program	Capital Improvement Fund	General County Capital Projects	Central Campus Renovation
ASSETS				
Cash and pooled investments	\$ 95,212	\$ 260,198	\$ 7,909,650	\$ 3,785,018
Receivables				
Trade accounts, net	-	-	260,530	-
Due from other governments	552,996	-	-	-
Other assets	-	-	4,667	-
	<u>648,208</u>	<u>260,198</u>	<u>8,174,847</u>	<u>3,785,018</u>
TOTAL ASSETS	\$ 648,208	\$ 260,198	\$ 8,174,847	\$ 3,785,018
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 1,693,506	\$ 2,345,464
Accrued liabilities	-	-	80,814	-
	-	-	1,774,320	2,345,464
TOTAL LIABILITIES	-	-	1,774,320	2,345,464
DEFERRED INFLOWS OF RESOURCES				
Unavailable grants and other charges	552,996	-	260,530	-
FUND BALANCES				
Nonspendable	528,951	-	4,667	-
Restricted	-	-	-	-
Assigned	-	260,198	6,135,330	1,439,554
Unassigned	(433,739)	-	-	-
	<u>95,212</u>	<u>260,198</u>	<u>6,139,997</u>	<u>1,439,554</u>
TOTAL FUND BALANCES	95,212	260,198	6,139,997	1,439,554
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 648,208	\$ 260,198	\$ 8,174,847	\$ 3,785,018

Macomb County, Michigan

COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECT FUNDS (CONTINUED)

December 31, 2018

	Circuit Court E- Filing	Department of Roads Orchard Trail Fund (1)	District Court Improvement	E-911 Radio System
ASSETS				
Cash and pooled investments	\$ 128,253	\$ -	\$ 579,838	\$ 826,711
Receivables				
Trade accounts, net	-	-	-	-
Due from other governments	-	-	-	-
Other assets	-	-	-	-
TOTAL ASSETS	<u>\$ 128,253</u>	<u>\$ -</u>	<u>\$ 579,838</u>	<u>\$ 826,711</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 826,711
Accrued liabilities	-	-	-	-
TOTAL LIABILITIES	-	-	-	826,711
DEFERRED INFLOWS OF RESOURCES				
Unavailable grants and other charges	-	-	-	-
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Assigned	128,253	-	579,838	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>128,253</u>	<u>-</u>	<u>579,838</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 128,253</u>	<u>\$ -</u>	<u>\$ 579,838</u>	<u>\$ 826,711</u>

(1) - Balance Sheet as of September 30, 2018

Macomb County, Michigan

COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECT FUNDS (CONTINUED)

December 31, 2018

	E-911 Cellular Fee	E-911 Radio Maintenance	Orchard Trail
ASSETS			
Cash and pooled investments	\$ 2,618,121	\$ 379,915	\$ 402,562
Receivables			
Trade accounts, net	-	41,081	5,675
Due from other governments	392,535	217,745	-
Other assets	47,012	1,126	-
	<u>3,057,668</u>	<u>639,867</u>	<u>408,237</u>
TOTAL ASSETS			
	<u>\$ 3,057,668</u>	<u>\$ 639,867</u>	<u>\$ 408,237</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 845,832	\$ 78,219	\$ 5,310
Accrued liabilities	-	-	-
	845,832	78,219	5,310
TOTAL LIABILITIES			
	845,832	78,219	5,310
DEFERRED INFLOWS OF RESOURCES			
Unavailable grants and other charges	-	7,725	-
	<u>-</u>	<u>7,725</u>	<u>-</u>
FUND BALANCES			
Nonspendable	47,012	1,126	-
Restricted	2,164,824	552,797	-
Assigned	-	-	402,927
Unassigned	-	-	-
	<u>2,211,836</u>	<u>553,923</u>	<u>402,927</u>
TOTAL FUND BALANCES			
	<u>2,211,836</u>	<u>553,923</u>	<u>402,927</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
	<u>\$ 3,057,668</u>	<u>\$ 639,867</u>	<u>\$ 408,237</u>

Macomb County, Michigan

COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECT FUNDS (CONCLUDED)

December 31, 2018

	Youth Home Renovation	Total Nonmajor Capital Project Funds
ASSETS		
Cash and pooled investments	\$ 103,230	\$ 17,088,708
Receivables		
Trade accounts, net	-	307,286
Due from other governments	-	1,163,276
Other assets	-	52,805
	<u>103,230</u>	<u>18,612,075</u>
TOTAL ASSETS	\$ 103,230	\$ 18,612,075
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ -	\$ 5,795,042
Accrued liabilities	-	80,814
	-	5,875,856
TOTAL LIABILITIES	-	5,875,856
DEFERRED INFLOWS OF RESOURCES		
Unavailable grants and other charges	-	821,251
FUND BALANCES		
Nonspendable	-	581,756
Restricted	-	2,717,621
Assigned	103,230	9,049,330
Unassigned	-	(433,739)
	<u>103,230</u>	<u>11,914,968</u>
TOTAL FUND BALANCES	103,230	11,914,968
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 103,230	\$ 18,612,075

Macomb County, Michigan

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

December 31, 2018

	Bridge Program	Capital Improvement Fund	General County Capital Projects	Central Campus Renovation
REVENUES				
Federal and state grants	\$ -	\$ -	\$ 26,645	\$ -
Charges for services	24,045	-	-	-
Interest and rents	-	-	-	-
Other revenue	-	-	158,471	-
TOTAL REVENUES	24,045	-	185,116	-
EXPENDITURES				
Current				
Public safety	-	-	-	-
Recreational and cultural	-	-	-	-
Capital outlay	-	-	5,498,178	10,037,008
TOTAL EXPENDITURES	-	-	5,498,178	10,037,008
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	24,045	-	(5,313,062)	(10,037,008)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,531,018	10,537,192	11,476,562
Transfers out	-	(13,000,430)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(11,469,412)	10,537,192	11,476,562
NET CHANGE IN FUND BALANCE	24,045	(11,469,412)	5,224,130	1,439,554
Fund balances, beginning of year	71,167	11,729,610	915,867	-
Fund balances, end of year	<u>\$ 95,212</u>	<u>\$ 260,198</u>	<u>\$ 6,139,997</u>	<u>\$ 1,439,554</u>

Macomb County, Michigan

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

December 31, 2018

	Circuit Court E- Filing	Department of Roads Orchard Trail Fund (1)	District Court Improvement	E-911 Radio System
REVENUES				
Federal and state grants	\$ -	\$ -	\$ -	\$ -
Charges for services	61,634	-	59,412	-
Interest and rents	-	-	-	-
Other revenue	-	-	-	1,052,078
TOTAL REVENUES	61,634	-	59,412	1,052,078
EXPENDITURES				
Current				
Public safety	-	-	-	3,159
Recreational and cultural	-	-	-	-
Capital outlay	524	-	-	976,711
TOTAL EXPENDITURES	524	-	-	979,870
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	61,110	-	59,412	72,208
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	979,870
Transfers out	(200,000)	(2,312,574)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(200,000)	(2,312,574)	-	979,870
NET CHANGE IN FUND BALANCE	(138,890)	(2,312,574)	59,412	1,052,078
Fund balances, beginning of year	267,143	2,312,574	520,426	(1,052,078)
Fund balances, end of year	<u>\$ 128,253</u>	<u>\$ -</u>	<u>\$ 579,838</u>	<u>\$ -</u>

(1) - Year ended September 30, 2018

Macomb County, Michigan

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

December 31, 2018

	E-911 Cellular Fee	E-911 Radio Maintenance	Orchard Trail
REVENUES			
Federal and state grants	\$ 737,857	\$ -	\$ -
Charges for services	-	395,680	29,160
Interest and rents	-	-	6,375
Other revenue	-	-	-
TOTAL REVENUES	737,857	395,680	35,535
EXPENDITURES			
Current			
Public safety	154,405	314,424	-
Recreational and cultural	-	-	70,892
Capital outlay	6,864	46,551	-
TOTAL EXPENDITURES	161,269	360,975	70,892
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	576,588	34,705	(35,357)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	(521,987)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(521,987)	-	-
NET CHANGE IN FUND BALANCE	54,601	34,705	(35,357)
Fund balances, beginning of year	2,157,235	519,218	438,284
Fund balances, end of year	<u>\$ 2,211,836</u>	<u>\$ 553,923</u>	<u>\$ 402,927</u>

Macomb County, Michigan

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

December 31, 2018

	Youth Home Renovation	Total Nonmajor Capital Project Funds
REVENUES		
Federal and state grants	\$ -	\$ 764,502
Charges for services	-	569,931
Interest and rents	-	6,375
Other revenue	-	1,210,549
	<hr/>	<hr/>
TOTAL REVENUES	-	2,551,357
EXPENDITURES		
Current		
Public safety	-	471,988
Recreational and cultural	-	70,892
Capital outlay	-	16,565,836
	<hr/>	<hr/>
TOTAL EXPENDITURES	-	17,108,716
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(14,557,359)
OTHER FINANCING SOURCES (USES)		
Transfers in	-	24,524,642
Transfers out	-	(16,034,991)
	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	-	8,489,651
NET CHANGE IN FUND BALANCE	-	(6,067,708)
Fund balances, beginning of year	<hr/> 103,230	<hr/> 17,982,676
Fund balances, end of year	<u>\$ 103,230</u>	<u>\$ 11,914,968</u>

FUND DESCRIPTIONS – INTERNAL SERVICE FUNDS

December 31, 2018

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, 2018

	Compensated Absences	Equipment Revolving	Fringe Benefits	County General Liability
ASSETS				
Current Assets				
Cash and pooled investments	\$ 15,044,461	\$ 5,802,647	\$ -	\$ 4,378,699
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	-	13,180	-	-
Inventories	-	187,356	-	-
Due from component unit	-	-	-	-
Due from governmental funds	-	-	282,923	-
Due from fiduciary funds	-	-	10,327,404	-
Other assets	-	28,918	1,831,489	508,639
Total current assets	15,044,461	6,032,101	12,441,816	4,887,338
Noncurrent assets				
Capital assets, net				
Assets being depreciated	-	1,095,401	-	-
TOTAL ASSETS	15,044,461	7,127,502	12,441,816	4,887,338
DEFERRED OUTFLOWS OF RESOURCES				
Related to other post-employment benefits	-	-	-	-
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	27,111	168,788	2,149,009	143,261
Accrued interest payable	-	-	-	-
Due to governmental funds	-	310,190	6,843,395	-
Claims and judgments	-	-	-	900,000
Long-term liabilities due within one year	1,700,000	-	-	-
Total current liabilities	1,727,111	478,978	8,992,404	1,043,261
Noncurrent liabilities				
Claims and judgments	-	-	-	3,433,780
Long-term liabilities due in more than one year	13,067,350	-	-	-
Net other post-employment benefits liability	-	-	-	-
Total noncurrent liabilities	13,067,350	-	-	3,433,780
TOTAL LIABILITIES	14,794,461	478,978	8,992,404	4,477,041
DEFERRED INFLOWS OF RESOURCES				
Related to other post-employment benefits	-	-	-	-
NET POSITION				
Net investment in capital assets	-	1,095,401	-	-
Restricted for:				
Roads general liability insurance	-	-	-	-
Unrestricted (deficit)	250,000	5,553,123	3,449,412	410,297
TOTAL NET POSITION	\$ 250,000	\$ 6,648,524	\$ 3,449,412	\$ 410,297

-CONTINUED-

Macomb County, Michigan

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

December 31, 2018

	Other Postemployment Benefits	Roads General Liability (1)	Workers' Compensation	Total Internal Service Funds
ASSETS				
Current Assets				
Cash and pooled investments	\$ 9,140,773	\$ 7,994,337	\$ 2,513,106	\$ 44,874,023
Investments, at fair value				
US Government securities	6,596,941	-	-	6,596,941
Corporate bonds	4,068,351	-	-	4,068,351
Common stock	126,332,680	-	-	126,332,680
Foreign stock	32,625,170	-	-	32,625,170
Real estate investment trust	20,901,097	-	-	20,901,097
Fixed income common collective trusts	5,112,754	-	-	5,112,754
Equity common collective trusts	44,898,711	-	-	44,898,711
Receivables				
Accrued interest	310,515	-	-	310,515
Trade accounts, net	232,880	-	-	246,060
Inventories	-	-	-	187,356
Due from component unit	13,880,000	-	-	13,880,000
Due from governmental funds	9,500	-	-	292,423
Due from fiduciary funds	-	-	-	10,327,404
Other assets	-	-	239,992	2,609,038
	<u>264,109,372</u>	<u>7,994,337</u>	<u>2,753,098</u>	<u>313,262,523</u>
Total current assets				
Noncurrent assets				
Capital assets, net				
Assets being depreciated	-	-	-	1,095,401
	<u>264,109,372</u>	<u>7,994,337</u>	<u>2,753,098</u>	<u>314,357,924</u>
TOTAL ASSETS				
DEFERRED OUTFLOWS OF RESOURCES				
Related to other post-employment benefits	25,467,088	-	-	25,467,088
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	545,382	-	77,232	3,110,783
Accrued interest payable	1,384,689	-	-	1,384,689
Due to governmental funds	-	-	-	7,153,585
Claims and judgments	-	32,500	482,097	1,414,597
Long-term liabilities due within one year	10,080,000	-	-	11,780,000
	<u>12,010,071</u>	<u>32,500</u>	<u>559,329</u>	<u>24,843,654</u>
Total current liabilities				
Noncurrent liabilities				
Claims and judgments	-	250,000	1,446,291	5,130,071
Long-term liabilities due in more than one year	213,060,000	-	-	226,127,350
Net other post-employment benefits liability	276,233,324	-	-	276,233,324
	<u>489,293,324</u>	<u>250,000</u>	<u>1,446,291</u>	<u>507,490,745</u>
Total noncurrent liabilities				
	<u>501,303,395</u>	<u>282,500</u>	<u>2,005,620</u>	<u>532,334,399</u>
TOTAL LIABILITIES				
DEFERRED INFLOWS OF RESOURCES				
Related to other post-employment benefits	19,449,167	-	-	19,449,167
NET POSITION				
Net investment in capital assets	-	-	-	1,095,401
Restricted for:				
Roads general liability insurance	-	7,711,837	-	7,711,837
Unrestricted (deficit)	(231,176,102)	-	747,478	(220,765,792)
	<u>\$ (231,176,102)</u>	<u>\$ 7,711,837</u>	<u>\$ 747,478</u>	<u>\$ (211,958,554)</u>
TOTAL NET POSITION				

(1) - Year ended September 30, 2018

Macomb County, Michigan

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

Year Ended December 31, 2018

	Compensated Absences	Equipment Revolving	Fringe Benefits	County General Liability
OPERATING REVENUES				
Charges for services	\$ 1,077,124	\$ 3,430,453	\$ 58,906,530	\$ 1,890,106
Other revenue	-	-	-	1,780,000
TOTAL OPERATING REVENUES	1,077,124	3,430,453	58,906,530	3,670,106
OPERATING EXPENSES				
Benefits and claims expenses	2,186,319	-	60,703,122	902,992
Supplies and services	-	3,371,398	-	-
Depreciation	-	450,205	-	-
TOTAL OPERATING EXPENSES	2,186,319	3,821,603	60,703,122	902,992
OPERATING INCOME (LOSS)	(1,109,195)	(391,150)	(1,796,592)	2,767,114
NONOPERATING REVENUES (EXPENSES)				
Investment income	-	-	-	-
Interest expense	-	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	-	-	-	-
NET INCOME (LOSS) BEFORE TRANSFERS	(1,109,195)	(391,150)	(1,796,592)	2,767,114
TRANSFERS				
Transfers in	1,130,317	-	21,122	-
Transfers out	(21,122)	-	(1,130,317)	(2,356,817)
NET TRANSFERS	1,109,195	-	(1,109,195)	(2,356,817)
CHANGE IN NET POSITION	-	(391,150)	(2,905,787)	410,297
Net position, beginning of year	250,000	7,039,674	6,355,199	-
Net position, end of year	\$ 250,000	\$ 6,648,524	\$ 3,449,412	\$ 410,297

Macomb County, Michigan

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

Year Ended December 31, 2018

	Other Postemployment Benefits	Roads General Liability (1)	Workers' Compensation	Total Internal Service Funds
OPERATING REVENUES				
Charges for services	\$ 17,770,484	\$ -	\$ 1,262,875	\$ 84,337,572
Other revenue	-	-	-	1,780,000
TOTAL OPERATING REVENUES	17,770,484	-	1,262,875	86,117,572
OPERATING EXPENSES				
Benefits and claims expenses	31,289,101	247,793	805,185	96,134,512
Supplies and services	1,053,354	-	-	4,424,752
Depreciation	-	-	-	450,205
TOTAL OPERATING EXPENSES	32,342,455	247,793	805,185	101,009,469
OPERATING INCOME (LOSS)	(14,571,971)	(247,793)	457,690	(14,891,897)
NONOPERATING REVENUES (EXPENSES)				
Investment income	(18,827,676)	106,620	-	(18,721,056)
Interest expense	(8,133,814)	-	-	(8,133,814)
TOTAL NONOPERATING REVENUES (EXPENSES)	(26,961,490)	106,620	-	(26,854,870)
NET INCOME (LOSS) BEFORE TRANSFERS	(41,533,461)	(141,173)	457,690	(41,746,767)
TRANSFERS				
Transfers in	-	-	-	1,151,439
Transfers out	-	-	(2,807,056)	(6,315,312)
NET TRANSFERS	-	-	(2,807,056)	(5,163,873)
CHANGE IN NET POSITION	(41,533,461)	(141,173)	(2,349,366)	(46,910,640)
Net position, beginning of the year, as restated*	(189,642,641)	7,853,010	3,096,844	(165,047,914)
Net position, end of year	<u>\$ (231,176,102)</u>	<u>\$ 7,711,837</u>	<u>\$ 747,478</u>	<u>\$ (211,958,554)</u>

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

(1) - Year ended September 30, 2018

Macomb County, Michigan

COMBINING STATEMENT OF CASH FLOWS – INTERNAL SERVICE FUNDS

Year Ended December 31, 2018

	Compensated Absences	Equipment Revolving	Fringe Benefits	County General Liability
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from interfund services	\$ 1,077,124	\$ 3,429,540	\$ 59,854,855	\$ 3,670,106
Cash payments to employees and employee trusts	(1,776,343)	-	-	-
Cash payments to suppliers	-	(3,304,637)	(59,346,644)	(4,707,288)
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	(699,219)	124,903	508,211	(1,037,182)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Principal and interest paid on long term debt	-	-	-	-
Transfers in	1,130,317	-	21,122	-
Transfers out	(21,122)	-	(1,130,317)	(2,356,817)
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	1,109,195	-	(1,109,195)	(2,356,817)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	-	(483,384)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	-	-	-	-
Proceeds from sale and maturities of investment securities	-	-	-	-
Change in fair value of cash equivalents	-	-	-	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	-	-	-	-
NET INCREASE (DECREASE) IN CASH AND POOLED INVESTMENTS	409,976	(358,481)	(600,984)	(3,393,999)
Cash and pooled investments, beginning of year	14,634,485	6,161,128	600,984	7,772,698
Cash and pooled investments, end of year	<u>\$ 15,044,461</u>	<u>\$ 5,802,647</u>	<u>\$ -</u>	<u>\$ 4,378,699</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ (1,109,195)	\$ (391,150)	\$ (1,796,592)	\$ 2,767,114
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	-	450,205	-	-
Changes in deferrals related to OPEB	-	-	-	-
Changes in assets and liabilities:				
Accounts receivable	-	(913)	-	-
Inventory	-	25,949	-	-
Due from other governments	-	-	403	-
Due from component unit	-	-	-	-
Due from governmental funds	-	-	(44,312)	-
Due from fiduciary funds	-	-	(5,850,758)	-
Other assets	-	11,251	(201,366)	(44,541)
Accounts payable and accrued liabilities	(73,106)	21,178	1,557,441	81,472
Due to other funds	-	8,383	6,843,395	-
Claims and judgments	-	-	-	(3,841,227)
Long-term liabilities	483,082	-	-	-
Net OPEB liability	-	-	-	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (699,219)	\$ 124,903	\$ 508,211	\$ (1,037,182)

-CONTINUED-

Macomb County, Michigan

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

Year Ended December 31, 2018

	Other Postemployment Benefits	Roads General Liability (1)	Workers' Compensation	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from interfund services	\$ 18,375,984	\$ -	\$ 1,262,875	\$ 87,670,484
Cash payments to employees and employee trusts	(35,001,850)	-	-	(36,778,193)
Cash payments to suppliers	2,301,905	(234,545)	(1,455,624)	(66,746,833)
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	(14,323,961)	(234,545)	(192,749)	(15,854,542)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Principal and interest paid on long term debt	(19,513,297)	-	-	(19,513,297)
Transfers in	-	-	-	1,151,439
Transfers out	-	-	(2,807,056)	(6,315,312)
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	(19,513,297)	-	(2,807,056)	(24,677,170)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	-	-	-	(483,384)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	-	106,620	-	106,620
Proceeds from sale and maturities of investment securities	34,854,511	-	-	34,854,511
Change in fair value of cash equivalents	(510,524)	-	-	(510,524)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	34,343,987	106,620	-	34,450,607
NET INCREASE (DECREASE) IN CASH AND POOLED INVESTMENTS	506,729	(127,925)	(2,999,805)	(6,564,489)
Cash and pooled investments, beginning of year	8,634,044	8,122,262	5,512,911	51,438,512
Cash and pooled investments, end of year	<u>\$ 9,140,773</u>	<u>\$ 7,994,337</u>	<u>\$ 2,513,106</u>	<u>\$ 44,874,023</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ (14,571,971)	\$ (247,793)	\$ 457,690	\$ (14,891,897)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	-	-	-	450,205
Changes in deferrals related to OPEB	(6,017,921)	-	-	(6,017,921)
Changes in assets and liabilities:				
Accounts receivable	197,529	-	-	196,616
Inventory	-	-	-	25,949
Due from other governments	-	-	-	403
Due from component unit	615,000	-	-	615,000
Due from governmental funds	(9,500)	-	-	(53,812)
Due from fiduciary funds	-	-	-	(5,850,758)
Other assets	3,511,346	-	(58,227)	3,218,463
Accounts payable and accrued liabilities	3,157,730	-	(107,764)	4,636,951
Due to other funds	-	-	-	6,851,778
Claims and judgments	-	13,248	(484,448)	(4,312,427)
Long-term liabilities	-	-	-	483,082
Net OPEB liability	(1,206,174)	-	-	(1,206,174)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (14,323,961)	\$ (234,545)	\$ (192,749)	\$ (15,854,542)

(1) - Year ended September 30, 2018

FUND DESCRIPTIONS – FIDUCIARY AND AGENCY FUNDS

December 31, 2018

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.

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.

Macomb County, Michigan

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

December 31, 2018

	Employees' Retirement Fund	Retiree Health Care Trust Fund	Total Pension and Other Postemployment Benefit Funds
ASSETS			
Cash and pooled investments	\$ 77,592,945	\$ 294,538	\$ 77,887,483
Investments, at fair value			
Corporate bonds	13,260,484	-	13,260,484
Common stock	331,605,877	84,579	331,690,456
Foreign stock	69,935,791	39,262,593	109,198,384
Limited partnership	186,418,220	6,017	186,424,237
Real estate investment trusts	-	39,926,483	39,926,483
Fixed income common collective trusts	48,744,246	54,781,309	103,525,555
Equity common collective trusts	215,655,253	138,652,258	354,307,511
Total investments, at fair value	865,619,871	272,713,239	1,138,333,110
Receivables			
Accrued interest	514,914	709,742	1,224,656
Other	845,939	83,120	929,059
Due from primary government	-	9,500	9,500
Other assets	1,750	34,907	36,657
TOTAL ASSETS	944,575,419	273,845,046	1,218,420,465
LIABILITIES			
Accounts payable	2,017,942	688,306	2,706,248
Accrued compensation and benefits	5,469,545	-	5,469,545
Due to primary government	-	10,327,404	10,327,404
TOTAL LIABILITIES	7,487,487	11,015,710	18,503,197
NET POSITION RESTRICTED FOR PENSION AND OTHER POSTEMPLOYMENT BENEFITS	<u>\$ 937,087,932</u>	<u>\$ 262,829,336</u>	<u>\$ 1,199,917,268</u>

Macomb County, Michigan

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

Year Ended December 31, 2018

	Employees' Retirement Fund	Retiree Health Care Trust Fund	Total Pension and Other Postemployment Benefit Funds
ADDITIONS			
Investment income (loss):			
Interest and dividends	\$ 8,397,859	\$ 17,842,962	\$ 26,240,821
Net change in fair value of investments	(61,642,515)	(28,608,332)	(90,250,847)
Less investment expenses	(6,569,384)	(133,173)	(6,702,557)
Net investment income (loss)	(59,814,040)	(10,898,543)	(70,712,583)
Contributions			
Employer	23,747,047	-	23,747,047
Employee	3,252,673	-	3,252,673
Contribution from Retiree Health Care Intermediate Trust Fund	-	38,365,857	38,365,857
Total contributions	26,999,720	38,365,857	65,365,577
TOTAL ADDITIONS	(32,814,320)	27,467,314	(5,347,006)
DEDUCTIONS			
Benefit payments	66,297,751	20,065,840	86,363,591
Refund of contributions	461,792	-	461,792
Administrative expenses	711,070	62,277	773,347
TOTAL DEDUCTIONS	67,470,613	20,128,117	87,598,730
CHANGE IN NET POSITION	(100,284,933)	7,339,197	(92,945,736)
Net position - beginning of year	1,037,372,865	255,490,139	1,292,863,004
Net position - end of year	\$ 937,087,932	\$ 262,829,336	\$ 1,199,917,268

Macomb County, Michigan

COMBINING STATEMENT OF FIDUCIARY NET POSITION –
AGENCY FUNDS

December 31, 2018

	Trust and Agency Fund	Payroll and Benefits Fund	Miscellaneous Agency Funds	Total Agency Funds
ASSETS				
Cash and pooled investments	\$ 8,774,495	\$ 61,335	\$ 2,648,050	\$ 11,483,880
Receivables				
Other	342,570	20,000	-	362,570
Due from other governments	70,559	-	71,257	141,816
Other assets	75,087	188,301	-	263,388
	<u>9,262,711</u>	<u>269,636</u>	<u>2,719,307</u>	<u>12,251,654</u>
TOTAL ASSETS	\$ 9,262,711	\$ 269,636	\$ 2,719,307	\$ 12,251,654
LIABILITIES				
Accounts payable	\$ 3,242,612	\$ 262,534	\$ 791,529	\$ 4,296,675
Accrued compensation and benefits	-	7,102	-	7,102
Cash bonds and deposits	5,636,254	-	1,228,737	6,864,991
Due to other governments	383,845	-	699,041	1,082,886
	<u>9,262,711</u>	<u>269,636</u>	<u>2,719,307</u>	<u>12,251,654</u>
TOTAL LIABILITIES	\$ 9,262,711	\$ 269,636	\$ 2,719,307	\$ 12,251,654

Macomb County, Michigan

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES –
AGENCY FUNDS

Year Ended December 31, 2018

	Balance, January 1, 2018	Additions	Deductions	Balance, December 31, 2018
ASSETS				
Cash and pooled investments	\$ 10,449,684	\$ 828,568,151	\$ 827,533,955	\$ 11,483,880
Receivables				
Other	293,020	1,011,824	942,274	362,570
Due from other governments	219,150	778,156	855,490	141,816
Other assets	311,830	848,838	897,280	263,388
	<u>311,830</u>	<u>848,838</u>	<u>897,280</u>	<u>263,388</u>
TOTAL ASSETS	<u>\$ 11,273,684</u>	<u>\$ 831,206,969</u>	<u>\$ 830,228,999</u>	<u>\$ 12,251,654</u>
LIABILITIES				
Accounts payable	\$ 4,306,226	\$ 31,279,754	\$ 31,289,305	\$ 4,296,675
Accrued compensation and benefits	9,668	39,081,757	39,084,323	7,102
Cash bonds and deposits	5,779,291	58,049,025	56,963,325	6,864,991
Due to other governments	1,178,499	197,099,761	197,195,374	1,082,886
	<u>1,178,499</u>	<u>197,099,761</u>	<u>197,195,374</u>	<u>1,082,886</u>
TOTAL LIABILITIES	<u>\$ 11,273,684</u>	<u>\$ 325,510,297</u>	<u>\$ 324,532,327</u>	<u>\$ 12,251,654</u>

Macomb County, Michigan

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES –
AGENCY FUNDS

Year Ended December 31, 2018

Trust and Agency Fund

	Balance, January 1, 2018	Additions	Deductions	Balance, December 31, 2018
ASSETS				
Cash and pooled investments	\$ 8,236,384	\$ 106,558,155	\$ 106,020,044	\$ 8,774,495
Receivables				
Other	273,063	991,824	922,317	342,570
Due from other governments	114,479	116,234	160,154	70,559
Other assets	123,701	818,483	867,097	75,087
	<u>8,747,627</u>	<u>108,484,696</u>	<u>107,969,612</u>	<u>9,262,711</u>
TOTAL ASSETS	\$ 8,747,627	\$ 108,484,696	\$ 107,969,612	\$ 9,262,711
LIABILITIES				
Accounts payable	\$ 3,426,243	\$ 24,892,032	\$ 25,075,663	\$ 3,242,612
Cash bonds and deposits	4,450,450	56,854,598	55,668,794	5,636,254
Due to other governments	870,934	41,757,790	42,244,879	383,845
	<u>8,747,627</u>	<u>123,504,420</u>	<u>122,989,336</u>	<u>9,262,711</u>
TOTAL LIABILITIES	\$ 8,747,627	\$ 123,504,420	\$ 122,989,336	\$ 9,262,711

Payroll and Benefits Agency Fund

	Balance, January 1, 2018	Additions	Deductions	Balance, December 31, 2018
ASSETS				
Cash and pooled investments	\$ 61,335	\$ 41,140,257	\$ 41,140,257	\$ 61,335
Receivables				
Other	19,957	20,000	19,957	20,000
Other assets	188,129	9,060	8,888	188,301
	<u>269,421</u>	<u>41,169,317</u>	<u>41,169,102</u>	<u>269,636</u>
TOTAL ASSETS	\$ 269,421	\$ 41,169,317	\$ 41,169,102	\$ 269,636
LIABILITIES				
Accounts payable	\$ 259,753	\$ 717,488	\$ 714,707	\$ 262,534
Accrued compensation and benefits	9,668	39,081,757	39,084,323	7,102
	<u>269,421</u>	<u>39,799,245</u>	<u>39,799,030</u>	<u>269,636</u>
TOTAL LIABILITIES	\$ 269,421	\$ 39,799,245	\$ 39,799,030	\$ 269,636

-CONTINUED-

Macomb County, Michigan

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

Year Ended December 31, 2018

Miscellaneous Agency Fund

	Balance, January 1, 2018	Additions	Deductions	Balance, December 31, 2018
ASSETS				
Cash and pooled investments	\$ 2,151,965	\$ 680,869,739	\$ 680,373,654	\$ 2,648,050
Due from other governments	104,671	661,922	695,336	71,257
Other assets	-	21,295	21,295	-
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 2,256,636	\$ 681,552,956	\$ 681,090,285	\$ 2,719,307
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES				
Accounts payable	\$ 620,230	\$ 5,670,234	\$ 5,498,935	\$ 791,529
Cash bonds and deposits	1,328,841	1,194,427	1,294,531	1,228,737
Due to other governments	307,565	155,341,971	154,950,495	699,041
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	\$ 2,256,636	\$ 162,206,632	\$ 161,743,961	\$ 2,719,307
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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, 2018

	Special Revenue	Capital Projects	Debt Service	Total Drainage Districts Component Unit
ASSETS				
Cash and pooled investments	\$ 24,220,952	\$ 20,230,873	\$ 4,898,430	\$ 49,350,255
Restricted cash - unspent bond proceeds	-	7,346,007	-	7,346,007
Receivables				
Special assessments	-	-	293,166,102	293,166,102
Trade accounts, net	5,430,155	1,861,374	162	7,291,691
Due from state	-	116,653	-	116,653
Assets held for sale	100,000	1,643,939	-	1,743,939
Other assets	126,658	31,076	-	157,734
TOTAL ASSETS	\$ 29,877,765	\$ 31,229,922	\$ 298,064,694	\$ 359,172,381
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 5,791,616	\$ 3,240,721	\$ 250	\$ 9,032,587
Unearned revenue	-	-	7,190,756	7,190,756
TOTAL LIABILITIES	5,791,616	3,240,721	7,191,006	16,223,343
DEFERRED INFLOWS OF RESOURCES				
Unavailable assessments and other charges	1,381	78,245	285,975,508	286,055,134
FUND BALANCES				
Nonspendable	226,658	1,643,939	-	1,870,597
Restricted				
Capital projects	-	26,267,017	-	26,267,017
Debt service	-	-	4,898,180	4,898,180
Public works	23,858,110	-	-	23,858,110
TOTAL FUND BALANCES	24,084,768	27,910,956	4,898,180	56,893,904
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 29,877,765	\$ 31,229,922	\$ 298,064,694	\$ 359,172,381

Macomb County, Michigan

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

September 30, 2018

Total fund balances for governmental funds \$ 56,893,904

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	\$ 1,862,000
Construction in progress	59,231,465
Infrastructure	434,702,800
Machinery, equipment, and vehicles	1,526,302
Accumulated depreciation	<u>(143,530,374)</u>

Capital assets, net of accumulated depreciation 353,792,193

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. (317,291,946)

Special assessments receivable are not available to pay for current expenditures and therefore are recorded as deferred inflows of resources in the governmental funds. 286,055,134

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. (3,635,095)

Net position of governmental activities \$ 375,814,190

Macomb County, Michigan

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

Year Ended September 30, 2018

	Special Revenue	Capital Projects	Debt Service	Total Governmental Funds
REVENUES				
Federal and state grants	\$ 663,834	\$ 2,229,020	\$ -	\$ 2,892,854
Charges for services	62,693,827	6,815,399	-	69,509,226
Interest income	110,852	337,291	11,168,290	11,616,433
Special assessments	-	-	14,632,082	14,632,082
Other revenue	-	170,102	-	170,102
TOTAL REVENUES	63,468,513	9,551,812	25,800,372	98,820,697
EXPENDITURES				
Current				
Public works	58,034,835	-	-	58,034,835
Capital outlay	-	17,291,524	-	17,291,524
Debt service				
Principal	-	-	15,095,415	15,095,415
Interest and fees	895	-	11,609,530	11,610,425
Bond issue costs	-	141,720	46,829	188,549
TOTAL EXPENDITURES	58,035,730	17,433,244	26,751,774	102,220,748
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	5,432,783	(7,881,432)	(951,402)	(3,400,051)
OTHER FINANCING SOURCES (USES)				
Face amount of long-term debt	39,506	23,260	8,963,669	9,026,435
Transfers in	196,443	3,045,578	4,698,479	7,940,500
Transfers out	(441,901)	(6,072,362)	(1,426,237)	(7,940,500)
Bond (discounts) premiums	-	-	1,830,585	1,830,585
Payment to refunding debt escrow agent	-	(362)	(10,062,552)	(10,062,914)
TOTAL OTHER FINANCING SOURCES (USES)	(205,952)	(3,003,886)	4,003,944	794,106
NET CHANGE IN FUND BALANCES	5,226,831	(10,885,318)	3,052,542	(2,605,945)
Fund balances, beginning of year	18,857,937	38,796,274	1,845,638	59,499,849
Fund balances, end of year	<u>\$ 24,084,768</u>	<u>\$ 27,910,956</u>	<u>\$ 4,898,180</u>	<u>\$ 56,893,904</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, 2018

Net change in fund balances - total governmental funds	\$ (2,605,945)
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	\$ 13,881,501
Current year depreciation expense	(8,882,108)
Net book value of assets disposed	<u>(130,428)</u>
	4,868,965
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.	15,095,415
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.	9,900,000
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.	(9,026,435)
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.	
Premiums and discounts on bonds issued during the year	(1,830,585)
Current year amortization	<u>1,158,071</u>
	(672,514)
Revenues in the statement of activities that do not provide current financial resources are not recorded in the funds. In the current period these amounts consist of:	
(Decrease) in unavailable resources	(5,717,750)
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:	
(Increase) in accrued interest payable	<u>(590,542)</u>
Change in net position of governmental activities	<u>\$ 11,251,194</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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Revenue Capacity

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

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*Property tax rates – Direct and overlapping governments.....	10
*Principal property taxpayers (Major taxpayers).....	11
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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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*Direct and overlapping governmental activities debt.....	15
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Demographic and Economic Information

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

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Operating Information

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

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

TABLE OF CONTENTS - STATISTICAL SECTION (CONCLUDED)

Continuing Disclosure

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

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

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Macomb County, Michigan

NET POSITION BY COMPONENT
LAST TEN YEARS, IN THOUSANDS

(Unaudited)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets (4)	\$ 113,415	\$ 103,709	\$ 833,903	\$ 843,554	\$ 882,572	\$ 897,288	\$ 915,034	\$ 934,211	\$ 962,906	\$ 977,518
Restricted (1) (3) (6)	67,512	49,849	87,208	89,747	90,301	93,368	141,828	188,667	219,968	115,987
Unrestricted (1) (2) (3) (4) (5) (6) (7)	(32,136)	(34,923)	(8,488)	(18,456)	(40,158)	(30,484)	(61,211)	125,057	89,796	(147,562)
Total governmental activities net position	148,791	118,635	912,623	914,845	932,715	960,172	995,651	1,247,935	1,272,670	945,943
Business-type activities										
Net investment in capital assets (4)	1,460	1,348	1,196	1,252	672	782	1,685	1,807	1,774	1,677
Restricted (6)	10,221	13,303	16,053	18,662	19,713	24,331	28,339	50,179	36,703	17,097
Unrestricted (1) (3) (4) (5) (6) (7)	102,529	110,843	86,389	84,262	101,855	113,487	85,485	118,876	131,852	81,413
Total business-type units net position	114,210	125,494	103,638	104,176	122,240	138,600	115,509	170,862	170,329	100,187
Primary government										
Net investment in capital assets (4)	114,875	105,057	835,099	844,806	883,244	898,070	916,719	936,018	964,680	979,195
Restricted (1) (3) (6)	77,733	63,152	103,261	108,409	110,014	117,699	170,167	238,846	256,671	133,084
Unrestricted (1) (2) (3) (4) (5) (6) (7)	70,393	75,920	77,901	65,806	61,697	83,003	24,274	243,933	221,648	(66,149)
Total primary government net position	\$ 263,001	\$ 244,129	\$1,016,261	\$1,019,021	\$1,054,955	\$1,098,772	\$1,111,160	\$1,418,797	\$1,442,999	\$1,046,130

- (1) - 2009 restated. See Note 14 of the 2010 financial statements.
(2) - 2010 restated. See Note 13 of the 2011 financial statements.
(3) - 2011 restated. See Note 13 of the 2012 financial statements.
(4) - 2013 restated. See Note 14 of the 2014 financial statements.
(5) - 2014 restated. See Note 15 of the 2015 financial statements.
(6) - 2016 restated. See Note 19 of the 2017 financial statements.
(7) - 2017 restated. See Note 19 of the 2018 financial statements.

Source: Macomb County Finance Department

Macomb County, Michigan

CHANGES IN NET POSITION
LAST TEN YEARS, IN THOUSANDS

(Unaudited)

	2009	2010	2011 (1)	2012	2013 (4)	2014	2015	2016	2017 (5)	2018
Expenses										
Governmental activities										
Legislative	\$ 2,115	\$ 1,875	\$ 1,182	\$ 1,139	\$ 1,202	\$ 1,191	\$ 1,487	\$ 1,265	\$ 1,645	\$ 1,612
Judicial	38,342	33,417	41,329	40,636	41,359	42,194	48,334	46,188	52,197	54,424
General government (2) (3)	80,414	78,983	64,687	68,095	68,830	57,780	50,182	39,525	38,460	40,550
Public safety (2)	75,880	71,359	67,994	64,860	79,398	75,849	81,402	82,462	91,771	97,943
Public works	1,851	887	72,568	69,975	68,159	71,027	71,867	81,973	85,650	98,982
Health and welfare	82,039	90,126	83,260	75,431	72,041	66,909	66,119	79,401	91,920	99,544
Community and economic development	-	-	-	-	-	-	-	-	3,715	4,157
Recreation and culture	1,740	1,183	825	62	234	147	139	144	175	147
Interest on long-term debt	2,849	2,673	2,476	2,244	1,543	1,357	7,542	9,483	9,278	8,717
Total governmental activities expenses	285,230	280,503	334,321	322,442	332,766	316,454	327,072	340,441	374,811	406,076
Business-type activities										
Delinquent tax collections	2,538	5,495	6,313	8,336	5,495	4,349	4,238	3,382	2,931	3,009
Community Mental Health (2)	188,615	194,117	208,177	211,733	220,322	229,654	245,394	235,220	235,200	236,738
Martha T Berry Medical Care Facility (2) (3)	21,651	22,101	23,848	24,989	-	-	-	-	-	-
Freedom Hill Park (2)	637	313	377	209	381	467	594	451	351	443
Interest on long-term debt	-	-	-	-	-	-	-	-	1,462	1,383
Total business-type activities expenses	213,441	222,026	238,715	245,267	226,198	234,470	250,226	239,053	239,944	241,573
Total primary government expenses	<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>	<u>\$ 647,649</u>
Program revenues										
Governmental activities										
Charges for services										
Legislative	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3
Judicial	5,972	6,826	6,022	6,114	5,517	5,273	6,306	6,329	6,349	6,843
General government	15,166	16,697	17,360	19,037	18,929	15,772	17,103	15,289	15,535	14,640
Public safety	13,898	13,280	13,262	14,601	16,542	15,955	20,257	21,329	21,644	23,928
Public works	-	-	19,651	27,080	19,693	20,831	20,407	16,182	14,219	14,645
Health and welfare	10,853	13,095	11,195	9,053	7,114	7,770	12,362	14,958	15,955	15,992
Community and economic development	-	-	-	-	-	-	-	-	209	222
Recreation and culture	84	86	-	-	6	-	59	47	47	29
Operating grants and contributions	56,077	62,813	57,693	51,379	50,079	46,665	49,586	48,009	55,244	59,099
Capital grants and contributions	2,161	2,333	56,655	60,427	72,746	76,970	73,402	79,190	78,704	92,600
Total governmental activities program revenues	104,211	115,130	181,838	187,691	190,626	189,236	199,482	201,333	207,906	228,001
Business-type activities										
Charges for services										
Delinquent tax collections	17,524	20,237	21,718	21,999	17,640	14,093	13,723	11,579	10,830	10,858
Community Mental Health	183,698	161,944	168,556	169,395	175,001	196,278	208,844	216,593	202,458	199,406
Martha T Berry Medical Care Facility (3)	20,857	22,761	23,197	23,326	-	-	-	-	-	-
Freedom Hill Park	173	184	173	501	232	400	671	274	298	199
Operating grants and contributions	469	31,625	34,298	34,995	35,802	29,256	17,957	14,444	15,927	16,686
Total business-type activities program revenues	222,721	236,751	247,942	250,216	228,675	240,027	241,195	242,890	229,513	227,149
Total primary government program revenues	<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>	<u>\$ 455,150</u>
Net (expense) revenue										
Governmental activities	\$ (181,019)	\$ (165,373)	\$ (152,483)	\$ (134,751)	\$ (142,140)	\$ (127,218)	\$ (127,590)	\$ (139,108)	\$ (166,905)	\$ (178,075)
Business-type activities	9,280	14,725	9,227	4,949	2,477	5,557	(9,031)	3,837	(10,431)	(14,424)
Total primary government net expenses	<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>	<u>\$ (192,499)</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>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>	<u>2018</u>
General revenues										
Governmental activities										
Property taxes	\$ 139,470	\$ 127,976	\$ 119,762	\$ 114,894	\$ 109,501	\$ 113,049	\$ 117,745	\$ 115,859	\$ 118,649	\$ 123,095
Intergovernmental revenues - unrestricted	2,365	2,215	2,307	19,489	23,252	23,280	22,682	30,357	29,904	27,254
Investment earnings	2,699	1,070	777	663	424	1,793	480	729	44,376	-
Transfers	(1,909)	3,950	4,175	1,926	(6,065)	(8,571)	21,766	1,309	(1,289)	810
Total governmental activities general revenues	142,625	135,211	127,021	136,972	127,112	129,551	162,673	148,254	191,640	151,159
Business-type activities										
Investment earnings	1,020	137	215	310	309	294	317	894	10,698	-
Transfers	(1,456)	(3,578)	(3,421)	(4,719)	6,851	7,316	(13,981)	(1,167)	(800)	(719)
Total business-type activities general revenues	(436)	(3,441)	(3,206)	(4,409)	7,160	7,610	(13,664)	(273)	9,898	(719)
Total primary government general revenues	<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>	<u>\$ 150,440</u>
Change in net position										
Governmental activities	\$ (22,748)	\$ (17,272)	\$ (7,730)	\$ (5,168)	\$ (106)	\$ 1,961	\$ 23,565	\$ 9,146	\$ 24,735	\$ (26,916)
Business-type activities (1)	14,289	5,786	1,743	(1,932)	12,717	(1,421)	(9,827)	3,564	(533)	(15,143)
Total primary government change in net position	<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>	<u>\$ (42,059)</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)

	2009	2010	2011 (3)	2012	2013	2014	2015	2016	2017	2018
General fund										
Reserved	\$ 295	\$ 295	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved (2)	40,241	50,280	-	-	-	-	-	-	-	-
Nonspendable	-	-	295	295	659	596	6,075	4,933	4,244	3,577
Committed	-	-	-	-	-	-	6,527	-	-	-
Assigned	-	-	-	-	-	-	11,609	13,672	-	8,844
Unassigned	-	-	57,639	79,776	81,029	84,650	48,002	43,029	49,348	45,776
Total general fund	\$ 40,536	\$ 50,575	\$ 57,934	\$ 80,071	\$ 81,688	\$ 85,246	\$ 72,213	\$ 61,634	\$ 53,592	\$ 58,197
All other governmental funds										
Reserved (1)	\$ 59,906	\$ 49,849	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in										
Special revenue funds	6,633	8,536	-	-	-	-	-	-	-	-
Debt service funds	7,037	-	-	-	-	-	-	-	-	-
Capital projects funds	16,611	22,922	-	-	-	-	-	-	-	-
Nonspendable (3)	-	-	4,555	5,020	5,088	3,886	7,198	5,746	6,174	4,898
Restricted (3) (4)	-	-	81,171	75,334	76,122	81,258	106,454	78,367	82,774	99,147
Assigned (3)	-	-	34,238	27,291	19,089	10,687	6,397	20,898	15,035	10,107
Unassigned	-	-	-	-	(2,970)	(2,508)	(4,400)	(3,730)	(4,582)	(2,638)
Total all other governmental funds	\$ 90,187	\$ 81,307	\$ 119,964	\$ 107,645	\$ 97,329	\$ 93,323	\$ 115,649	\$ 101,281	\$ 99,401	\$ 111,514

(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)

	2009	2010	2011 (1)	2012	2013	2014	2015	2016	2017 (3)	2018
Revenues										
Property taxes	\$ 139,470	\$ 127,976	\$ 119,762	\$ 110,000	\$ 110,952	\$ 113,690	\$ 116,742	\$ 115,175	\$ 119,563	\$ 122,784
Licenses and permits	1,321	1,427	1,733	1,924	1,985	2,305	2,634	2,831	2,682	2,912
Federal and state grants (2)	58,641	66,498	116,297	130,903	135,606	142,994	144,565	159,199	165,392	177,278
Other grants	1,963	861	392	391	460	871	605	282	398	498
Charges for services (2)	42,544	47,067	52,437	57,766	60,094	61,924	77,827	75,079	63,297	63,292
Charges to other funds for administrative services	15,162	10,258	8,250	6,575	7,036	8,070	7,620	14,463	14,482	14,571
Fines and forfeitures	1,923	1,204	1,791	2,469	932	802	1,024	1,148	1,100	1,611
Interest and rents (2)	2,699	1,070	742	635	413	373	2,404	4,926	4,327	5,803
Other revenue	186	286	2,649	2,421	894	1,127	2,059	2,372	2,008	3,534
Total revenues	263,909	256,647	304,053	313,084	318,372	332,156	355,480	375,475	373,249	392,283
Expenditures										
Current										
Legislative	2,115	1,875	1,182	1,139	1,202	1,191	1,289	1,235	1,482	1,453
Judicial	36,286	32,177	40,202	39,553	40,393	41,252	42,334	43,388	46,041	45,953
General government	55,179	50,817	42,330	43,498	46,462	46,957	41,817	44,547	42,457	42,515
Public safety (2)	70,375	65,887	62,770	60,039	76,599	73,041	67,419	75,544	78,717	80,626
Public works	1,851	887	69,028	69,518	63,038	71,867	84,051	90,053	84,063	88,245
Health and welfare	79,354	87,111	80,209	72,434	69,145	64,107	77,358	73,551	80,316	83,466
Community and economic development	-	-	-	-	-	-	-	-	3,346	3,582
Recreation and cultural	1,669	1,113	763	-	172	84	78	76	99	71
OPEB contributions	-	-	-	-	-	-	263,352	-	-	-
Other	4,985	1,246	963	1,157	781	1,212	957	1,838	1,855	2,092
Capital outlay	6,059	5,388	4,781	6,743	17,813	25,561	38,167	47,724	33,647	24,702
Debt service										
Principal	4,585	5,165	5,666	5,990	4,740	4,007	13,194	14,669	7,008	7,231
Interest and fees	2,883	2,706	2,511	2,251	1,604	1,317	5,842	9,527	2,174	2,002
Bond issuance costs	-	-	-	235	-	108	807	-	-	-
Total expenditures	265,341	254,372	310,405	302,557	321,949	330,704	636,665	402,152	381,205	381,938
Excess of revenues over (under) expenditures	(1,432)	2,275	(6,352)	10,527	(3,577)	1,452	(281,185)	(26,677)	(7,956)	10,345
Other financing sources (uses)										
Face amount of long-term debt	-	-	829	22,975	-	15,628	263,004	-	-	400
Transfers in	87,734	86,547	65,813	51,504	30,414	53,899	77,268	80,488	81,394	68,745
Transfers out	(90,038)	(82,935)	(68,476)	(50,578)	(35,536)	(56,381)	(50,310)	(78,758)	(83,361)	(62,771)
Bond discounts	-	-	-	150	-	1,404	516	-	-	-
Payment to refunding debt escrow agent	-	-	-	(24,760)	-	(16,450)	-	-	-	-
Total Other financing sources (uses)	(2,304)	3,612	(1,834)	(709)	(5,122)	(1,900)	290,478	1,730	(1,967)	6,374
Net change in fund balances	\$ (3,736)	\$ 5,887	\$ (8,186)	\$ 9,818	\$ (8,699)	\$ (448)	\$ 9,293	\$ (24,947)	\$ (9,923)	\$ 16,719
Debt service as % of noncapital expenditures	<u>2.87%</u>	<u>3.14%</u>	<u>3.00%</u>	<u>3.30%</u>	<u>2.35%</u>	<u>1.97%</u>	<u>3.43%</u>	<u>7.86%</u>	<u>3.07%</u>	<u>2.95%</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) - 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)

	2009	2010	2011 (1)	2012	2013	2014	2015	2016	2017 (2)	2018
Revenues										
Property taxes	\$ 138,020	\$ 126,587	\$ 118,516	\$ 108,831	\$ 109,895	\$ 112,610	\$ 115,629	\$ 114,025	\$ 118,423	\$ 120,887
Licenses and permits	379	411	1,408	1,510	1,640	1,706	1,714	1,541	1,577	1,541
Federal and state grants	8,095	7,831	12,290	28,455	25,728	30,162	31,406	39,059	38,952	36,560
Charges for services	26,821	28,666	29,453	35,526	36,827	36,856	35,637	38,648	41,918	43,023
Charges to other funds for administrative services	15,162	10,258	8,250	6,575	7,036	8,070	7,620	14,462	14,482	14,571
Fines and forfeitures	768	751	729	693	676	590	534	557	587	560
Interest and rents	1,432	806	339	346	278	226	2,124	4,551	3,810	4,552
Other revenue	104	150	162	477	210	155	148	148	177	213
Total revenues	190,781	175,460	171,147	182,413	182,290	190,375	194,812	212,991	219,926	221,907
Expenditures										
Current										
Legislative	2,115	1,875	1,182	1,139	1,202	1,191	1,289	1,235	1,482	1,453
Judicial	22,854	21,896	28,052	27,745	29,219	29,418	30,189	31,182	33,263	32,713
General government	53,770	49,498	40,998	42,464	44,855	45,220	39,897	42,678	41,019	41,270
Public safety	62,915	57,340	57,420	55,140	58,338	59,562	62,543	64,994	69,453	71,955
Public works	-	-	-	-	-	-	5,263	5,339	5,745	6,010
Health and welfare	2	1	20,581	18,166	19,090	18,717	19,564	20,406	21,734	22,768
Community and economic development	-	-	-	-	-	-	-	-	3,134	3,237
Recreation and cultural	-	-	749	-	-	-	-	-	-	-
OPEB contributions	-	-	-	-	-	-	45,320	-	-	-
Other	4,985	1,246	963	1,157	781	1,212	957	1,838	1,855	2,092
Capital outlay	270	360	244	563	1,117	2,229	1,198	871	2,054	2,671
Total expenditures	146,911	132,216	150,189	146,374	154,602	157,549	206,220	168,543	179,739	184,169
Excess of revenues over (under) expenditures	43,870	43,244	20,958	36,039	27,688	32,826	(11,408)	44,448	40,187	37,738
Other financing sources (uses)										
Transfers in	24,818	24,806	24,998	18,254	21	-	35,255	8,063	8,158	13,404
Transfers out	(60,581)	(53,284)	(40,758)	(32,156)	(26,093)	(29,267)	(36,880)	(63,090)	(56,388)	(46,537)
Total other financing sources (uses)	(35,763)	(28,478)	(15,760)	(13,902)	(26,072)	(29,267)	(1,625)	(55,027)	(48,230)	(33,133)
Net change in fund balances	\$ 8,107	\$ 14,766	\$ 5,198	\$ 22,137	\$ 1,616	\$ 3,559	\$ (13,033)	\$ (10,579)	\$ (8,043)	\$ 4,605

(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 (thousands)

Year	Assessed Values							Total Assessed Value	Total Direct Tax Rate
	Agricultural Property	Commercial Property	Industrial Property	Residential Property	Developmental Property	Personal Property			
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	
2018	203,820	4,677,141	2,111,823	24,748,408	-	1,736,248	33,477,440	4.5606	

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		
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%	
2018	0.61%	13.97%	6.31%	73.92%	0.00%	5.19%	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>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>	<u>2018</u>
County direct rate											
Operation		4.5685	4.5685	4.5685	4.5685	4.5685	4.5685	4.5685	4.5566	4.5242	4.4925
County drain debt		0.0050	0.0050	0.0050	0.0050	0.0050	0.0050	0.0050	0.0050	0.0050	0.0005
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>0.0398</u>	<u>0.0682</u>	<u>0.0676</u>
Total direct rate		<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>	<u>4.5606</u>
Overlapping rates											
Cities:											
Center Line		23.8266	24.9025	31.7022	38.3328	37.5025	39.1266	38.6503	38.9765	38.5829	38.5829
Eastpointe		24.0133	25.0978	25.2113	26.6102	26.9612	27.1583	40.9612	40.0793	40.2567	44.0857
Fraser		18.1382	18.1382	18.7659	18.8159	20.8359	20.8664	23.2580	25.2780	27.3581	33.3798
Grosse Pointe Shores		15.8900	15.8900	17.1400	18.3800	17.8794	17.8794	17.8794	18.8794	18.8794	17.7031
Memphis		14.2953	14.2953	14.2953	14.2953	14.2953	14.2953	16.2953	16.2953	16.2007	16.0807
Mt. Clemens		18.2159	18.2159	18.3511	18.6639	18.6639	18.6639	24.8062	24.8045	24.6999	24.6880
New Baltimore		14.2795	14.9715	14.9405	15.2135	14.9165	14.9198	14.9003	14.8592	14.8155	14.1854
Richmond		16.6526	16.6526	16.6526	16.6526	16.6526	16.6526	16.6526	16.5593	16.4417	16.3117
Roseville		21.3800	21.3800	21.3800	24.8494	24.8494	24.8494	24.8494	25.1083	25.1081	25.0920
St. Clair Shores		18.2280	18.0406	19.3562	19.4518	20.5388	20.9950	21.2602	21.2309	24.4089	25.2168
Sterling Heights		10.7858	12.6858	12.6858	12.6858	12.6858	15.1858	15.1858	15.1858	16.1499	17.1804
Utica		21.8835	21.9794	21.6998	22.5358	22.6170	22.6753	22.5017	20.9864	21.3524	21.2867
Warren		16.9424	17.7924	17.7924	27.8656	27.8656	27.8656	27.7637	27.7742	27.7556	27.7556
Townships (rates range)	Low	2.5558	3.2312	3.2812	3.2812	3.2812	3.2812	3.5529	3.5296	3.4980	3.4905
	High	15.0575	15.3516	15.3816	15.4316	17.7116	17.6816	17.6916	17.6916	17.6274	17.1375
Villages (rates range)	Low	16.5004	16.5004	16.5354	15.5354	16.5354	16.5194	17.4276	17.4276	17.3836	17.3529
	High	18.8436	18.8436	18.8436	18.8436	18.8436	18.8436	19.2550	19.0326	18.9693	22.5077
School districts (rates range)	Low	8.9000	9.7500	9.8500	9.8500	9.8500	9.8500	9.8500	9.8500	9.8500	9.7600
	High	35.4143	35.4143	35.4143	35.4143	35.4143	35.7643	35.7643	37.0000	37.0000	37.0000
Intermediate school district		2.9430	2.9430	2.9430	2.9430	2.9430	2.9430	2.9430	2.9354	2.9147	2.8945
Community college		1.4212	1.4212	1.5712	1.5712	1.5312	1.5262	1.5302	1.4174	1.4072	1.4640
SMART Regional Transportation		0.5900	0.5900	0.5900	0.5900	0.5900	1.0000	1.0000	0.9974	0.9903	1.0000
HCM Park Authority		0.2146	0.2146	0.2146	0.2146	0.2146	0.2146	0.2146	0.2146	0.2140	0.2129
ZOO Authority		0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.0997	0.0989	0.0985
ART Authority		-	-	-	0.2000	0.2000	0.2000	0.2000	0.1994	0.1979	0.1965

Source: Macomb County Equalization Department

Macomb County, Michigan

PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO

(Unaudited)

Taxpayer	2018			2009		
	Taxable Value	Rank	Percentage of Total County Taxable Value	Taxable Value	Rank	Percentage of Total County Taxable Value
GENERAL MOTORS	\$ 317,765,656	1	1.17%	\$ 315,556,136	2	1.02%
DETROIT EDISON	313,719,756	2	1.16%	258,682,192	3	0.83%
CONSUMERS ENERGY	218,846,880	3	0.81%	79,978,893	5	0.26%
CHRYSLER	148,021,023	4	0.55%	369,127,166	1	1.19%
FORD	92,468,022	5	0.34%	217,872,283	4	0.70%
INTERNATIONAL TRANS.	85,945,788	6	0.32%	79,412,208	6	0.26%
ENBRIDGE ENERGY	71,664,380	7	0.26%			0.00%
MEIJER	63,500,613	8	0.23%	56,694,959	7	0.18%
COMCAST	59,093,315	9	0.22%			0.00%
KROGER	44,113,032	10	0.16%			0.00%
ACH	-		-	52,441,731	8	0.17%
MICHIGAN CONSOLIDATED	-		-	39,865,519	9	0.13%
MT. CLEMENS COATING	-		-	37,652,600	10	0.12%
	<u>\$ 1,415,138,465</u>		<u>5.21%</u>	<u>\$ 1,507,283,687</u>		<u>4.86%</u>

Source: Macomb County Equalization Department

Macomb County, Michigan

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN YEARS

(Unaudited)

<u>Year</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Subsequent Years Collections</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>% of Levy</u>		<u>Amount</u>	<u>% of Levy</u>
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%
2018	122,927,577	115,182,352	93.70%	5,100,627	120,282,979	97.85%

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				
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	260,255,596	816,578	41,217,116	302,289,290	0.94%	346.91	1.21%
2018	874,759	33,477,440	245,038,015	980,536	37,896,985	283,915,536	0.85%	324.56	1.09%

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
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	301,472,712	2,038,746	299,433,966	0.93%	343.63	1.20%
2018	874,759	33,477,440	282,935,000	2,063,411	280,871,589	0.84%	321.08	1.08%

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

Macomb County, Michigan

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

December 31, 2018

(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	\$ 22,430,000	\$ -	\$ 22,430,000	\$ 22,430,000	
General County Bonds	259,970,000	-	259,970,000	259,970,000	
Michigan Transportation bonds	535,000	-	535,000	535,000	
Department of Roads infrastructure loans	980,536	822,199	158,337	158,337	
Public Works - water and sewer debt	317,291,946	317,291,946	-	-	
Net direct debt	<u>\$ 601,207,482</u>	<u>\$ 318,114,145</u>	<u>\$ 283,093,337</u>	<u>\$ 283,093,337</u>	
Overlapping debt					
School districts			\$ 2,171,655,635	\$ 1,957,918,300	90.2%
Cities			406,454,269	401,934,235	98.9%
Township			250,499,106	250,499,106	100.0%
Villages			13,155,346	13,155,346	100.0%
Intermediate school districts			49,120,000	2,270,643	4.6%
Macomb Community College			-	-	0.0%
Library			13,925,000	13,925,000	100.0%
Net overlapping debt			<u>2,904,809,356</u>	<u>2,639,702,630</u>	90.9%
Net direct and overlapping debt			<u>\$ 3,187,902,693</u>	<u>\$ 2,922,795,967</u>	91.7%

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

2018 Taxable Value		\$ 27,135,667,172
Debt Limit (10% of Assessed Taxable Value) (1)		2,713,566,717
Outstanding Long-term Debt	\$ 577,081,638	
Less:		
Amount available in debt service funds	2,063,411	
Special assessment bonds	<u>317,291,946</u>	
Total amount of debt applicable to debt limit		<u>257,726,281</u>

LEGAL DEBT MARGIN

\$ 2,455,840,436

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

Source: Macomb County Finance Department

Historical Legal Debt Margins

Years	Debt Limit	Total Net Debt		Legal Debt Margin	Total Net Debt
		Applicable to Limit	Legal Debt Margin		Applicable to Limit as a Percentage of Debt Limit
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	2,328,632,457		10.65%
2018	2,713,566,717	257,726,281	2,455,840,436		9.50%

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>
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%
2018	874,759	26,015,333	29,740	4.0%

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	2018			2009		
		Employees	Rank	Percent of Total County Employment	Employees	Rank	Percent of Total County Employment
General Motors	Automotive	19,810	1	4.74%	5,529	3	1.27%
FCA US LLC (formerly Chrysler)	Automotive	14,410	2	3.45%	8,221	1	1.88%
U.S. Government	Government	6,622	3	1.59%	5,561	2	1.27%
Ford Motor Company	Automotive	4,560	4	1.09%	4,893	4	1.12%
Henry Ford Health System	Health Care	4,210	5	1.01%	3,860	6	0.88%
McLaren Health Care Corp	Health Care	2,882	6	0.69%	-		0.00%
Utica Community Schools	Education	2,679	7	0.64%	3,756	7	0.86%
Ascension Michigan (formerly St. John)	Health Care	2,650	8	0.63%	3,891	5	0.89%
Macomb County	Government	2,341	9	0.56%	2,661	9	0.61%
General Dynamics Land Systems	Defense	1,594	10	0.38%	3,000	8	0.69%
Chippewa Valley Schools	Education	1,515	11	0.36%	1,750	10	0.40%
Adient LLC	Automotive	1,470	12	0.35%			
Warren Consolidated Schools	Education	1,429	13	0.34%			
State of Michigan	Government	1,301	14	0.31%	1,186	15	0.27%
Art Van Furniture	Retail	1,256	15	0.30%	725	17	0.17%
L'Anse Creuse Public Schools	Education	1,130	16	0.27%	1,401	13	0.32%
Macomb Intermediate School District	Education	1,050	17	0.25%			0.00%
U.S. Postal Service	Government	1,015	18	0.24%	1,600	11	0.37%
Bridgewater Interiors LLC	Automotive	1,000	19	0.24%			
Magna International of America Inc.	Automotive	932	20	0.22%			0.00%
Asset Acceptance Capital	Automotive				802	10	0.18%
Mt. Clemens Hospital	Health Care				1,595	12	0.37%
Warren Consolidated Schools	Education				1,341	16	0.31%
Macomb Community College	Education				665	18	0.15%
AZ Automotive (formerly Aetna Industries)	Automotive				608	19	0.14%
John Controls	Automotive				560	20	0.13%
		<u>73,856</u>		<u>17.66%</u>	<u>53,605</u>		<u>12.28%</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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Legislative										
Board of Commissioners	26	26	19	19	19	19	19	19	20	20
Judicial										
Circuit Court	67	66	63	65	64	67	80	79	84	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	14	12	12
District Court Div. 2	18	18	18	17	17	17	17	15	15	15
Friend of the Court	121	121	121	121	118	107	107	107	108	108
Family Court - Juvenile	59	56	51	50	50	46	46	46	46	46
Probate Court	31	30	29	27	31	28	28	28	29	29
Probate Court - Mental Division	10	8	8	7	-	-	-	-	-	-
Probation - District Court	16	14	12	6	5	5	5	5	5	5
General Government										
County Administration	7	7	6	9	9	9	9	10	10	10
Corporation Counsel	8	8	8	8	8	8	8	8	9	9
Finance	26	20	20	20	21	21	22	22	22	22
Purchasing	21	18	18	17	16	16	16	16	16	16
Reimbursement	13	13	12	12	11	11	-	-	-	-
Information Technology	42	35	36	36	36	36	36	38	39	39
Equalization	11	11	11	10	10	10	10	10	10	10
Human Resources	25	22	22	22	22	24	22	24	24	24
Clerk/Register	89	82	79	78	80	81	85	83	87	87
Treasurer	32	31	31	26	26	26	28	28	28	28
Public Works	59	55	55	59	60	60	63	64	64	62
M.S.U. County Extension	51	50	50	8	8	8	7	7	7	8
Planning & Econ Dev	33	33	33	31	26	26	27	26	27	27
Risk Management	4	4	4	-	-	-	-	-	-	-
Facilities & Operations	114	104	99	99	95	95	95	95	96	95
Prosecuting Attorney	117	107	122	104	104	106	106	109	112	112
Department of Roads	-	-	-	233	232	232	250	255	265	265
Public Safety										
Sheriff	498	487	477	487	486	492	499	516	522	532
Technical Services	9	8	8	8	8	11	12	13	13	13
Emergency Services	6	6	6	3	3	7	7	7	7	7
Community Corrections	11	11	11	11	11	11	10	11	13	13
Health										
Public Health	251	241	239	232	228	220	226	231	234	235
Community Mental Health	334	334	334	335	335	341	345	345	346	346
Substance Abuse	10	10	10	10	10	10	13	13	13	13
Health & Community Services	-	-	-	2	2	2	2	2	2	2
Social Services										
Child Care - Youth Home	146	138	137	129	123	121	121	121	122	121
Medical Care Facility	231	231	231	231	238	245	238	273	331	330
Veterans Services	10	10	10	10	10	11	11	11	11	11
Senior Citizen Services	32	32	30	16	15	3	3	-	-	-
Community Services Agency	253	283	193	184	182	171	172	213	220	231
Macomb/St. Clair Employment	68	68	68	68	68	68	68	43	46	47
Culture & Recreation										
Library	16	11	10	-	-	-	-	-	-	-
Total	<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>	<u>3,035</u>

Source: Macomb County Budget

Macomb County, Michigan

OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN YEARS

(Unaudited)

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Judicial:										
Circuit Court										
Caseload	23,247	22,785	20,782	20,018	19,372	19,242	19,329	19,149	19,237	18,678
District Court - Romeo										
Caseload	9,502	9,819	9,760	9,396	7,917	8,306	8,772	8,549	8,835	11,225
District Court - New Baltimore										
Caseload	15,607	15,175	14,405	12,751	12,300	9,833	12,937	15,625	15,717	15,020
General Government:										
County Clerk										
Birth records	2,837	6,052	5,768	5,604	5,453	6,492	6,111	5,825	5,582	6,179
Death records	4,881	4,791	5,065	5,107	5,158	5,001	5,713	5,943	5,836	6,278
Marriage licenses	4,625	4,864	5,169	5,291	4,877	4,996	5,180	5,142	4,997	4,959
Public Works										
Inspections	8,021	6,451	6,037	5,955	6,718	5,777	5,043	16,107	16,017	15,139
Public Safety:										
Sheriff										
Complaints handled	100,603	98,189	94,821	94,451	93,701	101,029	87,090	105,993	194,625	196,048
Inmate bookings	20,166	19,814	18,464	19,709	18,732	17,881	17,291	17,170	17,042	16,770
Arrests made	8,139	7,249	6,602	6,617	6,206	5,601	3,316	4,822	4,770	4,468
Crashes investigated	2,971	4,042	4,048	3,924	3,880	4,120	1,563	1,421	1,224	3,492
Health and Welfare:										
Health Department										
Vaccines administered	114,953	100,036	70,711	58,253	59,726	45,048	44,711	39,492	40,867	43,314
Animals received at animal control	12,900	7,146	7,520	5,782	3,219	2,009	4,276	4,678	4,671	4,061
Food service inspections	4,420	4,368	4,374	5,452	4,645	4,578	4,634	4,652	4,630	4,847
Forensic examinations	582	533	625	571	648	649	643	686	716	691

Source: Macomb County Finance Department

Macomb County, Michigan

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN YEARS

(Unaudited)

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Judicial										
Number of court buildings	5	5	5	5	5	5	5	5	5	5
Vehicles	7	6	6	6	4	4	4	4	3	3
General Government										
Number of buildings	7	7	7	6	7	7	7	7	7	7
Vehicles	55	54	54	54	55	54	63	60	50	51
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	1	1
Vehicles	155	149	141	141	157	147	168	173	177	189
Public Works										
Lane miles of roads	2,335	2,335	2,335	2,335	2,335	2,393	2,397	2,823	2,823	2,835
Number of buildings	9	9	9	9	9	9	9	9	9	9
Vehicles	37	38	36	34	36	38	74	262	268	427
Health and Welfare										
Number of buildings	7	7	7	8	8	8	8	8	8	8
Vehicles	96	91	88	87	89	88	92	95	90	88
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
Vehicles	-	-	-	-	-	-	-	-	-	1

Source: Macomb County Finance Department

Macomb County, Michigan
SCHEDULE OF INSURANCE

As of December 31, 2018

(Unaudited)

Type of Coverage / Name of Company	Policy Period	Premium	Description
Public Entity Liability Pennsylvania Manufacturers	7-1-18 to 7-1-19	\$658,200	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	7-1-18 to 7-1-19	\$283,353	Covers buildings & contents. Limit - up to \$300,000,000 - deductible \$100,000
Boiler & Machinery Affiliated FM Insurance Co	7-1-18 to 7-1-19	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	7-1-18 to 7-1-19	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.	8-1-18 to 8-1-19	\$30,578	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	8-1-18 to 8-1-19	\$8,392	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	7-1-18 to 7-1-19	\$29,051	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	1-1-18 to 12-31-18	\$ 42,938 County Active \$80,613 County Retirees \$4,214 Roads Active \$ 52,303 Roads Retirees	Active EE Basic Life 50,000

-CONTINUED-

Macomb County, Michigan

SCHEDULE OF INSURANCE (CONCLUDED)

As of December 31, 2018

(Unaudited)

Type of Coverage / Name of Company	Policy Period	Premium	Description
Dental Insurance Delta Dental	1-1-18 to 12-31-18	\$1,450,381 County Active \$1,227,529 County Retirees \$180,301 Roads Active \$163,863 Roads Retirees	\$1,000 annual maximum per individual/ calendar year
Dental Insurance Golden Dental	1-1-18 to 12-31-18	\$136,604 County Active \$16,833 Roads Active \$ 921 Roads Retirees	Unlimited annual benefit
Short Term Disability Insurance NGS	1-1-18 to 12-31-18	Eliminated in 2016	100% of salary for up to 6 months
Long Term Disability Insurance The Hartford	1-1-18 to 12-31-18	\$207,671 County Active \$23,097 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	1-1-18 to 12-31-18	\$12,861,217 County Active \$2,963,976 County Retirees \$2,348,213 Roads Active \$278,003 Roads Retirees	HMO offers primary care physicians, network hospitals, affiliated pharmacies and labs and other providers within the particular HMO network
Health/Hospital Insurance 2018 HAP Self Insured Admin Fees	1-1-18 to 12-31-18	\$11,644,240 County Active \$783,319 County Retirees \$460,456 Roads Active \$64,662 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	1-1-18 to 12-31-18	\$3,086,219 County Active \$5,179,329 County Retirees \$169,618 Roads Active \$2,671,277 Roads Retirees	Self insured medical plan - \$1,000,000 lifetime maximum; includes vision
Health/Hospital Insurance BCBS Medicare Advantage	1-1-18 to 12-31-18	\$10,245,727 County Retirees \$1,280,979 Roads Retirees	Partially self insured medical plan
Vision Care SVS Vision	1-1-18 to 12-31-18	\$99,866 County Active \$117,782 County Retirees \$16,418 Roads Active \$18,243 Roads Retirees	Vision care pays for certain tests & supplies when obtained by participating provider
Hearing Care Audio Net Hearing	1-1-18 to 12-31-18	\$17,210 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
2018	354,007,313	800,087

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
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
2018	-	16,797,848

Source: Macomb County Finance Department

County residential building permits issued

Year	Building Permits
2009	346
2010	933
2011	1,145
2012	1,342
2013	1,865
2014	1,800
2015	1,867
2016	1,882
2017	2,354
2018	1,999

Source: SEMCOG Community Profile Report for Macomb County

Macomb County, Michigan

SCHEDULE OF LABOR FORCE AGREEMENTS

Year Ended December 31, 2018

(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	611	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	8	12/31/2019
Macomb County Environmental Health Assoc.	Environmentalists	29	12/31/2019
MCPDSA	Correction officers	164	12/31/2019
Michigan Nurses Assoc. Unit 1	Nurses	36	12/31/2019
FOPLC	Deputies and Dispatchers	270	12/31/2019
POAM	Juvenile Justice Center	68	12/31/2019
POLC	Captains and Jail Administrator	4	12/31/2019
Road Technicians Association	Dept. of Road technicians	127	12/31/2019
Teamsters Local 214	Circuit Court / Friend of the Court	75	12/31/2019
Teamsters Local 214	Court Reporters	4	12/31/2019
TPOAM	Circuit Court Officers & Professional	53	12/31/2019
TPOAM	Juvenile Court and Justice Center	15	12/31/2019
UAW Local 412 - Unit 46	APAs	55	12/31/2019
UAW Local 412 - Unit 49	IT	30	12/31/2019
UAW Local 412 - Unit 39	Tech and Admin (General)	28	12/31/2019
UAW Local 412 - Unit 75	Supervisors	87	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	64	12/31/2019
UAW Local 889	Animal Shelter	11	12/31/2019
UAW Local 889	Macomb Community Action	207	12/31/2019
UAW Local 889	Probate Court / Corporation Counsel	15	12/31/2019
Non-Affiliated		615	N/A
Total Employee Count		<u>2,779</u>	

Source: Macomb County Human Resources and Labor Relations