

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Macomb County, Michigan	County Macomb
Fiscal Year End December 31, 2005	Opinion Date June 28, 2006	Date Audit Report Submitted to State June 30, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. The local unit has adopted a budget for all required funds.
5. A public hearing on the budget was held in accordance with State statute.
6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. The local unit only holds deposits/investments that comply with statutory requirements.
9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. The local unit is free of repeated comments from previous years.
12. The audit opinion is UNQUALIFIED.
13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. The board or council approves all invoices prior to payment as required by charter or statute.
15. To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>	Not required. No letter of comments or recommendations issued		
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) PricewaterhouseCoopers, LLP		Telephone Number (313) 394-6000		
Street Address 1900 Saint Antoine Street		City Detroit	State MI	Zip 48226
Authorizing CPA Signature <i>PricewaterhouseCoopers LLP</i>		Printed Name Darrell Burks		License Number 1101021602

MACOMB COUNTY, MICHIGAN

**Comprehensive Annual Financial Report
For the Year Ended December 31, 2005**

**Issued by the Department of Finance
David M. Diegel, Finance Director**

MACOMB COUNTY, MICHIGAN

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FINANCE DEPARTMENT

10 N. Main St., 12th Floor
Mount Clemens, Michigan 48043
586-469-5250 FAX 586-469-5847

June 28, 2006

David M. Diegel
Finance Director

John H. Foster
Assistant Finance Director

Robert Grzanka, C.P.A.
Internal Audit Manager

Stephen L. Smigiel, C.P.A.
Accounting Manager

To the Citizens of Macomb County

The Comprehensive Annual Financial Report (CAFR) of Macomb County, Michigan for the fiscal year ended December 31, 2005, 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 within six months of the close of each fiscal year 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.

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. Because the cost of internal controls should not outweigh their benefits, 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 have been audited by PricewaterhouseCoopers LLP, 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 for the fiscal year ended December 31, 2005 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. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion that the County's financial statements for the fiscal year ended December 31, 2005 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

MACOMB COUNTY BOARD OF COMMISSIONERS

Andrey Duzyj - District 1
Marvin E. Sauger - District 2
Phillip A. DiMaria - District 3
Jon M. Switalski - District 4
Susan L. Doherty - District 5

Sue Rocca - District 7
James E. McCarthy - District 8
Robert Mijac - District 9
Philis DeSaele - District 10
Ed Szczepanski - District 11

Peter J. Lund - District 12
Don Brown - District 13
Brian Brdak - District 14
Keith Rengert - District 15
William J. Revoir - District 16

Nancy M. White
District 20
Chair

Joan Flynn
District 6
Vice-Chair

Leonard Haggerty
District 21
Sergeant-At-Arms

Bobby L. Hill - District 17
Bob Gibson - District 18
Paul Gielegem - District 19
Betty Slinde - District 22

William A. Crouchman - District 23
Peggy A. Kennard - District 24
Kathy D. Vosburg - District 25
Nicholyn A. Brandenburg - District 26

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 internal controls and legal requirements involving the administration of federal awards. These reports are available in the County's separately issued Single Audit Report.

The Fiscal Year 2005 Comprehensive Annual Financial Report 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, as amended by GASB Statement No. 37 - Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments - Omnibus and Statement No. 38 - Certain Financial Statement Note Disclosures. Readers of our 2005 Comprehensive Annual Financial Report will notice two statements, entitled Statement of Net Assets and Statement of Activities. These statements will provide readers with the financial position of Macomb County viewed as a single entity. The GASB statements also require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Macomb County's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF MACOMB COUNTY

Macomb County is located in Southeastern Michigan and comprises the northeastern portion of the Detroit Metropolitan Area. The County encompasses 482 square miles, and ranks third in both population and State Equalized Value of all 83 counties in the state. According to the 2000 census, there are 788,149 persons living within 27 municipalities in Macomb County including three of the largest communities in Southeast Michigan: the City of Warren (2nd), the City of Sterling Heights (3rd) and Clinton Township (7th). The cities of Warren and Sterling Heights enjoy the third and fourth highest populations of all cities in the State of Michigan, following only Detroit and Grand Rapids. The County seat is located in the City of Mount Clemens.

Macomb County's governmental structure is defined by the State Constitution and the general laws of the State of Michigan. The County's legislative body, and its administrative body for most functions, is the County Board of Commissioners. Currently, there are twenty-six commissioners elected by direct vote from single-member districts.

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

The Macomb County Courts consist of the Sixteenth Circuit (including Family Court), Probate and 42nd District Court Divisions I and II. The Circuit Court has jurisdiction over criminal cases where the minimum penalty is over one year incarceration, civil damage cases where the controversy exceeds \$25,000, and domestic relation matters. The Macomb County Probate Court consists of two divisions: Wills and Estates and Mental.

The Wills and Estates Division administers estates for deceased persons and appoints guardians for minors and legally incapacitated adults. The Mental Division accepts petitions and holds hearings on the hospitalization of individuals who are in need of mental health services and appoints guardians when necessary. The 42nd District Court has jurisdiction over misdemeanors, ordinance and charter violations, civil cases under \$25,000, and preliminary examinations in felony cases.

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

This Comprehensive Annual Financial Report includes all the funds of the County and the funds of the Macomb/St. Clair Workforce Development Board (Michigan Works!), the Martha T. Berry Medical Care Facility, the Macomb County Parks and Recreation Commission, the Macomb County Library Board, the Macomb County Social Services Board, the Macomb County Public Works Commission, the Macomb County Community Mental Health Board, the Macomb County Employees Retirement System, the Macomb County Retiree Health Care Board, the Macomb County Building Authority, the Macomb County Criminal Justice Building Authority and the Macomb County Road Commission. Not included are the funds of Macomb Community College and Macomb Intermediate School District as well as various cities, townships, villages and local school districts which have not met the established criteria for inclusion in the reporting entity and accordingly are excluded from this report.

The Building Authorities have been combined with the financial statements of the County in accordance with the Statement on Michigan Governmental Accounting and Auditing No.2-Accounting and Financial Disclosures of Building Authorities-as issued by the State Treasurer.

ECONOMIC CONDITION

Macomb County continues to grow, as demonstrated by the financial statements and schedules included in this report. The assessed value of the taxable property supporting the County's 2005 operations (the 2004 taxable value) was approximately \$26.9 billion, an increase over the prior year of \$1.4 billion, or 5.5%. The economic base of the County is continuing to increase. The 2005 valuation (to fund 2006 operations) shows an increase of 6.0% over the 2004 valuation. The County's tax base expansion has averaged 6.5% over the last seven years.

Macomb County is located within five hundred miles of one half of the United States' population and a major portion of the Canadian market. The County is linked to these important areas by an extensive transportation network consisting of highways, rail, and air. In addition, the County's eastern boundary borders Lake St. Clair which links Lakes Huron and Erie giving the County direct access to the world's busiest international waterway. Macomb County is the location of choice for manufacturers because of an abundance of industrial land ready for development, a highly skilled labor force, a strong local economy and local government support for County wide economic expansion.

There are more than 2,000 manufacturing businesses located in Macomb County, including major facilities of each of the Big Three automotive companies including the General Motors Technical Center, the world's largest engineering and design center. Macomb County is also headquarters for General Motors North American Operations. Macomb is the only county in the nation with two DaimlerChrysler assembly plants - and also the only county with two DaimlerChrysler stamping plants. At two million square feet, DaimlerChrysler's Sterling Heights Stamping Plant is the largest of all of its stamping operations. In addition, more than 40 Fortune 100 companies have facilities in Macomb County.

Macomb County contains approximately 22,000 acres of industrial and institutional land. The County is positioned well for more growth due to the fact that its land is only 50 percent developed. It is significant to note that Macomb County already has sufficient sewer and water capacity to serve the undeveloped balance of the County. The combination of these factors makes Macomb County a strategic location for manufacturing facilities in the Midwest. New and ongoing construction of full service industrial parks, manufacturing plants, office centers, research and development facilities, retail centers and residential construction continue to expand the existing economic base.

People are one of the County's richest resources. From college degrees, to high tech training, to practical experience, Macomb's work force of over 420,000 has it all. Macomb County continues to be a major manufacturing center, however the County experienced a major shift in employment during the decade of the 1990's as it diversified its employment base away from manufacturing to the service sector. The percentage of total County jobs in the manufacturing sector decreased from 35% in 1980 to 26% in 2000. Adding definition to Macomb's robust and diverse work force is an agricultural heritage most evident in the northern portions of the County, where second and third generation farmers maximize nature's wealth.

There has been substantial industrial development in the County over the past thirty years. A mile wide industrial corridor 12 miles long, located between Mound and Van Dyke Roads, comprises large industrial establishments including General Motors Technical Center, DaimlerChrysler Corporation's Warren Truck Assembly Plant, Sterling Heights Stamping Plant, Sterling Heights Assembly Plant and the paint and vinyl plants of Ford Motor Company, as well as the Detroit News and Detroit Free Press Sterling Heights printing plant and General Dynamics Land Systems. General Dynamics designs, manufactures and supports armored weapons systems and electronic products for the U.S. Army.

Electrical service is provided by the Detroit Edison Company. Consumers Energy Company and the Southeast Michigan Gas Company supply natural gas. All three utilities have the capacity to supply large industrial customers. SBC provides telephone service.

Municipal water and sanitary sewer service is available in most of Macomb County's urbanized areas. Large tracts of vacant industrial and commercial land have access to these services.

There are over 2,988 retail trade establishments conveniently located throughout Macomb County offering the consumer a full range of products and services.

Several large shopping malls are located in the County including the Macomb Mall located in the City of Roseville and Lakeside Shopping Center located in the City of Sterling Heights. Lakeside Mall opened in 1976. It is the area's largest shopping mall and employs approximately 2,200 people. This multi-level, enclosed, climate-controlled regional mall is located on 545 acres and has 51 acres of lakes, parking lots for 8,000 vehicles and 1,485,000 square feet of gross leasable space. The major stores in the mall are Marshall Field's (206,000 square feet), J.C. Penney (215,000 square feet), Sears (312,000 square feet) and Lord & Taylor (160,000 square feet). There are approximately 180 other mall stores, specialty shops, restaurants and other retail spaces in the mall.

Higher education is available to County residents at Macomb Community College, Baker College and Davenport University.

Macomb Community College, (MCC) has three campuses located in the County which offer 127 degree and certificate programs as well as continuing education courses, counseling, cultural activities and community services to a current enrollment of 27,000 students. The College operates the 1,200 seat Macomb Center for the Performing Arts, which is one of the finest facilities of its kind in the State of Michigan. MCC is accredited by eleven state, national and occupational associations, including the North Central Association. The College

now has a Bachelors Degree Partnership Program. This program, in conjunction with Wayne State University, Central Michigan University, University of Detroit/Mercy, Oakland University and Walsh College offers fifteen different Bachelor Degree programs.

Baker College of Clinton Township has an enrollment of over 4,000 students. It is accredited by the North Central Association of Colleges and Schools and offers a variety of Certificates, Associate's, Bachelor's and Master's degree programs. Baker College recently completed a multi-million dollar expansion of its Clinton Township Campus including a Student Center and a 40,000 square foot classroom building.

There are 240 public and 53 non-public primary and secondary schools throughout the Macomb Intermediate School District. In addition to the standard curriculum, direct services for special education students are provided through three schools for the handicapped, a nursing home, the Macomb Regional Center, a special education work activities program, programs for the severely emotionally impaired, and the Continuing Education for Youth Program. Macomb County's public schools also provide a variety of vocational and job training programs through its high schools and vocational skill centers.

The students of Macomb County are also served by a number of other institutions located outside of the County. These include Lawrence Technological University, Oakland University, University of Detroit/Mercy, University of Michigan-Dearborn, Wayne State University and Walsh College.

Eight general hospitals with a capacity of over 2,000 beds serve the area. There are also several special care facilities and 24 private nursing homes within the County.

A full range of family living quarters is available in Macomb County including residential facilities in modern urbanized areas, rural settings, historic villages and scenic waterfront sites along numerous inland lakes and the shoreline of beautiful Lake St. Clair. There is a wide range of affordable housing throughout Macomb County. The median value of an owner-occupied housing unit in 2000 was \$139,200. The vast majority of Macomb County's housing, 76 percent, is owner occupied, ranking it among the highest in the nation.

There are 6,500 acres of parkland located in Macomb County offering picnic sites, fishing, swimming, nature hiking and boating facilities.

Approximately thirty miles of shoreline along Lake St. Clair provide access to fun and sports on the waters of the Great Lakes. Public and private marinas provide docking facilities for more than 9,000 boats, ranking Macomb County first in the State of Michigan in the number of boat slips available at its marinas.

Several highways and thoroughfares traverse Macomb County providing regional and statewide continuity for movement of people, goods and services. Interstate 94 runs along the eastern border of the County and continues across southern Michigan to Chicago. Interstate 696 crosses the southern portion of the County providing a vital link between I-94 and I-75. M-53 helps provide an important link to the "Thumb Area" of the State. M-59 provides an East-West link between I-94 and I-75 across the County's midsection, paralleling I-696, which is, located nine miles to the south.

Macomb County has nearly 70 miles of main line railroad tracks owned by two companies, CONRAIL and Grand Trunk Western Railroad. CONRAIL operates a service line along the western portion of the County serving the area's primary industrial corridor. This area is commonly referred to as the "Golden Mile" because of its large concentration of major industrial facilities. The Grand Trunk Western line serves the eastern portion of the County and connects Detroit-Windsor to the Port Huron-Sarnia area.

MAJOR INITIATIVES

The Macomb County Community Action Committee, established and funded by Macomb County Government, won a major victory when the federal Base Realignment and Closure Commission (BRAC) issued its final report. The BRAC recommended that Selfridge Air National Guard Base in Harrison Township and the Tank Automotive and Armaments Command (TACOM) in Warren remain open. In addition, the BRAC Report calls for a net addition of military jobs at Selfridge as well as the transfer of 1,150 research and management center jobs from across the country to TACOM, further solidifying that facility as the military's premier center for ground vehicle development and research.

For many years, Clinton Township was known as the burial ground for southeast Michigan because it was home to four cemeteries. Now a bedroom community that includes a community college, a first-class hospital and a variety of top-notch restaurants and banquet halls, Clinton Township is establishing an identity as an entertainment center. In the next few years, the township will be home to a new "lifestyle" shopping center complete with high-end restaurants and a new 14-screen movie theater. In November, a groundbreaking ceremony was held to kick off the development of the Mall of Partridge Creek, a \$600 million, 55-acre project on M-59 between Garfield and Romeo Plank Road, four miles east of Lakeside Shopping Center in Sterling Heights.

Partridge Creek will include two upscale department stores in Nordstrom and Parisian. Both plan two-level, 129,000 square foot buildings. The 600,000 square foot center will feature 90 specialty stores and several sit down restaurants. The shopping center is the first regional mall built in the county in 30 years. Six builders are working on a variety of single family homes to be built in the 117 acre residential portion of the project. A senior citizen assisted living center and a condominium development will also be included. Karen MacDonald, a spokeswoman for the Taubman Co., the developer of the shopping center, said she anticipates the construction of the center will require about 1,500 temporary construction related jobs and create about 2,000 permanent jobs in the shops, restaurants and related businesses in the completed shopping center.

A \$46 Million high rise condominium project will be built on land purchased at Miller Marina in St. Clair Shores. The 17 story, 77 unit Yacht Harbor Residence will be constructed on 1.6 acres of land. This new project at Miller Marina is adjacent to the previously announced \$500 Million condominium and retail development known as One Water Place. Both projects have direct waterfront access to Lake St. Clair.

General Motors has announced that it will invest \$332 million to upgrade its Warren Transmission plant, further securing work for the 1,200 people who work at the plant. Coupled with an upgrade made at the plant over the past two and a half years, GM will have spent \$663 million just in this decade to retool the plant for the automaker's new six-speed transmission. The new front-wheel-drive six speeds to be built at the Warren plant will be used in the new 2007 Saturn Aura, the 2007 Pontiac G6 and in GM's family of new crossover vehicles—the Saturn Outlook, the GMC Acadia and the Buick Enclave.

Daimler-Chrysler will invest \$106 million at its Warren Truck Assembly plant on a building expansion and new machinery – a move that helps protect more than 1,300 jobs. Workers at the assembly plant and the Warren Stamping plant next door on Mound Road, south of Nine Mile Road, make the Dodge Ram and Dodge Dakota pickups. The facilities are the only Chrysler plants in the United States currently operating three shifts.

PTI Engineered Plastics, Inc. will soon begin construction of its new home, a 95,000 square foot facility located at the southeast corner of 23 Mile Road and Corporate Drive in Macomb Township. PTI is a research technology based company that specializes in the research, design and building of prototype production molding tools for the manufacture and assembly of prototype and production molded plastic components. The company, which serves the automotive, consumer, and medical products industries, is investing nearly \$12 million in the building and new machinery and equipment. In addition to retaining 112 current jobs, this project will enable the company to increase its workforce through the creation of approximately 52 new jobs.

Concord International's SMW Automotive Corporation and Alutech, located in facilities on Stephens and Regency Drive in Warren are manufacturers of cast iron, aluminum and forged steel components for auto chassis and frame systems. Having secured a new contract from General Motors for the production of control arms for the Corvette, Cobalt and Silverado models, the companies are investing \$10 million in new machinery and equipment at the facility. With a combined workforce of 87 employees, SMW/Alutech will be adding up to 32 additional jobs to accommodate the increased production volume.

Comcast Corporation, the nations leading cable communications services company, has announced plans to increase it's presence in Sterling Heights. The company will be hiring more than 200 new associates to work at the Sterling Heights call center, located on Van Dyke Avenue between 15 and 16 Mile Roads. To accommodate the company's plans, the current facility will grow to 86,000 square feet with the construction of an 18,000 square foot addition. Comcast reports that their investment in this expansion will approach \$4.5 million. The workforce at the site will nearly double, bringing total employment to approximately 435.

Witzenmann USA has recently made a significant investment in new machinery and equipment for their operations in Warren. The company is a supplier of stainless steel tubing and other flexible metallic components for auto exhaust systems. Their major customers are General Motors, DaimlerChrysler and Caterpillar. Having established their Warren operation in 2000, Witzmann's latest \$3 million investment will allow the company to increase their workforce to up to 70 employees.

Chesterfield Township based MacLean Vehicle Systems; a leading manufacturer of automotive and industrial fasteners has recently invested more than \$2.6 million in the upgrade of their manufacturing processes for the addition of a new product line. Located in the R.C. Schmidt Industrial Complex, the company anticipates that its expanded operation will aid in the retention of 74 jobs and the creation of up to nine new jobs.

TrynEx International, headquartered in Warren, is in the process of increasing manufacturing capacity for its highly successful line of salt spreaders that are widely employed for seasonal use by commercial property maintenance providers. The company has also developed spreading systems that are specially designed for the dispersal of sand, grains and seeds. With the construction of an 18,000 square foot addition to their facility, which is located in the vicinity of Stephens and Groeseck Highway, TrynEx will be retaining 26 current jobs and expect to create seven new jobs over the next two years.

Beaumont Hospital started construction on a \$50 Million ambulatory care and office facility in Macomb Township and a 40,000 square foot medical office building in Warren. St. John Health announced plans to build a \$20 Million physicians building at 23 Mile and Romeo Plank that will offer outpatient surgery, diagnostic services and 24 hour urgent care. St. Joseph Mercy of Macomb has completed a \$120 Million renovation at its Clinton Township campus. Mount Clements General Hospital opened its \$50 Million Surgical Center and will soon be breaking ground on the \$19 Million Ted B. Wahby Cancer Center.

After two decades on the drawing board, a new sanitary sewer line stretching from 26 Mile through the village of New Haven into Lenox Township is expected to boost development in the area. Another new sewer line running northwest from 21 Mile Road and Gratiot is expected to provide a development boost in Chesterfield Township.

Five northern Macomb County Townships have formed a purchase of Development Rights Committee that will use state and federal grant money to pay farmers the development value of their land to ensure it will remain agricultural. This effort comes at a critical time in Macomb County. In the past 40 years Macomb County has lost 87,000 acres of farmland and 1,400 farms to development.

The Southeast Michigan Council of Governments (SEMCOG) reported that Macomb County had the second highest number of net new housing units in the seven county region in 2005. The 3,985 net new housing units were a decrease of 23% below the 5,208 for 2004. Five of Macomb County's cities and townships ranked in the top ten communities in the region for total new units authorized in 2005. Macomb Township ranked second in the region with 814 units authorized followed by fourth place Shelby Township at 692, Chesterfield Township at 517, Washington Township at 452 and the city of Sterling Heights with 398 units.

The Southeast Michigan Council of Governments also reported that Macomb County added the most people (43,000) and the most households (26,000) of any county in southeast Michigan between the 2000 U.S. Census and July 2005. During the twelve months ending July 1, 2005, Macomb Township took first place in the State for population growth followed by Shelby Township in second place and Chesterfield Township in fifth place. Wayne State University's Center for Urban Studies released data showing that Macomb County attracts more residents from its neighboring counties than it loses, which, when combined with new residents from outside the tri-county area makes Macomb County the growth leader in the seven county region.

Macomb County's annual unemployment rate for 2005 of 6.8 percent was slightly higher than the Michigan unemployment rate of 6.7 percent. The National unemployment rate was 5.1 percent.

Since its inception in the year 2000, the Macomb County Senior Prescription Drug Discount Program has saved senior citizens over \$17 million. Applicants must be age 60 or over, a resident of Macomb County and have no prescription coverage. Seniors save an average of 30 percent on each prescription. There is also a mail-order component, which gives seniors an even bigger discount. The Macomb County Senior Prescription Drug Discount Program was the first of its kind in the nation.

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 and special revenue funds are included in the annual county budget. Project length financial plans are adopted for the capital projects funds. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by function and activity 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 Employee's Retirement System (MCERS). It is worthy to note that MCERS is fully funded. The annual actuarial valuation continues to reflect a positive trend in the funding of the 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. The trust held funds in excess of \$89 million at year-end, which are restricted for future payment of Retiree Health Care expenses. The County's long term goal is to fully fund its Retiree Health Care liability.

Debt Administration. Macomb County has received the highest possible credit rating from both Moody's Investors Service (Aaa) and Standard & Poor's (AAA), two of the country's most prestigious Wall Street rating agencies. Only two other counties of 83 in Michigan and 34 other counties of 3,066 in the nation enjoy this distinction. A detailed 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 Retirement Systems and Deferred Compensation Plan, 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 Poors, Moody's Investors Service, 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. The County is partially self-insured for losses of a general liability nature up to \$250,000 per claim. Liability claims at the Martha T. Berry Medical Care Facility are self insured by the County up to \$1 million in the aggregate. 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 Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2004. 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.

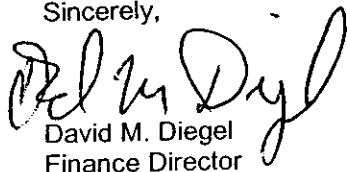
A Certificate of Achievement is valid for a period of one year only. Macomb County has received a Certificate of Achievement for the last twenty consecutive years. We believe that our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it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

The National Association of Counties (NACo) recognized Macomb County for its commitment to excellence by awarding the County fourteen NACo Achievement Awards. NACo presents the awards annually, to counties across the country, for innovative programs that enhance service to citizens or improve county management, service or structure. In 2005, for the 24th consecutive year, Macomb County received more NACo awards than any of the other 82 counties in Michigan. These awards are listed in the Macomb County Board of Commissioners Annual Report that is sent to all households in Macomb County.

Acknowledgments. The preparation of the Comprehensive Annual Financial Report 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 my sincere appreciation for the contribution made in the preparation of this report.

In closing, I would also like to thank the Macomb County Board of Commissioners for the leadership they have shown during the past year in supporting the operations of the County.

Sincerely,

A handwritten signature in black ink, appearing to read "David M. Diegel". The signature is written in a cursive style with a large, prominent "D" at the beginning.

David M. Diegel
Finance Director

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, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



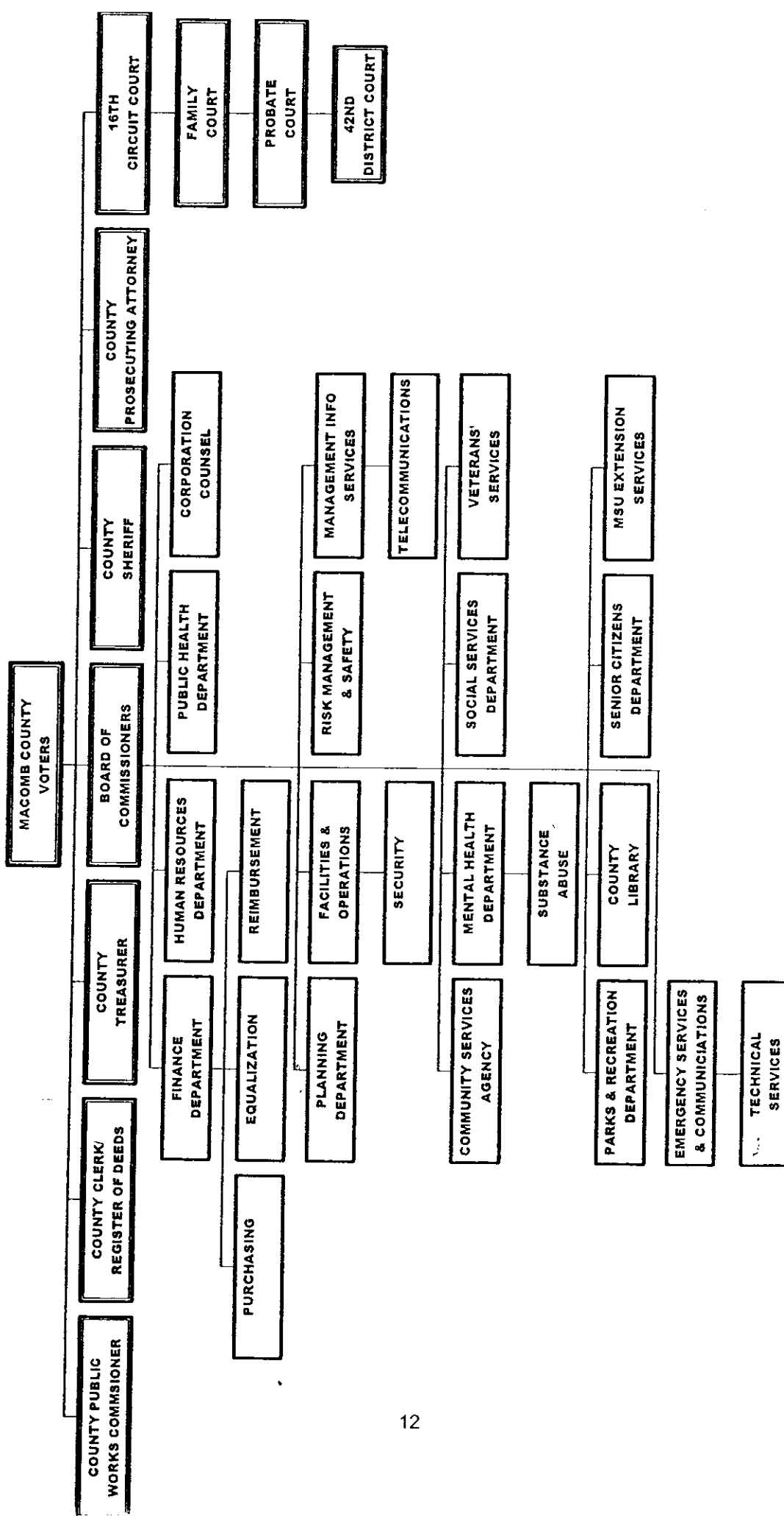
Carla E. Perry

President

Jeffrey R. Egan

Executive Director

MACOMB COUNTY ORGANIZATION CHART



MACOMB COUNTY, MICHIGAN

Principal Officials

Officers of the Board of Commissioners

Chairperson	Nancy M. White
Vice-Chairperson	Joan Flynn
Sergeant-at-Arms	Leonard Haggerty
Clerk	Carmella Sabaugh
Corporation Counsel	George E. Brumbaugh

List of the Board of Commissioners

Andrey Duzyj, District 1	Brian Brdak, District 14
Marvin E. Sauger, District 2	Keith Rengert, District 15
Phillip A. DiMaria, District 3	William J. Revoir, District 16
Jon Switalski, District 4	Bobby L. Hill, District 17
Susan L. Doherty, District 5	Bob Gibson, District 18
Joan Flynn, District 6	Paul Gieleghem, District 19
Sue Rocca, District 7	Nancy M. White, District 20
James E. McCarthy, District 8	Leonard Haggerty, District 21
Robert Mijac, District 9	Betty Slinde, District 22
Philis DeSaele, District 10	William A. Crouchman, District 23
Ed Szczepanski, District 11	Peggy A. Kennard, District 24
Peter J. Lund, District 12	Kathy D. Vosburg, District 25
Don Brown, District 13	Nicholyn A. Brandenburg, District 26

Elected County Officials

Prosecuting Attorney	Eric Smith
Sheriff	Mark A. Hackel
County Clerk/Register of Deeds	Carmella Sabaugh
Treasurer	Ted B. Wahby
Public Works Commissioner	Anthony V. Marroco

County Department Heads

Finance Director	David M. Diegel
Emergency Management & Communications Director	Louis Mioduszewski
Facilities & Operations Director	Lynn M. Arnott-Bryks
Director / Health Officer	Thomas Kalkofen
Management Information Services Director	Cyntia N. Zerkowski
Human Resources Director	Ted J. Cwiek
Planning & Economic Development Director	Stephen Cassin
Risk Management & Safety Director	John P. Anderson
Community Services Agency Director	Frank T. Taylor
County Library Director	Darlene LaBelle
Senior Citizens Services Director	Angela Willis

Report of Independent Auditors

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Plaza
1900 St. Antoine Street
Detroit, MI 48226-2263
Telephone (313) 394 6000
Facsimile (313) 394 6555

To the Board of Commissioners
Macomb County, Michigan

In our opinion, based on our audit and the report of other auditors, the 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 Macomb County, Michigan (the "County"), which collectively comprise the County's basic financial statements as listed in the table of contents, 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, at December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. We also have audited the aggregate non-major governmental funds, the aggregate internal service funds, and each fiduciary fund type as of and for the year ended December 31, 2005, as displayed in the County's basic financial statements. Certain special revenue funds and component units are accounted for as of September 30, 2005 and for the year then ended, and have been combined with the December 31, 2005 financial statements. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Macomb County Road Commission (the "Road Commission"), which statements reflect total assets of \$757,861,948 (48% of government-wide total assets) and total revenues of \$84,100,645 (12% of government-wide total revenues) for the year then ended. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Road Commission, is based on the report of the other auditors. Further, the net assets of the Road Commission, as of September 30, 2004, were restated by the other auditors in the amount of \$3,531,293 (as disclosed in Note 11). We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In accordance with Government Auditing Standards, we have also issued our report dated June 28, 2006 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 and grant agreements and other matters. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages A-3 through A-17 and the required supplementary information on pages C-1 through C-7 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America and by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

PriceWaterhouseCoopers LLP

June 28, 2006

MACOMB COUNTY, MICHIGAN
Management's Discussion and Analysis
Required Supplemental Information

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, 2005. 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 of the County exceeded its liabilities by \$366.7 million at year- end.
- The net assets of the County increased by \$16.8 million in fiscal 2005. Of this increase, \$24.1 million is restricted in its use as a replacement for State Revenue Sharing payments.
- The General Fund reported a loss of \$9.1 million for the year. Unreserved fund balance was \$53.3 million, or 12.0% of the total 2006 County operating budget. Total fund balance was \$53.6 million.
- The County maintained its AAA credit rating with Standard & Poors and its Aaa rating with Moody's Investor Service.
- The County issued \$19.4 million in bonds for the construction of a new District Court facility in the City of New Baltimore and the construction of a high frequency emergency radio communications system.
- The County advance refunded \$2.7 million in bonds, resulting in long-term interest savings of approximately \$.1 million.

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 Assets* and the *Statement of Activities* and 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 Assets* presents information on all of the assets and liabilities of the County, with the difference between the two reported as *net assets*. Net assets can be thought of as one way of measuring the financial strength of the County. Increases or decreases in net assets over time may serve as a useful indicator of whether the financial condition of the County is improving or deteriorating.

MACOMB COUNTY, MICHIGAN
Management's Discussion and Analysis
Required Supplemental Information

Non-financial factors such as changes in the property tax base, population and condition of roads and bridges must also be considered when assessing the financial condition of the County.

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

The government-wide financial statements segregate the activities of the County into three categories: 1) 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, law enforcement 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, Martha T. Berry Medical Care Facility, 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 Road Commission, Macomb/St. Clair Workforce Development Board, the Public Works Commission and the County of Macomb Hospital Finance Authority 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 of them 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.

MACOMB COUNTY, MICHIGAN
Management's Discussion and Analysis
Required Supplemental Information

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, liabilities, revenues or expenditures meet or exceed certain percentage thresholds in relation to all governmental funds taken as whole. The thresholds used to determine a fund's status as major or nonmajor are set forth in GASB Statement No. 34.

Information regarding major funds is presented separately in the basic financial statements while data for all nonmajor funds is combined into a single, aggregated presentation. The General Fund and the Revenue Sharing Reserve 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, Freedom Hill Park Fund and the Martha T. Berry Medical Care Facility Fund. *Internal service funds*, on the other hand, are used to centrally account for services provided to other County departments and include phone services, fleet management, copier replacement, workers' compensation insurance, general liability insurance and compensated absences. Because the internal service funds predominately benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements. Data regarding the internal service funds has been combined into a single, aggregated presentation in the basic financial statements. Information regarding the individual internal service funds is provided in the form of combining statements elsewhere in this report.

The proprietary fund financial statements begin on page B-8 of this report.

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

The fiduciary fund financial statements begin on page B-14 of this report.

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

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 obligations and a budget to actual comparison for the major governmental funds of the County.

**MACOMB COUNTY, MICHIGAN
Management's Discussion and Analysis
Required Supplemental Information**

Required supplementary information begins on page C-1 of this report.

Combining and individual funds statements of the nonmajor funds of the County are presented immediately following the required supplementary information and begin on page D-1 of this report.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

The financial analysis of the County as a whole focuses on the net assets and changes in net assets of the governmental and business-type activities of the County. As noted earlier, net assets and changes in net assets may serve as one indicator of the financial health of the County. The assets of the County exceeded its liabilities by \$366.7 million at December 31, 2005 and increased by approximately \$16.8 million for the year then ended.

Macomb County Primary Government Net Assets

	Governmental Activities		Business-type Activities		Totals	
	2004	2005	2004	2005	2004	2005
Current and other assets	\$ 274,379,310	\$ 259,303,329	\$ 100,330,992	\$ 105,372,219	\$ 374,710,302	\$ 364,675,548
Capital assets	157,536,562	166,461,655	2,556,498	6,744,652	160,093,060	173,206,307
Total assets	431,915,872	425,764,984	102,887,490	112,116,871	534,803,362	537,881,855
Current liabilities	97,469,514	63,392,269	8,818,072	15,100,374	106,287,586	78,492,643
Long-term liabilities	78,605,406	92,728,531	-	-	78,605,406	92,728,531
Total liabilities	176,074,920	156,120,800	8,818,072	15,100,374	184,892,992	171,221,174
Net assets						
Invested in capital assets, net of related debt	103,036,562	110,591,655	2,556,498	6,744,652	105,593,060	117,336,307
Restricted	64,780,560	97,573,310	6,354,358	6,411,028	71,134,918	103,984,338
Unrestricted	88,023,830	61,479,219	85,158,562	83,860,817	173,182,392	145,340,036
Total Net Assets	\$ 255,840,952	\$ 269,644,184	\$ 94,069,418	\$ 97,016,497	\$ 349,910,370	\$ 366,660,681

Approximately \$117.3 million, or 32.0% of the County's net assets 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 \$104.0 million, or 28.4%, of the County's net assets represents resources that are subject to external restrictions regarding their use. Approximately 50% of the net assets included in this category represent the net assets of the Revenue Sharing Reserve Fund. The remaining balance of the County's net assets are unrestricted and may be used to meet the County's ongoing obligations. Positive balances in all three categories are reported at December 31, 2005.

MACOMB COUNTY, MICHIGAN
Management's Discussion and Analysis
Required Supplemental Information

As indicated in the following schedule, the net assets of the County increased by \$16.8 million for the year ended December 31, 2005. The components of this change were an increase of \$13.8 million in governmental activities and an increase of \$3.0 million in business-type activities. The components of these changes are discussed in the following section.

Macomb County Primary Government Changes in Net Assets

	Governmental Activities		Business-type Activities		Totals	
	2004	2005	2004	2005	2004	2005
Revenues						
Program revenue						
Charges for services	\$ 46,441,446	\$ 47,465,835	\$ 154,126,501	\$ 158,372,941	\$ 200,567,947	\$ 205,838,776
Operating grants and contributions	50,190,070	54,003,340	357,944	288,451	50,548,014	54,291,791
Capital grants and contributions	3,197,973	1,538,463	-	-	3,197,973	1,538,463
General revenue						
Property taxes	145,946,433	153,325,600	-	-	145,946,433	153,325,600
Intergovernmental revenues	8,260,654	2,435,590	-	-	8,260,654	2,435,590
Investment income	3,432,645	6,456,366	1,052,437	1,856,037	4,485,082	8,312,403
	<u>257,469,221</u>	<u>265,225,194</u>	<u>155,536,882</u>	<u>160,517,429</u>	<u>413,006,103</u>	<u>425,742,623</u>
Expenses						
Legislative	1,958,277	2,076,701	-	-	1,958,277	2,076,701
Judicial	32,738,381	37,466,334	-	-	32,738,381	37,466,334
General government	49,414,817	52,597,031	865,989	702,662	50,280,806	53,299,693
Public safety	60,512,543	67,117,931	-	-	60,512,543	67,117,931
Public works	2,133,523	953,845	-	-	2,133,523	953,845
Health and welfare	71,578,296	76,036,023	157,780,177	163,185,851	229,358,473	239,221,874
Recreation and culture	2,982,626	2,976,004	1,130,182	1,131,003	4,112,808	4,107,007
Interest and fees on long-term debt	3,423,082	3,762,691	-	-	3,423,082	3,762,691
	<u>224,741,545</u>	<u>242,986,560</u>	<u>159,776,348</u>	<u>165,019,516</u>	<u>384,517,893</u>	<u>408,006,076</u>
Increase (decrease) in net assets						
before transfers	32,727,676	22,238,634	(4,239,466)	(4,502,087)	28,488,210	17,736,547
Net transfers	<u>(1,974,217)</u>	<u>(8,435,402)</u>	<u>2,655,143</u>	<u>7,449,166</u>	<u>680,926</u>	<u>(986,236)</u>
Increase (decrease) in net assets	30,753,459	13,803,232	(1,584,323)	2,947,079	29,169,136	16,750,311
Net assets, beginning of year	<u>225,087,493</u>	<u>255,840,952</u>	<u>95,653,741</u>	<u>94,069,418</u>	<u>320,741,234</u>	<u>349,910,370</u>
Net assets, end of year	<u>\$ 255,840,952</u>	<u>\$ 269,644,184</u>	<u>\$ 94,069,418</u>	<u>\$ 97,016,497</u>	<u>\$ 349,910,370</u>	<u>\$ 366,660,681</u>

MACOMB COUNTY, MICHIGAN
Management's Discussion and Analysis
Required Supplemental Information

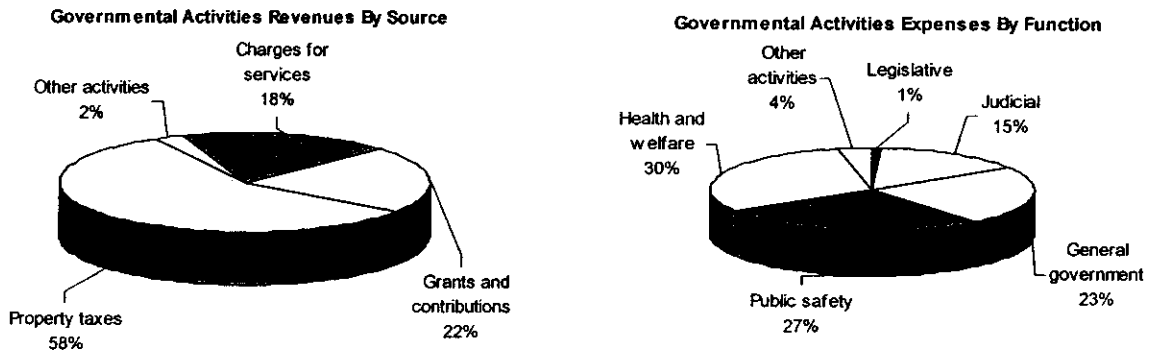
Governmental activities. Key components of the \$13.8 million increase in the net assets of the County's governmental activities in 2005 are as follows:

- Property tax revenue increased by \$7.4 million, or 5.1%, as a result of increases in property values throughout the County.
- Charges for services increased \$1.0 million, or 6.4%, primarily the result of the Sheriff Department contracting with the City of Mount Clemens to provide police and dispatching services beginning in July 2005.
- Intergovernmental revenues decreased \$5.8 million, the majority of which was the result of a \$4.7 million reduction in State Revenue Sharing payments, which were phased out by the State of Michigan in 2004. Public Act 357 was enacted by the State legislature in 2004 to serve as a substitute funding mechanism for State Revenue Sharing. Under its provisions, the collection of property taxes will be accelerated over the course of three years, whereby the County will eventually levy 100% of its property taxes in July rather than December. This gradual shift will take place as follows: 1/3 of the 2005 County levy was made in July 2005, 2/3 of the 2006 levy will be made in July 2006 and 100% of the 2007 levy will be made in July 2007. Each year thereafter, 100% of the levy will be made in July. Beginning in 2004, three annual installments, each equal to 1/3 of the December 2004 property tax levy, will be recognized as revenue and placed in a restricted fund known as the Revenue Sharing Reserve Fund. Beginning in 2004, and each year thereafter until its fund balance is exhausted, the Revenue Sharing Reserve Fund will transfer to the General Fund each year an amount determined by the State of Michigan that approximates the amount of revenue sharing that would have been distributed by the State in fiscal 2004 if it not been discontinued. The fund balance of the Revenue Sharing Reserve Fund is expected to be exhausted in 2011. The amount placed in the Revenue Sharing Reserve Fund in 2005 was \$37.7 million, of which \$14.1 million was subsequently transferred to the General Fund.
- Judicial expenditures increased \$4.7 million, or 14.4%, of which \$1.6 million was due to an increase in court appointed attorney fees. In 2004, the County performed an analysis of its accrual for unbilled fees and determined that a downward adjustment was warranted. As a result, the accrual was reduced by approximately \$1.3 million, which in turn resulted in an increase in 2005 over the prior year. Actual expenses incurred in 2005 were consistent with the previous four to five years, exclusive of the accrual adjustment. The remaining judicial expenditure increase of \$3.4 million was due primarily to increases in salaries and fringe benefits.
- Public safety expenses increased by \$6.6 million, or 10.9%, compared to the prior year, of which \$4.6 million was experienced in the Sheriff Department. The Sheriff Department began contracting with the City of Mount Clemens to provide police and dispatching services in July 2005, which required the addition of 27 positions to the budget, thereby resulting in additional expenses of \$1.1 million over the prior year. The remaining increase of \$3.5 million, or 5.8%, was caused by increases in salaries and fringe benefits.

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- Health and welfare expenditures increased by \$4.4 million, or 6.2% over the prior year, \$2.2 million of which relates to the Health Department. The increase experienced at the Health Department has three basic components: increases in the costs associated with salaries and fringe benefits of roughly \$1.0 million, an increase of approximately \$.7 million in the cost of pharmaceutical drugs and another \$.5 million in design and engineering fees incurred in conjunction with a new morgue facility. The remaining \$2.2 million increase in Health and Welfare expenditures can be attributed to increases in salaries and fringe benefits.

The components of the County's governmental revenues and expenditures are presented below.



Business-type activities. The net assets of the County's business-type activities increased approximately \$2.9 million during the year. The majority of this increase is attributable to a \$4.1 million surplus at the Martha T. Berry Medical Care Facility and a \$1.2 million deficit in the Delinquent Tax Revolving Fund. The surplus at Martha T. Berry is due to transfers totaling \$4.4 million that represent the cost of capital assets of Martha T. Berry that were paid for from the governmental capital projects funds. The restricted fund equity of Martha T. Berry has been increased to reflect the capitalization of these assets in the accounts of Martha T. Berry. The unrestricted equity of Martha T. Berry decreased \$.1 million in fiscal 2005. The deficit in the Delinquent Tax Revolving Fund was due primarily to a decrease in collection fees associated with the delinquent tax rolls.

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FINANCIAL ANALYSIS OF THE COUNTY'S MAJOR 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 three categories: reserved, designated and unreserved. Reserved fund balance represents that portion of the net assets that may only be spent for specific purposes and are not available for new spending. Examples of fund balance reserves 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 designations are established to represent that portion of net assets that are intended to be spent for certain purposes and differ from fund balance reserves in that they can be redirected and used for new spending if necessary. Unreserved fund balance represents the portion of net assets that is available at year-end for new spending.

The combined ending fund balances of all governmental funds was \$176.5 million at December 31, 2005, an increase of \$21.2 million over the prior year. The \$21.2 million increase consists of a \$9.1 million decrease in the General Fund, a \$24.0 million increase in the Revenue Sharing Reserve Fund, a combined increase of \$1.0 million in the Special Revenue and Debt Service funds and a \$5.3 million increase in the Capital Projects 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 is presented below.

Source	2004	2005	Increase (Decrease)	% Change
Taxes	\$ 108,024,702	\$ 115,340,337	\$ 7,315,635	6.8%
Licenses and permits	397,172	391,395	(5,777)	-1.5%
Federal and State grants	14,756,398	8,421,712	(6,334,686)	-42.9%
Charges for services	26,754,510	30,297,038	3,542,528	13.2%
Investment income	2,564,527	4,703,646	2,139,119	83.4%
Admin charges to other funds	10,516,996	11,087,868	570,872	5.4%
Fines and forfeitures	1,058,973	1,045,629	(13,344)	-1.3%
Other revenue	206,739	166,929	(39,810)	-19.3%
Transfers from other funds	19,668,740	22,724,515	3,055,775	15.5%
	\$ 183,948,757	\$ 194,179,069	\$ 10,230,312	5.6%

The \$7.3 million increase on property tax revenue represents a 6.8% increase over the prior year and is due to the continued increase in taxable values throughout the County.

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The \$6.3 million decrease in Federal and State grants can be attributed primarily to the elimination of revenue sharing payments from the State of Michigan as discussed previously.

The increase in charges for services revenue of just over \$3.5 million is the primarily the result of a new contract negotiated between the Sheriff Department and the City of Mount Clemens to provide law enforcement and dispatching services to the City as well as internal charge-backs made by the Facilities and Operations department for repairs and maintenance performed by skilled trades personnel.

Investment income increased approximately \$2.1 million as market interest rates continued to recover in 2005.

Transfers from other funds increased approximately \$3.1 million over the prior year, primarily as a result of an increase in the transfer from the Revenue Sharing Reserve Fund, as previously discussed.

A year-to-year comparison of General Fund expenditures by function is presented below.

General Fund Expenditures By Function

Function	2004	2005	Increase (Decrease)	% Change
Legislative	\$ 1,958,277	\$ 2,076,701	\$ 118,424	6.1%
Judicial	19,451,435	22,779,494	3,328,059	17.1%
General government	48,848,120	54,425,059	5,576,939	11.4%
Public safety	51,927,325	56,691,858	4,764,533	9.2%
Health and welfare	775,974	712,784	(63,190)	-8.1%
Other	4,732,839	5,480,571	747,732	15.8%
Capital outlay	722,119	802,454	80,335	11.1%
Transfers to other funds	58,307,955	60,347,238	2,039,283	3.5%
	<u>\$ 186,724,044</u>	<u>\$ 203,316,159</u>	<u>\$ 16,592,115</u>	8.9%

The \$3.3 million increase in Judicial expenditures is the result of increases in salaries and fringe benefits as well as an increase in court appointed attorney fees as discussed previously.

The \$5.6 million increase in General Government expenditures represents an 11.4% increase, the largest components of which consist of increases in the Facilities & Operations and Information Technology departments of \$2.6 million and \$2.9 million, respectively. The increase in Facilities and Operations is due largely to increases in utility costs and building repairs and maintenance of \$.8 million and \$1.0 million, respectively. The increase in building repairs and maintenance is a result of an increase in charge-backs made to other County departments. These charges are offset by a corresponding increase in revenue in the Facilities and Operations department. Approximately one-half of the increase in the Information Technology department is attributable to an increase in software maintenance agreements related to new systems that were implemented in 2005.

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The \$4.7 million increase in Public Safety expenditures represents a 9.2% increase, which is a result of increases in salaries and fringe benefit costs at the Sheriff Department, including the positions added during the year in connection with the contracts with the City of Mount Clemens.

Revenue Sharing Reserve Fund - The Revenue Sharing Reserve Fund reported property tax revenue of \$37.7 million in fiscal 2005, of which \$14.1 million was subsequently transferred to the General Fund, resulting in a surplus of \$24.1 million for the year ended December 31, 2005. The fund balance is restricted in its entirety and was \$52.8 million at year-end.

The fund balances of the County's nonmajor governmental funds were approximately \$70.1 million at year-end, an increase of approximately \$6.2 million over the prior year. Of the \$70.1 million, \$40.5 million is reported in the capital projects funds, all of which is designated or restricted for use in the construction, remodeling, renovation and maintenance of new or existing facilities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The budget for each fiscal year is adopted by the Board of Commissioners in December of the prior year and may be amended from time to time throughout the year to reflect changing operational demands.

A comparison of budgeted and actual revenues is presented below.

Source	General Fund Revenue Budget and Actual By Source			
	Budget		Actual	Variance
	Adopted	Final		
Taxes	\$ 116,743,661	\$ 116,743,661	\$ 115,340,337	\$ (1,403,324)
Licenses and permits	392,000	392,000	391,395	(605)
Federal and State grants	18,314,760	7,994,860	8,421,712	426,852
Charges for services	23,925,970	26,474,362	30,297,038	3,822,676
Investment income	3,191,000	3,191,000	4,703,646	1,512,646
Admin charges to other funds	9,997,108	10,229,081	11,087,868	858,787
Fines and forfeitures	904,050	938,465	1,045,629	107,164
Other revenue	23,450	23,450	166,929	143,479
Transfers from other funds	8,655,000	19,155,000	22,724,515	3,569,515
	<u>\$ 182,146,999</u>	<u>\$ 185,141,879</u>	<u>\$ 194,179,069</u>	<u>\$ 9,037,190</u>

The original and final revenue budgets of the General Fund for fiscal 2005 were \$182.1 million and \$185.1 million respectively, an increase of \$3.0 million of final over originally adopted. Approximately \$1.2 million of the increase resulted from the new Sheriff contracts with the City of Mount Clemens. The budget for Federal and State grants was also decreased by \$10.5 and reclassified as "Transfer from Other Funds" to account for the transfer from the Revenue Sharing Reserve Fund as required by Public Act 357.

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Charges for Services revenues exceeded budget by \$3.8 million, consisting primarily of recording fees, which exceeded budget by approximately \$1.5 million, and Personal Services, which exceeded budget by roughly \$1.2 million.

Investment revenue was approximately \$1.5 million over budget as a result of higher than expected market interest rates.

The \$3.6 million favorable variance in the Transfers from Other Funds category was due to contributions from the Revenue Sharing Reserve Fund exceeding budget. The budget for the transfer from the Revenue Sharing Reserve Fund was maintained at that same level as was budgeted for State Revenue Sharing payments in prior years, thereby resulting in actual exceeding budget.

A comparison of budgeted and actual expenditures is presented below.

General Fund Expenditures Budget and Actual By Level of Control

Level of Control	Budget		Actual	Variance
	Adopted	Final		
Salaries and fringe benefits	\$ 106,880,835	\$ 111,301,306	\$ 106,759,993	\$ 4,541,313
Operating	40,150,173	39,715,737	35,217,551	4,498,186
Capital outlay - departmental	251,700	318,416	190,335	128,081
Capital outlay - nondepartmental	1,050,000	1,067,770	802,454	265,316
Transfers to other funds	69,683,555	70,107,354	60,347,238	9,760,116
	<u>\$ 218,016,263</u>	<u>\$ 222,510,583</u>	<u>\$ 203,317,571</u>	<u>\$ 19,193,012</u>

The original and final expenditure budgets of the General Fund for fiscal 2005 were \$218.0 million and \$222.5 million, respectively, an increase of \$4.5 million of final over originally adopted. Approximately \$4.4 million was in the area of salaries and fringe benefits, of which \$1.1 million relates to Sheriff Department personnel added during the year in connection with the contracts with the City of Mount Clemens for law enforcement and dispatching services. Another \$1.4 million increase relates to adjustments in fringe benefit budgets related to employee health care that were necessary because actual costs exceeded original estimates and another \$1.2 million was made in the Facilities and Operations department in conjunction with the increase in revenues discussed previously.

Actual General Fund expenditures were approximately \$19.2 million below budget. Of the total, \$4.5 million was in the area of salaries and fringe benefits, which can be attributed to vacant positions, employees not yet at their maximum salaries.

The final budget includes \$70.1 million in transfers to other funds. Actual transfers were approximately \$60.3 million, resulting in a favorable variance of \$9.8 million. Budgeted transfers are maintained at conservative levels due to the uncertainty of outside revenue sources.

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In summary, General Fund expenditures exceeded revenues by \$9.1 million for the year ended December 31, 2005. Unreserved fund balance was \$53.3 million or 12.0% of the total 2006 County operating budget.

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 and construction in progress. The County's investment in capital assets, net of accumulated depreciation, was \$166.5 million for governmental activities and \$6.7 million for business-type activities.

Macomb County's Capital Assets
(net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
Land	\$ 9,233,484	\$ 12,543,652	\$ -	\$ -	\$ 9,233,484	\$ 12,543,652
Land improvements	2,761,707	4,628,135	108,408	212,237	2,870,115	4,838,372
Buildings and improvements	116,026,766	118,583,388	1,941,386	2,584,704	117,968,152	121,168,092
Machinery, equipment and vehicles	16,039,387	16,066,106	413,445	391,157	16,452,832	16,457,263
Construction in progress	13,475,219	14,642,374	93,259	3,556,554	13,568,478	18,198,928
	<u>\$ 157,536,563</u>	<u>\$ 166,461,655</u>	<u>\$ 2,556,498</u>	<u>\$ 6,744,652</u>	<u>\$ 160,093,061</u>	<u>\$ 173,206,307</u>

Major capital asset activity during the year included the following:

- Construction continued on the addition and renovation project at the Martha T. Berry Medical Care Facility. Approximately \$2.1 million was expended in 2005. The project is scheduled for final completion in 2006.
- The County purchased three parcels of land in the City of Mount Clemens for approximately \$2.8 million for future use.

Additional information regarding the County's capital assets can be found in the Note 3 to the basic financial statements.

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Long-term debt. The County's long-term debt was \$88.8 million at December 31, 2005, all of which related to governmental activities. 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's Long-Term Debt - Governmental Activities

	<u>Balance Beginning of Year</u>	<u>New Debt Issued</u>	<u>Debt Retired</u>	<u>Balance End of Year</u>
General obligation bonds	\$ 72,750,000	\$ 22,255,000	\$ 6,235,000	\$ 88,770,000

The total debt of the primary government increased by \$16.0 million during the year, consisting of two new issues totaling \$22.2 million and \$6.2 million of debt retired.

The County issued \$19.4 million of general obligation bonds in December 2005, consisting of \$13.5 million for the purpose of constructing a high frequency emergency radio communications system and \$5.9 million for the purpose of constructing a District Court facility in the City of New Baltimore. The County also issued \$2.9 million of refunding bonds in December 2005 to advance refund \$2.7 million of bonds issued in prior years. The advance refunding will result in long-term interest savings of approximately \$.1 million.

The general obligation bonds of the County are rated **Aaa** by Moody's Investor Service and **AAA** by Standard & Poors, the highest rating awarded by each agency.

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 assessed and taxable values of all property in the County as of December 31, 2005 was \$35.6 billion and \$28.6 billion, respectively. Therefore, the County's debt limitation was \$2.86 billion at year-end. The County's outstanding debt at December 31, 2005 of \$88.8 million 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 the Note 4 to the basic financial statements.

MACOMB COUNTY, MICHIGAN
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ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The following factors were considered when developing the 2006 budget:

- The General Fund experienced a deficit of \$9.1 million in fiscal 2005, following a deficit of \$2.8 million in fiscal 2004. Legacy costs associated with employee health care and pension obligations continue to present the largest challenge to balancing the County budget. Health care costs have increased at double digit rates for the past several years and this trend is expected to continue into the foreseeable future. A 10% increase was budgeted for 2006. In addition, new pension benefits and stock market declines over the past several years have significantly increased the County's funding requirement to its defined benefit pension plan in each of the past three years. This trend is also expected to continue for the next several years as the required employer contribution moves closer to normal cost. In order to address the deficit, the Board of Commissioners requested all departments to cut their 2006 budgets by 3%, which is expected to result in savings of \$5.8 million. The County also negotiated health care concessions with its employee unions that are expected to reduce health care costs by \$2.5 million a year beginning in 2006. In addition, the Board of Commissioners will be performing an extensive review of discretionary programs in 2006 to determine if further budgetary savings can be realized by eliminating or reducing expenditures on programs that are not required by State statute.
- Salaries will increase 2.5 % in 2006 in accordance with collective bargaining agreements.
- Property tax revenues are expected to increase 5.5% in 2006.
- Market interest rates are expected to improve slightly during 2006. However, higher rates are also expected to result in a reduction in recording fees collected through mortgage refinancings.
- The advent of GASB Statements No. 43 and 45 related to postemployment health care benefits will require the County to disclose its funding progress relative to its Retiree Health Care Fund beginning in 2006. The County has been very proactive in recognizing its liability for retiree health care and began designating funds for this purpose in 1994. The County has contributed approximately \$68.0 million toward the unfunded liability since 1994. Investment earnings have increased the fund balance of the Retiree Health Care Fund to \$89.7 million as of December 31, 2005.
- 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 strong as demonstrated by the financial statements and other schedules included in this report.

**MACOMB COUNTY, MICHIGAN
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CONTACTING THE COUNTY FINANCE DEPARTMENT

This financial report is designed to provide the 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, 12th Floor County Building, Mt. Clemens, MI. 48043. Requests can also be made by phone at 586-469-5250.

MACOMB COUNTY, MICHIGAN
Government-Wide Statement of Net Assets
December 31, 2005

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and pooled investments	\$ 146,562,777	\$ 60,074,810	\$ 206,637,587	\$ 77,654,727
Receivables:				
Property taxes	83,770,079	14,057,965	97,828,044	-
Accrued interest	2,354,899	499,632	2,854,531	402,387
Trade accounts, net	11,374,117	7,475,708	18,849,825	6,237,679
Special assessments	-	-	-	83,025,000
Inventories	412,469	-	412,469	3,404,769
Due from other governments	7,308,727	10,916,105	18,224,832	9,979,083
Internal balances	954,195	(954,195)	-	-
Due from fiduciary funds	1,968,655	9,870,771	11,839,426	-
Due from component units	4,091,953	-	4,091,953	-
Due from funds with different year end dates	-	-	-	-
Surplus property	-	-	-	53,039
Capital assets, net:				
Assets being depreciated	139,275,629	6,744,652	146,020,281	335,064,713
Assets not being depreciated	27,186,026	-	27,186,026	535,467,015
Other assets	505,458	3,431,423	3,936,881	1,196,878
Total assets	425,764,984	112,116,871	537,881,855	1,052,485,290
LIABILITIES				
Accounts payable and accrued liabilities	9,280,550	14,903,566	24,184,116	14,006,308
Accrued wages payable	1,451,043	181,412	1,632,455	1,859
Accrued interest payable	707,535	-	707,535	211,419
Deposits	-	-	-	-
Due to fiduciary funds	-	-	-	-
Due to other governments	546,193	15,396	561,589	-
Due to primary government	-	-	-	4,091,953
Compensated absences	1,000,000	-	1,000,000	-
Accrued workers compensation claims	800,000	-	800,000	106,690
Accrued general liability claims	850,000	-	850,000	16,765
Deferred revenue	44,286,948	-	44,286,948	78,642,597
Long-term debt maturities due within one year	4,470,000	-	4,470,000	4,775,000
Long-term liabilities:				
Compensated absences	5,604,495	-	5,604,495	1,438,284
Accrued workers compensation claims	990,146	-	990,146	281,613
Accrued general liability claims	1,833,890	-	1,833,890	1,603,773
Long-term debt maturities due in more than one year	84,300,000	-	84,300,000	78,380,000
Total Liabilities	156,120,800	15,100,374	171,221,174	183,556,261
NET ASSETS				
Investment in capital assets, net of related debt	110,591,655	6,744,652	117,336,307	787,376,728
Restricted for				
Capital projects	30,280,638	-	30,280,638	-
Debt service	7,666,450	-	7,666,450	1,395,041
Long-term receivables (Block Grants)	6,854,606	-	6,854,606	-
Revenue Sharing Reserve Fund	52,771,616	-	52,771,616	-
Mental Health risk reserve	-	6,411,028	6,411,028	-
Unrestricted	61,479,219	83,860,817	145,340,036	80,157,260
Total Net Assets	\$ 269,644,184	\$ 97,016,497	\$ 366,660,681	\$ 868,929,029

MACOMB COUNTY, MICHIGAN
Government-Wide Statement of Activities
For the Year Ended December 31, 2005

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Primary government				
Governmental activities				
Legislative	2,076,701	-	-	(2,076,701)
Judicial	37,466,334	6,665,548	13,055,757	(17,745,029)
General government	52,597,031	20,084,839	2,372,162	(28,601,567)
Public safety	67,117,931	8,931,457	333,111	(57,853,363)
Public works	953,845	-	-	(953,845)
Health and welfare	76,036,023	11,473,586	38,183,710	(26,378,727)
Recreation and culture	2,976,004	310,405	58,600	(2,606,999)
Interest and fees on long-term debt	3,762,691	-	-	(3,762,691)
Total governmental activities	<u>242,986,560</u>	<u>47,465,835</u>	<u>54,003,340</u>	<u>(139,978,922)</u>
Business-type activities				
Delinquent tax collections	702,662	6,366,332	-	5,663,670
Community Mental Health	145,168,642	139,402,600	-	(5,766,042)
Martha T. Berry Medical Care Facility	18,017,209	12,339,924	288,451	(5,388,834)
Freedom Hill Park	1,131,003	264,085	-	(866,918)
Total business-type activities	<u>165,019,516</u>	<u>158,372,941</u>	<u>288,451</u>	<u>(6,358,124)</u>
Total primary government	<u>\$ 408,006,076</u>	<u>\$ 205,838,776</u>	<u>\$ 54,291,791</u>	<u>\$ (146,337,046)</u>
Component Units				
Public Works	17,594,809	12,546,563	-	(5,048,246)
Road Commission	66,515,464	13,522,270	-	16,746,672
Workforce Development Board	17,689,562	-	17,743,733	54,171
Hospital Finance Authority	-	-	-	-
Total component units	<u>\$ 101,799,835</u>	<u>\$ 26,068,833</u>	<u>\$ 17,743,733</u>	<u>\$ 11,752,597</u>

MACOMB COUNTY, MICHIGAN
Government-Wide Statement of Activities
For the Year Ended December 31, 2005

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Changes in net assets				
Net (expense) revenue (from page B-2)	\$ (139,978,922)	\$ (6,358,124)	\$ (146,337,046)	\$ 11,752,597
General revenues:				
Property tax	153,325,600	-	153,325,600	-
Intergovernmental revenues - restricted	492,672	-	492,672	-
Intergovernmental revenues - unrestricted	1,942,918	-	1,942,918	-
Investment earnings	6,456,366	1,856,037	8,312,403	5,400,132
Transfers - internal activities	(8,435,402)	7,449,166	(986,236)	-
Total general revenues and transfers	<u>153,782,154</u>	<u>9,305,203</u>	<u>163,087,357</u>	<u>5,400,132</u>
Change in net assets	13,803,232	2,947,079	16,750,311	17,152,729
Net assets, beginning of year	<u>255,840,952</u>	<u>94,069,418</u>	<u>349,910,370</u>	<u>851,776,300</u>
Net assets, end of year	<u>\$ 269,644,184</u>	<u>\$ 97,016,497</u>	<u>\$ 366,660,681</u>	<u>\$ 868,929,029</u>

The accompanying notes are an integral part of these financial statements

MACOMB COUNTY, MICHIGAN
Balance Sheet - Governmental Funds
December 31, 2005

	<u>Major Funds</u>		<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Revenue Sharing Reserve Fund</u>		
Assets				
Cash and pooled investments	\$ 38,597,041	\$ 14,998,874	\$ 65,746,726	\$ 119,342,641
Taxes receivable	45,881,813	37,772,742	115,524	83,770,079
Accrued interest receivable	2,261,203	-	93,696	2,354,899
Accounts receivable, net	1,356,563	-	9,940,507	11,297,070
Due from other governments	3,180,486	-	3,806,000	6,986,486
Due from governmental funds	2,720,276	-	-	2,720,276
Due from business-type units	954,195	-	-	954,195
Due from fiduciary funds	1,968,655	-	-	1,968,655
Due from component units	4,091,953	-	-	4,091,953
Advances to other funds	300,000	-	30,000	330,000
Other assets	51,335	-	104,920	156,255
	<u>\$ 101,363,520</u>	<u>\$ 52,771,616</u>	<u>\$ 79,837,373</u>	<u>\$ 233,972,509</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 3,132,887	\$ -	\$ 4,754,151	\$ 7,887,038
Accrued liabilities	-	-	625,506	625,506
Accrued compensation and benefits	1,193,084	-	257,959	1,451,043
Due to other governments	98,434	-	443,086	541,520
Due to governmental funds	-	-	2,720,276	2,720,276
Due to business-type units	-	-	-	-
Due to fiduciary funds	-	-	-	-
Deferred revenue	43,337,526	-	949,422	44,286,948
	<u>47,761,931</u>	<u>-</u>	<u>9,750,400</u>	<u>57,512,331</u>
Fund Balances				
Reserved				
Debt service	-	-	7,666,450	7,666,450
Revenue sharing	-	52,771,616	-	52,771,616
Advances to other funds	300,000	-	30,000	330,000
Long-term receivables	-	-	6,854,606	6,854,606
Capital projects	-	-	30,280,638	30,280,638
Unreserved				
Designated				
Subsequent year budget	40,924,419	-	-	40,924,419
Capital projects	-	-	15,727,131	15,727,131
Programs - special projects				
General fund	1,149,977	-	-	1,149,977
Special revenue funds	-	-	3,272,733	3,272,733
Undesignated				
General fund	11,227,193	-	-	11,227,193
Special revenue funds	-	-	6,255,415	6,255,415
	<u>53,601,589</u>	<u>52,771,616</u>	<u>70,086,973</u>	<u>176,460,178</u>
Total Fund Balances	<u>\$ 101,363,520</u>	<u>\$ 52,771,616</u>	<u>\$ 79,837,373</u>	<u>\$ 233,972,509</u>
Total Liabilities and Fund Balances	<u>\$ 101,363,520</u>	<u>\$ 52,771,616</u>	<u>\$ 79,837,373</u>	<u>\$ 233,972,509</u>

**MACOMB COUNTY, MICHIGAN
RECONCILIATION OF THE FUND BALANCES ON THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS OF GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2005**

Total fund balances for governmental funds	\$ 176,460,178
Amounts reported for governmental activities in the Government-Wide Statement of Net Assets 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	12,543,652
Land improvements	7,063,500
Buildings and improvements	175,145,425
Machinery, equipment and vehicles	41,316,656
Construction in progress	14,642,374
Accumulated depreciation	(85,423,241)
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 Assets. (See Note 4)	
Bonds issued in prior years	(72,750,000)
Bonds issued during the current year	(22,255,000)
Bond principal repayments	6,235,000
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 Assets	
	(707,535)
Accrued compensated absences not funded at year-end are not recorded in the governmental funds, but is recorded as a liability in the Statement of Net Assets	
	(361,619)
Internal service funds are used by management to charge the costs of certain activities such as insurance, compensated absences, workers' compensation and central inventory to individual governmental funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Government-Wide Statement of Net Assets	
	17,734,794
Net assets of governmental activities reported in the Government-Wide Statement of Net Assets	\$ 269,644,184

The accompanying notes are an integral part of these financial statements

MACOMB COUNTY, MICHIGAN
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2005

	Major Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Revenue Sharing Reserve Fund		
Revenues				
Taxes	\$ 115,340,337	\$ 37,772,742	\$ 212,521	\$ 153,325,600
Licenses and permits	391,395	-	811,480	1,202,875
Federal & State grants	8,421,712	-	49,268,310	57,690,022
Other grants	-	-	287,371	287,371
Charges for services	30,297,038	-	15,535,330	45,832,368
Investment income	4,703,646	365,826	1,386,894	6,456,366
Charges to other funds for administrative services	11,087,868	-	-	11,087,868
Fines and forfeitures	1,045,629	-	745,089	1,790,718
Other revenue	166,929	-	413,603	580,532
Total Revenues	171,454,554	38,138,568	68,660,598	278,253,720
Expenditures				
Current				
Legislative	2,076,701	-	-	2,076,701
Judicial	22,779,494	-	12,589,978	35,369,472
General government	54,425,059	-	1,298,738	55,723,797
Public safety	56,691,858	-	8,190,901	64,882,759
Public works	-	-	953,845	953,845
Health and welfare	712,784	-	73,155,641	73,868,425
Recreation and cultural	-	-	2,903,999	2,903,999
Other	5,480,571	-	-	5,480,571
Capital outlay	802,454	-	22,968,613	23,771,067
Debt service				
Principal	-	-	3,560,000	3,560,000
Interest and fees	-	-	3,064,278	3,064,278
Bond issue costs	-	-	288,528	288,528
Total Expenditures	142,968,921	-	128,974,521	271,943,442
Excess of Revenues over (under) Expenditures	28,485,633	38,138,568	(60,313,923)	6,310,278
Other financing sources (uses)				
Issuance of debt	-	-	22,255,000	22,255,000
Transfers in	22,724,515	-	61,316,539	84,041,054
Transfers out	(60,347,238)	(14,069,515)	(13,995,723)	(88,412,476)
Bond discounts	-	-	(204,554)	(204,554)
Payment to refunding debt escrow agent	-	-	(2,801,633)	(2,801,633)
Total other financing sources (uses)	(37,622,723)	(14,069,515)	66,569,629	14,877,391
Net change in fund balances	(9,137,090)	24,069,053	6,255,706	21,187,669
Fund Balances, beginning of year	62,738,679	28,702,563	63,831,267	155,272,509
Fund Balances, end of year	\$ 53,601,589	\$ 52,771,616	\$ 70,086,973	\$ 176,460,178

MACOMB COUNTY, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2005

Net change in fund balances - total governmental funds \$ 21,187,669

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	23,771,067
Expenditures reported as capital outlay but capitalized in business-type units (See Note 5)	(4,470,615)
Expenditures reported as capital outlay but not capitalized	(1,534,408)
Current year depreciation expense	(9,214,407)

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 Assets. (See Note 4)	6,235,000
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The proceeds received as a result of issuing of bonds are recorded as revenue in the governmental funds, but are recorded as increases in long-term liabilities in the Statement of Net Assets. (See Note 4)	(22,255,000)
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The change in amount of accrued compensated absences not recorded in the governmental funds but is recorded as an operating expense in the Government-Wide Statement of Activities.	(16,461)
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The change in amount of accrued interest payable is not recorded in the governmental funds, but is recorded as interest expense in the Government-Wide Statement of Activities.	(78,698)
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Internal service funds are used by management to charge the costs of certain activities such as insurance, compensated absences, workers' compensation and central inventory to individual governmental funds. The net income (loss) attributable to those funds is reported with governmental activities	179,085
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Change in net assets of governmental activities reported in the Statement of Activities	<u>\$ 13,803,232</u>
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The accompanying notes are an integral part of these financial statements

MACOMB COUNTY, MICHIGAN
Statement of Net Assets
Proprietary Funds
December 31, 2005

Major Business-Type Activities - Enterprise Funds

	Delinquent Tax Revolving	Community Mental Health	Martha T Berry Medical Care Facility
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ASSETS

Current assets

Cash and pooled investments	\$ 56,710,767	\$ 3,299,037	\$ 150
Receivables:			
Property taxes	14,057,965	-	-
Accrued interest	499,632	-	-
Trade accounts, net	2,813,345	2,940,133	1,680,350
Inventories	-	-	-
Due from other governments	-	10,916,105	-
Due from governmental funds	-	-	-
Due from business-type units	-	-	-
Due from fiduciary funds	9,870,771	-	-
Other assets	-	3,348,580	82,843
Total current assets	83,952,480	20,503,855	1,763,343

Noncurrent assets

Capital assets, net:

Assets being depreciated	-	34,966	5,603,689
Assets not being depreciated	-	-	-

Total noncurrent assets	-	34,966	5,603,689
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Total Assets	83,952,480	20,538,821	7,367,032
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LIABILITIES

Current liabilities

Accounts payable	446,382	13,972,910	461,340
Accrued wages payable	1,027	-	171,400
Due to other governments	-	15,396	-
Due to governmental funds	-	-	954,195
Due to fiduciary funds	-	-	-
Compensated absences	-	-	-
Claims and judgements	-	-	-
Deferred revenue	-	-	-
Total current liabilities	447,409	13,988,306	1,586,935

Noncurrent liabilities

Claims and judgements	-	-	-
Compensated absences and accrued wages payable	-	-	-
Advances from other funds	-	-	-
Total noncurrent liabilities	-	-	-

Total Liabilities	447,409	13,988,306	1,586,935
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NET ASSETS

Investment in capital assets, net of related debt	-	34,966	5,603,689
Restricted	-	6,411,028	-
Unrestricted	83,505,071	104,521	176,408
Total Net Assets	\$ 83,505,071	\$ 6,550,515	\$ 5,780,097

MACOMB COUNTY, MICHIGAN
Statement of Net Assets
Proprietary Funds
December 31, 2005

	<u>Major Business-Type Activities - Enterprise Funds</u>		<u>Governmental Activities-</u>
	<u>Freedom Hill</u>		<u>Internal</u>
	<u>Park</u>	<u>Totals</u>	<u>Service Funds</u>
ASSETS			
Current assets			
Cash and pooled investments	\$ 64,856	\$ 60,074,810	\$ 27,220,136
Receivables:			
Property taxes	-	14,057,965	-
Accrued interest	-	499,632	-
Trade accounts, net	41,880	7,475,708	77,047
Inventories	-	-	412,469
Due from other governments	-	10,916,105	322,241
Due from governmental funds	-	-	-
Due from business-type units	-	-	-
Due from fiduciary funds	-	9,870,771	-
Other assets	-	3,431,423	349,203
Total current assets	<u>106,736</u>	<u>106,326,414</u>	<u>28,381,096</u>
Noncurrent assets			
Capital assets, net:			
Assets being depreciated	1,105,997	6,744,652	1,173,289
Assets not being depreciated	-	-	-
Total noncurrent assets	<u>1,105,997</u>	<u>6,744,652</u>	<u>1,173,289</u>
Total Assets	<u>1,212,733</u>	<u>113,071,066</u>	<u>29,554,385</u>
LIABILITIES			
Current liabilities			
Accounts payable	22,934	14,903,566	766,613
Accrued wages payable	8,985	181,412	1,393
Due to other governments	-	15,396	4,673
Due to governmental funds	-	954,195	-
Due to fiduciary funds	-	-	-
Compensated absences	-	-	1,000,000
Claims and judgements	-	-	1,650,000
Deferred revenue	-	-	-
Total current liabilities	<u>31,919</u>	<u>16,054,569</u>	<u>3,422,679</u>
Noncurrent liabilities			
Claims and judgements	-	-	2,824,036
Compensated absences and accrued wages payable	-	-	5,242,876
Advances from other funds	-	-	330,000
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>8,396,912</u>
Total Liabilities	<u>31,919</u>	<u>16,054,569</u>	<u>11,819,591</u>
NET ASSETS			
Investment in capital assets, net of related debt	1,105,997	6,744,652	-
Restricted	-	6,411,028	-
Unrestricted	74,817	83,860,817	17,734,794
Total Net Assets	<u>\$ 1,180,814</u>	<u>\$ 97,016,497</u>	<u>\$ 17,734,794</u>

MACOMB COUNTY, MICHIGAN
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year Ended December 31, 2005

Major Business-Type Activities - Enterprise Funds

	Delinquent Tax Revolving	Community Mental Health	Martha T Berry Medical Care Facility
Operating Revenues			
Charges for services	\$ 6,366,332	\$ 139,365,332	\$ 12,339,924
Other	-	37,268	288,451
Total operating revenues	6,366,332	139,402,600	12,628,375
Operating Expenses			
Personal services	340,638	22,014,371	12,742,124
Contractual services	-	115,338,472	1,944,532
Utilities	-	284,329	630,541
Repairs and maintenance	-	48,938	621,848
Benefits and claims expenses	-	-	-
Supplies and services	362,024	7,463,556	1,878,942
Depreciation	-	18,976	199,222
Total Operating Expenses	702,662	145,168,642	18,017,209
Operating Income (Loss)	5,663,670	(5,766,042)	(5,388,834)
Nonoperating revenues			
Investment income	1,799,367	56,670	-
Total Nonoperating Revenues	1,799,367	56,670	-
Income before Transfers	7,463,037	(5,709,372)	(5,388,834)
Transfers			
Transfers in	-	5,765,711	5,065,185
Transfers out	(8,655,000)	-	-
Other (See note 5)	-	-	4,422,754
Net Transfers	(8,655,000)	5,765,711	9,487,939
Increase (decrease) in net assets	(1,191,963)	56,339	4,099,105
Net assets, beginning of year	84,697,034	6,494,176	1,680,992
Net assets, end of year	\$ 83,505,071	\$ 6,550,515	\$ 5,780,097

MACOMB COUNTY, MICHIGAN
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year Ended December 31, 2005

	<u>Major Business-Type Activities - Enterprise Funds</u>		<u>Governmental Activities-</u>
	<u>Freedom Hill</u>		<u>Internal</u>
	<u>Park</u>	<u>Totals</u>	<u>Service Funds</u>
Operating Revenues			
Charges for services	\$ 264,085	\$ 158,335,673	\$ 8,774,978
Other	-	325,719	-
Total operating revenues	<u>264,085</u>	<u>158,661,392</u>	<u>8,774,978</u>
Operating Expenses			
Personal services	705,002	35,802,135	-
Contractual services	-	117,283,004	-
Utilities	150,947	1,065,817	-
Repairs and maintenance	88,493	759,279	-
Benefits and claims expenses	-	-	2,797,263
Supplies and services	122,298	9,826,820	5,746,093
Depreciation	64,263	282,461	459,172
Total Operating Expenses	<u>1,131,003</u>	<u>165,019,516</u>	<u>9,002,528</u>
Operating Income (Loss)	(866,918)	(6,358,124)	(227,550)
Nonoperating revenues			
Investment income	-	1,856,037	-
Total Nonoperating Revenues	<u>-</u>	<u>1,856,037</u>	<u>-</u>
Income before Transfers	(866,918)	(4,502,087)	(227,550)
Transfers			
Transfers in	802,655	11,633,551	406,635
Transfers out	-	(8,655,000)	-
Other (See note 5)	47,861	4,470,615	-
Net Transfers	<u>850,516</u>	<u>7,449,166</u>	<u>406,635</u>
Increase (decrease) in net assets	(16,402)	2,947,079	179,085
Net assets, beginning of year	<u>1,197,216</u>	<u>94,069,418</u>	<u>17,555,709</u>
Net assets, end of year	<u>\$ 1,180,814</u>	<u>\$ 97,016,497</u>	<u>\$ 17,734,794</u>

The accompanying notes are an integral part of these financial statements

MACOMB COUNTY, MICHIGAN
Combining Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2005

Major Business-type Activities - Enterprise Funds

	Delinquent Tax Revolving	Community Mental Health	Martha T Berry Medical Care Facility
Cash Flows from Operating Activities			
Cash received from customers	\$ 4,510,729	\$ 134,918,797	\$ 13,778,117
Cash received from (paid for) interfund services	(2,846,034)	(1,749,396)	(1,331,897)
Cash payments to employees	(339,847)	(22,014,371)	(12,595,085)
Cash payments to suppliers	(138,615)	(113,678,374)	(4,916,320)
Net cash provided by (used in) Operating Activities	1,186,233	(2,523,344)	(5,065,185)
Cash Flows From Noncapital Financing Activities			
Transfers in	-	5,765,711	9,487,939
Transfers out	(8,655,000)	-	-
Net cash provided by (used in) Noncapital Financing Activities	(8,655,000)	5,765,711	9,487,939
Cash Flows From Capital and Related Financing Activities			
Proceeds from sale of capital assets	-	-	-
Acquisition of capital assets	-	-	(4,422,754)
Net Cash used in Capital and Related Financing Activities	-	-	(4,422,754)
Cash Flows From Investing Activities			
Interest received on investments	1,604,082	56,670	-
Net cash provided by Investing Activities	1,604,082	56,670	-
Increase (decrease) in cash and short-term investments	(5,864,685)	3,299,037	-
Cash and cash equivalents, beginning of year	62,575,452	-	150
Cash and cash equivalents, end of year	<u>\$ 56,710,767</u>	<u>\$ 3,299,037</u>	<u>\$ 150</u>
Reconciliation of operating income to net cash provided (used) by operating activities			
Operating income (loss)	\$ 5,663,670	\$ (5,766,042)	\$ (5,388,834)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation	-	18,976	199,222
Increase in taxes receivable	(1,505,166)	-	-
Decrease (increase) in accounts receivable	(24,466)	57,637	1,149,742
Increase in inventory	-	-	-
Decrease (increase) in amounts due from other governments	178,404	(2,367,221)	-
Decrease (increase) in amounts due from other funds	(2,641,573)	-	-
Decrease (increase) in other assets	-	(205,606)	-
Increase (decrease) in accounts payable	223,409	8,495,089	(14,833)
Increase (decrease) in accrued employee benefits	791	-	147,039
Decrease in amounts due to other governments	(504,375)	(466,154)	-
Decrease in amounts due to other funds	(204,461)	(787,564)	(1,157,521)
Decrease in deferred revenue	-	(1,502,459)	-
Decrease in accrued claims and judgements	-	-	-
Net cash provided by (used in) Operating Activities	\$ 1,186,233	\$ (2,523,344)	\$ (5,065,185)

MACOMB COUNTY, MICHIGAN
Combining Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2005

	<u>Major Business-type Activities - Enterprise Funds</u>		<u>Governmental Activities</u>
	<u>Freedom Hill</u>	<u>Totals</u>	<u>Internal</u>
	<u>Park</u>		<u>Service Funds</u>
Cash Flows from Operating Activities			
Cash received from customers	\$ 242,944	\$ 153,450,587	\$ 133,886
Cash received from (paid for) interfund services	(17,240)	(5,944,567)	8,737,448
Cash payments to employees	(696,912)	(35,646,215)	(1,432,607)
Cash payments to suppliers	(344,653)	(119,077,962)	(8,533,607)
Net cash provided by (used in) Operating Activities	<u>(815,861)</u>	<u>(7,218,157)</u>	<u>(1,094,880)</u>
Cash Flows From Noncapital Financing Activities			
Transfers in	850,516	16,104,166	406,635
Transfers out	-	(8,655,000)	-
Net cash provided by (used in) Noncapital Financing Activities	<u>850,516</u>	<u>7,449,166</u>	<u>406,635</u>
Cash Flows From Capital and Related Financing Activities			
Proceeds from sale of capital assets	-	-	-
Acquisition of capital assets	(47,861)	(4,470,615)	(832,627)
Net Cash used in Capital and Related Financing Activities	<u>(47,861)</u>	<u>(4,470,615)</u>	<u>(832,627)</u>
Cash Flows From Investing Activities			
Interest received on investments	-	1,660,752	-
Net cash provided by Investing Activities	<u>-</u>	<u>1,660,752</u>	<u>-</u>
Increase (decrease) in cash and short-term investments	(13,206)	(2,578,854)	(1,520,872)
Cash and cash equivalents, beginning of year	78,062	62,653,664	28,741,008
Cash and cash equivalents, end of year	<u>\$ 64,856</u>	<u>\$ 60,074,810</u>	<u>\$ 27,220,136</u>
Reconciliation of operating income to net cash provided (used) by operating activities			
Operating income (loss)	\$ (866,918)	\$ (6,358,124)	\$ (227,550)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation	64,263	282,461	459,172
Increase in taxes receivable	-	(1,505,166)	-
Decrease (increase) in accounts receivable	(21,141)	1,161,772	(52,495)
Increase in inventory	-	-	(72,876)
Decrease (increase) in amounts due from other governments	-	(2,188,817)	(346)
Decrease (increase) in amounts due from other funds	-	(2,641,573)	108,088
Decrease (increase) in other assets	-	(205,606)	86,542
Increase (decrease) in accounts payable	(155)	8,703,510	56,637
Increase (decrease) in accrued employee benefits	8,090	155,920	(310,415)
Decrease in amounts due to other governments	-	(970,529)	-
Decrease in amounts due to other funds	-	(2,149,546)	-
Decrease in deferred revenue	-	(1,502,459)	-
Decrease in accrued claims and judgements	-	-	(1,141,637)
Net cash provided by (used in) Operating Activities	<u>\$ (815,861)</u>	<u>\$ (7,218,157)</u>	<u>\$ (1,094,880)</u>

MACOMB COUNTY, MICHIGAN
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2005

	Employee Retirement and Postretirement Health Care Benefits	Agency Funds
ASSETS		
Cash and pooled investments	\$ 28,167,056	\$ 31,061,987
Receivables		
Accrued interest	1,279,999	-
Other	1,161,782	3,410,255
Total receivables	2,441,781	3,410,255
Investments, at fair value		
US Government obligations	20,664,485	-
Corporate Bonds	45,948,746	-
Preferred Stock	36,863,843	-
Common Stock	315,385,035	-
Foreign Stock	122,074,794	-
Limited partnerships	18,124,324	-
Mutual funds	251,277,241	-
Total investments	810,338,468	-
Securities lending collateral	36,706,226	-
Due from fiduciary funds	463,086	1,312,774
Other assets	-	4,843
Total Assets	878,116,617	\$ 35,789,859
LIABILITIES		
Accounts payable	249,101	\$ 7,829,822
Accrued compensation and benefits	-	993,221
Deposits	-	11,189,411
Due to other governments	-	5,906,634
Due to governmental funds	1,968,655	-
Due to business-type units	-	9,870,771
Due to fiduciary funds	1,775,860	-
Obligations under securities lending	36,706,226	-
Total Liabilities	40,699,842	\$ 35,789,859
NET ASSETS		
Net assets held in trust for pension and other postemployment benefits	\$ 837,416,775	

MACOMB COUNTY, MICHIGAN
Statement of Changes In Fiduciary Net Assets
Fiduciary Funds
Year Ended December 31, 2005

	Employee Retirement and Postretirement Health Care Benefits
ADDITIONS	
Contributions	
Employer	\$ 23,668,855
Employee	5,966,391
Total contributions	29,635,246
Investment income	
Net appreciation in fair value of assets	51,527,251
Interest	4,161,697
Dividends	13,311,219
Securities lending	201,833
	69,202,000
Less investment expenses	
Management and custodial fees	2,441,450
Securities lending agent fees	79,618
	2,521,068
Net investment income	66,680,932
Total additions	96,316,178
DEDUCTIONS	
Benefit payments	41,852,358
Refunds of contributions	257,433
Administrative expense	270,915
Total deductions	42,380,706
Net increase in net assets	53,935,472
NET ASSETS	
Beginning of year	783,481,303
End of year	\$ 837,416,775

MACOMB COUNTY, MICHIGAN
Combining Statement of Net Assets - Component Units
December 31, 2005

	Public Works (1)	Road Commission (1)	Workforce Development Board	Hospital Finance Authority	Total
ASSETS					
Cash and cash equivalents	\$ 38,999,761	\$ 38,647,321	\$ -	\$ 7,645	\$ 77,654,727
Receivables:					
Accrued interest	51,184	351,203	-	-	402,387
Trade accounts, net	2,996,425	3,241,254	-	-	6,237,679
Special assessments	83,025,000	-	-	-	83,025,000
Inventories	-	3,404,769	-	-	3,404,769
Due from other governments	-	7,774,659	2,204,424	-	9,979,083
Surplus property	-	53,039	-	-	53,039
Capital assets, net:					
Assets being depreciated	162,497,646	172,567,067	-	-	335,064,713
Assets not being depreciated	4,841,257	530,625,758	-	-	535,467,015
Other assets	-	1,196,878	-	-	1,196,878
Total assets	292,411,273	757,861,948	2,204,424	7,645	1,052,485,290
LIABILITIES					
Accounts payable	\$ 4,318,454	\$ 9,626,223	61,631	-	14,006,308
Accrued wages payable	-	-	1,859	-	1,859
Accrued interest payable	211,419	-	-	-	211,419
Due to primary government	2,005,190	-	2,086,763	-	4,091,953
Accrued workers compensation claims	-	106,690	-	-	106,690
Accrued general liability claims	-	16,765	-	-	16,765
Deferred revenue	78,642,597	-	-	-	78,642,597
Long-term debt maturities due within one year	4,775,000	-	-	-	4,775,000
Long-term liabilities:					
Compensated absences	-	1,438,284	-	-	1,438,284
Accrued workers compensation claims	-	281,613	-	-	281,613
Accrued general liability claims	-	1,603,773	-	-	1,603,773
Long-term debt maturities due in more than one year	78,380,000	-	-	-	78,380,000
Total Liabilities	168,332,660	13,073,348	2,150,253	-	183,556,261
NET ASSETS					
Investment in capital assets, net of related debt	84,183,903	703,192,825	-	-	787,376,728
Restricted for					
Debt service	1,395,041	-	-	-	1,395,041
Unrestricted	38,499,669	41,595,775	54,171	7,645	80,157,260
Total Net Assets	\$ 124,078,613	\$ 744,788,600	\$ 54,171	\$ 7,645	\$ 868,929,029

(1) - Year-end September 30, 2005

MACOMB COUNTY, MICHIGAN
Combining Statement of Activities - Component Units
For the Year Ended December 31, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Public Works (1)					
Public works	\$ 14,069,632	\$ 12,546,563	\$ -	\$ -	\$ (1,523,069)
Interest on long-term debt	3,525,177	-	-	-	(3,525,177)
Total public works	17,594,809	12,546,563	-	-	(5,048,246)
Road Commission (1)					
Public works	66,515,464	13,522,270	-	69,739,866	16,746,672
Total Road Commission	66,515,464	13,522,270	-	69,739,866	16,746,672
Workforce Development Board					
Health and Welfare	17,689,562	-	17,743,733	-	54,171
Total Workforce Development Board	17,689,562	-	17,743,733	-	54,171
Hospital Finance Authority					
Health and Welfare	-	-	-	-	-
Total Workforce Development Board	-	-	-	-	-
Total Component Units	<u>\$ 101,799,835</u>	<u>\$ 26,068,833</u>	<u>\$ 17,743,733</u>	<u>\$ 69,739,866</u>	<u>\$ 11,752,597</u>

(1) - Year ended September 30, 2005

MACOMB COUNTY, MICHIGAN
Combining Statement of Activities - Component Units
For the Year Ended December 31, 2005

	Public Works (1)	Road Commission (1)	Workforce Development Board	Hospital Finance Authority	Total
Changes in net assets					
Net (expense) revenue	\$ (5,048,246)	\$ 16,746,672	\$ 54,171	\$ -	\$ 11,752,597
General revenues:					
Investment earnings	<u>4,561,623</u>	<u>838,509</u>	<u>-</u>	<u>-</u>	<u>5,400,132</u>
Total general revenues, contributions and transfers	<u>4,561,623</u>	<u>838,509</u>	<u>-</u>	<u>-</u>	<u>5,400,132</u>
Change in net assets	(486,623)	17,585,181	54,171	-	17,152,729
Net assets, beginning of year (as restated) (2)	<u>124,565,236</u>	<u>727,203,419</u>	<u>-</u>	<u>7,645</u>	<u>851,776,300</u>
Net assets, end of year	<u>\$ 124,078,613</u>	<u>\$ 744,788,600</u>	<u>\$ 54,171</u>	<u>\$ 7,645</u>	<u>\$ 868,929,029</u>

(1) - Year Ended September 30, 2005

(2) - Restatement of beginning net assets of the Road Commission. See Note 11.

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements
December 31, 2005

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, 2005, except as follows: the financial statements of the Child Care, Community Services, Friend of the Court, Health Grants, Veterans' Services and certain MSU Extension, Prosecuting Attorney, Senior Citizens and Sheriff Special Revenue Funds, the Community Mental Health Enterprise Fund, and the Road Commission and Public Works Component Units, which are reported as of and for the year ended September 30, 2005.

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 an elected Board of Commissioners (26 members). The Board of Commissioners is a legislative body that is also responsible for the administration of the County. 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. Financial accountability is defined by GASB Statement No. 14, "The Financial Reporting Entity", as appointment of a voting majority of the component unit's board, and either (a) the ability of the primary government to impose its will on the component unit, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. The accompanying financial statements present the financial position and results of operations of Macomb County (the primary government) and its component units. 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.

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Blended Component Units (concluded) –

The **Macomb County Employee's Retirement System** (the "System") is governed by a seven-member board. Although it is legally separate from the County, the System is reported as if it were part of the primary government because its sole purpose is to administer the Macomb County Employees' Retirement System.

The **Macomb County Retiree Health Care Board** consists of five members of the Board of Commissioners, the County Treasurer and the County Finance Director. Although legally separate from the County, the Board is reported as if it were part of the County since its sole purpose is to administer the Macomb County Retiree Health Care Plan and Trust.

Discretely Presented Component Units

The **Macomb/St. Clair Workforce Development Board** (Michigan Works!) is governed by a separate board appointed by the County Board of Commissioners. Michigan Works! receives federal funds under the Job Training Partnership Act to operate employment and training programs that lead to unsubsidized employment for unskilled adults and youth. Its activities are included in the County's financial statements as the County is financially responsible for the entity and the exclusion of such activities would be misleading to the County's financial statements. Separate independently audited financial statements of Michigan Works! are not prepared.

The **Macomb County Road Commission** is governed by a separate board appointed by the County Board of Commissioners. The Road Commission constructs, operates and maintains primary and local roads within the County. The Road Commission's activities are included in the County's financial statements as the exclusion of such activities would be misleading to the financial statements. Complete financial statements of the Road Commission can be obtained from the Road Commission administrative offices, 156 Mallow St., P. O. Box 2347, Mt. Clemens, MI, 48046-2347.

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

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. Separate independently audited financial statements of the Hospital Finance Authority are not prepared.

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Basic (Government-Wide) and Fund Financial Statements-

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

For the most part, the effect of interfund activity has been eliminated from these statements. However, interfund 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 Assets** and the **Statement of Activities**.

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

- Invested in capital assets, net of related debt. 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 assets that do not meet the definition of the two preceding categories are considered unrestricted and can be used for new spending. Designations are often placed on unrestricted net assets to indicate that internal restrictions have been placed upon their use. However, designations differ from restrictions in that they may be subsequently removed or modified by management or the Board of Commissioners.

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

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

The County reports the following major governmental funds:

- The *General Fund* is the chief operating fund of the County. It accounts for all financial resources except those required to be accounted for in another fund.
- The *Revenue Sharing Reserve Fund* is required by the State of Michigan and accounts for property tax collections that serve as a substitute for State revenue sharing payments. This funding mechanism involves a gradual shift in the collection of County property taxes from December to July of each year.

The County reports the following major enterprise funds:

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

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

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Basis of Presentation - Fund Accounting (concluded) - 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 (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specific purposes.

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

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

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 and are intended to recover the cost of services provided.

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. Revenue not meeting this definition are reported as non-operating revenues and expenses.

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Fiduciary Funds

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

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

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

Measurement Focus and Basis of Accounting – Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements.

The government-wide financial statements as well as the financial statements of the proprietary funds and pension trust funds are accounted for using 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 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.

Federal grants, state distributions and grants, property taxes and interest earned are accrued since they are both measurable and available. Special assessments are recognized as revenues only to the extent that individual installments are due within one year. 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.

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Inventories - Inventories are valued at cost. Cost is determined by the first-in, first-out method. Inventories in the General Fund and the Road Commission (component unit) consist of expendable items held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Inventories reported in the General Fund are equally offset by a fund balance reserve that indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. Under current governmental accounting principles, establishing a reserve for inventories determined on the consumption basis is optional. As a matter of policy, the Road Commission has elected not to establish a fund balance reserve for its inventories.

Surplus Property - Surplus property is recorded at the lower of cost or market and represents currently available expendable resources.

Other Assets - Other assets represent deposits and prepaid expenses.

Budgetary Accounting - In establishing the budgetary data reflected in the financial statements, the County follows these procedures:

- Prior to October 1, the County Finance Director submits to the Board of Commissioners a proposed operating budget for the year commencing January 1. The annual operating budget includes proposed expenditures and the means of financing them for the General Fund, Friend of the Court, Health, County Library, Medical Care Facility, Parks, Social Services, Community Services Agency, Senior Citizens Services and Child Care Special Revenue Funds. For those Special Revenue Funds and component units without annual operating budgets (MSU Extension Grants, Sheriff Grants, Urban County Block Grant, Prosecuting Attorney Grants, Health Grants, Other Special Revenue Funds and Michigan Works!), legal authorization for spending is obtained through approval of the Board of Commissioners or other appropriate authoritative body. Similarly, legal authorization for the spending of Debt Service Funds and Capital Projects Funds is provided by Board of Commissioners' approval of bond ordinances, grant agreements, construction contracts and special assessment rolls.
- A public hearing is conducted to obtain taxpayer comments and prior to December 31, the budget is legally enacted through passage of a resolution by the Board of Commissioners.

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 function and object level within an individual department. Management cannot amend the enacted budget without the consent of the Finance Committee of the Board of Commissioners. The Finance Committee is authorized to transfer budgeted amounts within the legal levels of budgetary control. Any revisions that alter the total expenditures of any legal level of budgetary control must be approved by 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 reappropriated in the following year. Budgets are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts, as presented in the financial statements, represent final budget authorization, including all amendments approved during the year.

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets – Capital assets of the primary government, including land, land improvements, buildings, equipment and vehicles, 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, including infrastructure assets such as roads, bridges and drains, are reported in the Public Works and Road Commission Component Units. The County capitalizes assets whose initial purchase price equals or exceeds \$5,000 and whose estimated useful life exceeds one year. The Road Commission capitalizes assets whose initial cost equals or exceeds \$1,000 and estimated useful life exceeds one year. Capital assets are valued at historical cost or estimated historical cost. Donated properties are recorded at fair market value at the date of donation.

Depreciation of all exhaustible capital assets is allocated against the various functions in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Assets. Depreciation has been provided over the following estimated useful lives using the straight-line method: land improvements - 10-20 years, buildings and improvements – 25-50 years, equipment - 3-20 years, vehicles - 5 years and infrastructure 8-50 years.

Compensated Absences – County employees earn vacation and sick leave benefits based on length of service. Both fully vest 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.

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 are reported as reserves of fund balances since they do not constitute expenditures or liabilities. In addition, the encumbrances outstanding at year-end are re-appropriated and spent under authorization of a new budget.

Property Taxes – The County property tax is levied each December 1 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. 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 December 1, 2004 levy (calendar 2005 revenue) was \$26,980,530,368. The County operating tax rate for the 2004 levy was 4.20 mills.

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2005

Note 1 – Summary of Significant Accounting Policies (concluded)

Property Taxes (concluded) – The State eliminated State Revenue Sharing in 2004 and enacted Public Act 357 to provide for a gradual shift in County tax levies from December to July to serve as a substitute funding mechanism for State Revenue Sharing. The gradual shift takes place over a three year period as follows: in 2005, one-third of the taxes were levied on July 1, and two-thirds on December 1; in 2006, two-thirds of the taxes will be levied on July 1 and one third on December 1 and the 100% of the taxes will be levied on July 1 beginning in 2007 and each year thereafter.

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.

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.

Application of FASB Pronouncements – The County and its component units apply all applicable pronouncements of the Financial Accounting Standards Board (FASB) in accounting for their proprietary operations (excluding internal service funds), unless those pronouncements conflict with guidance issued by the Governmental Accounting Standards Board after November 30, 1989, as prescribed by GASB Statement No. 20.

Note 2 - Deposits and Investments

Primary Government Deposits and Investments - The County maintains a cash and investment pool that is available for use by all funds, except the Pension Trust Fund and the Retiree Health Care Trust Fund. In addition to their participation in the pool, certain funds also maintain separate investment accounts, consisting primarily of certificates of deposit and money market accounts. Each fund's portion of the pool as well as any amounts in separate accounts are reported as "Cash and Pooled Investments". 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.

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2005

Note 2 – Deposits and Investments (continued)

Primary Government Deposits and Investments (continued) –

- Government investment pools may not exceed 50% of the total portfolio.
- The total of deposits and investments with any one institution may not exceed 50% of the capitalization of that institution.

The deposits and investments of the primary government at December 31, 2005 are presented below.

	Amount	Percent of Total	Ratings		Avg Days to Maturity
			S&P	Moody's	
Cash on hand	\$ 55,963	0.02%	Not Rated	Not Rated	N/A
Bank and money market accounts	18,358,594	7.84%	Not Rated	Not Rated	N/A
Certificates of deposit	176,775,290	75.47%	Not Rated	Not Rated	113
Subtotal - depositions	195,189,847				
Commercial paper					
General Electric	30,851,199	13.17%	A-1	P-1	175
Citigroup Financial	1,275,524	0.54%	A-1	P-1	149
US Obligations					
Fannie Mae	1,067,275	0.46%	AAA	AAA	26
US Treasury securities	470,340	0.20%	AAA	AAA	0-12
US Treasury securities	3,325,425	1.42%	AAA	AAA	13-60
US Treasury securities	2,043,492	0.88%	AAA	AAA	61-120
	234,223,102	100.00%			
Timing effect of different year-ends	3,476,472				
Amount reported at December 31, 2005	\$ 237,699,574				
Amount reported in primary government	\$ 206,637,587				
Amount reported in agency funds	31,061,987				
	\$ 237,699,574				

Deposits - The deposits of the primary government 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 counterparty's trust department or agent in the County's name and 3) uninsured and uncollateralized.

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2005

Note 2 – Deposits and Investments (continued)

Primary Government Deposits and Investments (continued) –

At year-end, the book value of the deposits of the primary government was \$195,189,847, with corresponding bank balances of \$207,907,725. Qualifying deposits are insured by the FDIC up to \$100,000. Of the bank balances of the primary government, \$800,000 was insured and the remaining \$207,107,725 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 are subject to various types of risks as defined below in accordance with GASB Statement No. 40:

- **Credit Risk** is a measure of the creditworthiness of the issuers of the instruments being held and represents the risk that the issuer or other countyparty 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. At year-end, all of the commercial paper held by the County was rated A-1 by Standard & Poors and P-1 by Moody's Investor Service. In addition, the entire portfolio of investments issued by the United States Treasury or agencies of the United States were rated AAA by Standard & Poors and Aaa by Moody's.
- **Concentration of Credit Risk** is the risk of loss measured by the magnitude of the County's investment in a single issuer. As defined by GASB Statement NO. 40, the County is exposed to concentration of credit risk if more that 5% of its portfolio is invested in instruments issued by a single issuer. At year-end, the County held \$30,851,199 of commercial paper issued by General Electric, which represented 13.17% of the portfolio. No other investments exceeded the 5% threshold.
- **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. Information regarding the County's exposure to interest rate risk is presented below:

Maturities (Years)	Fair Value			Total	Percent of Total
	US Treasury	US Agency	Corporate		
Less than 1	\$ 470,340	\$ 1,067,275	\$ 32,126,723	\$ 33,664,338	86.25%
1-5	3,325,425	-	-	3,325,425	8.52%
6-10	2,043,492	-	-	2,043,492	5.23%
	<u>\$ 5,839,257</u>	<u>\$ 1,067,275</u>	<u>\$ 32,126,723</u>	<u>\$ 39,033,255</u>	<u>100.00%</u>

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2005

Note 2 - Deposits and Investments (continued)

Component Unit Deposits and Investments –

Deposits - The deposits of the component units are subject to same **custodial credit risk** described previously in relation to the deposits of the primary government. The component units do not participate in the investment pool of the primary government and their portfolios consist entirely of bank accounts and certificates of deposit. The book value of the deposits of the component units was \$77,654,727 at year-end, with corresponding bank balances of \$80,074,793. Of the bank balance, \$900,000 was insured and the remaining \$79,174,793 was uninsured and uncollateralized.

Retiree Health Care Trust Fund Investments – The investments of the Retiree Health Care Trust Fund (the "Fund") are held in a bank-administered trust fund. A summary of the investments of the Fund at December 31, 2005 are presented below:

<u>Investment Type</u>	<u>Amount</u>	<u>Percent of Total</u>
Equity Mutual Funds	\$ 46,207,287	50.04%
Common Stock	13,548,618	14.67%
Foreign Stock	14,094,844	15.26%
Bond Mutual Funds		
US Treasuries	4,695,378	5.77%
US Agencies	8,466,469	5.09%
Corporate	5,323,893	9.17%
	<u>\$ 92,336,489</u>	<u>100.00%</u>

- **Credit Risk** is a measure of the creditworthiness of the issuers of the instruments being held and represents the risk that the issuer or other counterparty to an investment will not fulfill its obligations. Statutes of the State of Michigan authorize the component units 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. At December 31, 2005, the Fund's investments in debt securities were rated by Standard & Poors as follows:

<u>Quality Rating</u>	<u>US Treasury</u>	<u>US Agency</u>	<u>Corporate</u>	<u>Total</u>	<u>Percent of Total</u>
AAA	\$ 4,695,378	\$ 8,466,469	\$ 1,386,430	\$ 14,548,277	78.70%
AA	-	-	924,287	924,287	5.00%
A	-	-	1,663,717	1,663,717	9.00%
BAA	-	-	1,349,459	1,349,459	7.30%
	<u>\$ 4,695,378</u>	<u>\$ 8,466,469</u>	<u>\$ 5,323,893</u>	<u>\$ 18,485,740</u>	<u>100.00%</u>

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2005

Note 2 - Deposits and Investments (continued)

Retiree Health Care Trust Fund Investments (concluded) –

- *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, 2005.

- *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. Therefore, the information regarding the Fund's exposure to interest rate risk is presented for the mutual fund as a whole:

Maturities (Years)	Fair Value			Total	Percent of Total
	US Treasury	US Agency	Corporate		
1-5	\$ 2,084,748	\$ 3,759,112	\$ 2,363,809	\$ 8,207,669	44.40%
6-10	1,972,059	3,555,917	2,236,035	7,764,011	42.00%
11 or more	638,571	1,151,440	724,049	2,514,060	13.60%
	<u>\$ 4,695,378</u>	<u>\$ 8,466,469</u>	<u>\$ 5,323,893</u>	<u>\$ 18,485,740</u>	<u>100.00%</u>

Employees' Retirement System Deposits and Investments - A summary of the investments of the System at December 31, 2005 is presented below:

Investment Type	Amount	Percent of Total
Cash and pooled investments	\$ 28,167,056	3.77%
Preferred stock	36,863,843	4.94%
Common stock	301,836,417	40.45%
Foreign stock	107,979,950	14.47%
Limited partnerships	18,124,324	2.43%
US Treasury obligations	16,009,709	2.15%
US Agencies	4,654,776	0.62%
Corporate bonds	45,948,746	6.16%
Mutual funds	186,584,214	25.01%
	<u>\$ 746,169,035</u>	<u>100.00%</u>

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2005

Note 2 - Deposits and Investments (continued)

Employees' Retirement System Deposits and Investments (continued)

Deposits - The deposits of the Macomb County Employee's Retirement System (the "System") are subject to *custodial credit risk*, which is the risk that the deposits may not be returned in the event of a bank failure. The custodial credit risk assumed by the System is measured by categorizing deposits as previously described. At year-end, the book value of the deposits of the System was \$28,167,056, with corresponding bank balances of \$28,310,813. Qualifying deposits are insured by the FDIC up to \$100,000. Of the bank balances of the System, \$200,000 was insured and the remaining \$28,110,813 was uninsured and uncollateralized.

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

- **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 sixty five percent (65%) of the total portfolio. The System also participates in securities lending transactions (see Note 7). At December 31, 2005, the System's investments in debt securities were rated by Standard & Poors as follows:

<u>Quality Rating</u>	<u>US Treasury</u>	<u>US Agency</u>	<u>Corporate</u>	<u>Total</u>	<u>Percent of Total</u>
AAA	\$ 16,009,709	\$ 4,654,776	\$ 8,002,517	\$ 28,667,002	43.03%
AA	-	-	7,499,302	7,499,302	11.26%
A	-	-	10,457,634	10,457,634	15.70%
BAA	-	-	17,572,228	17,572,228	26.38%
B or lower	-	-	2,417,065	2,417,065	3.63%
	<u>\$ 16,009,709</u>	<u>\$ 4,654,776</u>	<u>\$ 45,948,746</u>	<u>\$ 66,613,231</u>	<u>100.00%</u>

- **Interest Rate Risk** is the risk that the fair value of investments in debt securities will be adversely affected by changes in market interest rates and is measured primarily by average days to maturity. A summary of the maturities of the System's debt securities at December 31, 2005 were as follows:

<u>Maturities (Years)</u>	<u>Fair Value</u>				<u>Percent of Total</u>
	<u>US Treasury</u>	<u>US Agency</u>	<u>Corporate</u>	<u>Total</u>	
1-5	\$ -	\$ 4,654,776	\$ 41,879,381	\$ 46,534,157	69.86%
6-10	16,009,709	-	4,069,365	20,079,074	30.14%
	<u>\$ 16,009,709</u>	<u>\$ 4,654,776</u>	<u>\$ 45,948,746</u>	<u>\$ 66,613,231</u>	<u>100.00%</u>

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2005

Note 3 – Capital Assets

The following is a summary of capital asset activity of the governmental activities of the County for the year ended December 31, 2005:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 9,233,484	\$ 3,310,168	\$ -	\$ 12,543,652
Construction in progress	13,475,219	23,765,623	22,598,468	14,642,374
Total capital assets not being depreciated	22,708,703	27,075,791	22,598,468	27,186,026
Capital assets being depreciated				
Land improvements	4,984,358	2,079,142	-	7,063,500
Buildings	167,654,084	7,491,341	-	175,145,425
Machinery, equipment and vehicles	43,828,397	4,709,303	976,300	47,561,400
Total capital assets being depreciated	216,466,839	14,279,786	976,300	229,770,325
Less accumulated depreciation for				
Land improvements	2,222,652	214,713	-	2,437,365
Buildings	51,627,318	4,934,719	-	56,562,037
Machinery, equipment and vehicles	27,789,010	4,524,146	817,862	31,495,294
Total accumulated depreciation	81,638,980	9,673,578	817,862	90,494,696
Total capital assets being depreciated, net	134,827,859	4,606,208	158,438	139,275,629
Governmental activities capital assets, net	<u>\$ 157,536,562</u>	<u>\$ 31,681,999</u>	<u>\$ 22,756,906</u>	<u>\$ 166,461,655</u>

The primary government does not report any infrastructure assets as of December 31, 2005.

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

Governmental activities:	Governmental Assets	Internal Service Assets	Total
Judicial	\$ 2,096,862	\$ -	\$ 2,096,862
General government	2,642,770	459,172	3,101,942
Health and welfare	2,167,598	-	2,167,598
Recreation and culture	72,005	-	72,005
Public safety	2,235,172	-	2,235,172
	<u>\$ 9,214,407</u>	<u>\$ 459,172</u>	<u>\$ 9,673,579</u>

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2005

Note 3 – Capital Assets (continued)

The following is a summary of capital asset activity of the business-type activities of the County for the year ended December 31, 2005:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Construction in progress	\$ 93,259	\$ 3,556,554	\$ 93,259	\$ 3,556,554
Total capital assets not being depreciated	93,259	3,556,554	93,259	3,556,554
Capital assets being depreciated				
Land improvements	337,934	117,120	-	455,054
Buildings	6,347,736	821,512	-	7,169,248
Machinery, equipment and vehicles	2,863,703	68,688	60,265	2,872,126
Total capital assets being depreciated	9,549,373	1,007,320	60,265	10,496,428
Less accumulated depreciation for				
Land improvements	229,526	13,291	-	242,817
Buildings	4,406,350	178,194	-	4,584,544
Machinery, equipment and vehicles	2,450,258	90,976	60,265	2,480,969
Total accumulated depreciation	7,086,134	282,461	60,265	7,308,330
Total capital assets being depreciated, net	2,463,239	724,859	-	3,188,098
Business-type activities capital assets, net	\$ 2,556,498	\$ 4,281,413	\$ 93,259	\$ 6,744,652

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2005

Note 3 – Capital Assets (continued)

The following is a summary of changes in the Public Works Component Unit capital assets for the year ended September 30, 2005:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,992,428	\$ -	\$ -	\$ 1,992,428
Construction in progress	2,631,869	1,429,811	1,212,851	2,848,829
Total capital assets not being depreciated	4,624,297	1,429,811	1,212,851	4,841,257
Capital assets being depreciated				
Infrastructure	218,222,896	2,879,805	-	221,102,701
Less accumulated depreciation for Infrastructure	54,211,800	4,393,255	-	58,605,055
Total capital assets being depreciated, net	164,011,096	(1,513,450)	-	162,497,646
Governmental activities capital assets, net	<u>\$ 168,635,393</u>	<u>\$ (83,639)</u>	<u>\$ 1,212,851</u>	<u>\$ 167,338,903</u>

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2005

Note 3 – Capital Assets (concluded)

The following is a summary of changes in the Road Commission Component Unit capital assets for the year ended September 30, 2005:

	Balance Beginning	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 167,942,410	\$ 4,624,657	\$ -	\$ 172,567,067
Total capital assets not being depreciated	167,942,410	4,624,657	-	172,567,067
Capital assets being depreciated				
Land improvements	1,317,456	-	-	1,317,456
Buildings	24,222,550	858,601	-	25,081,151
Machinery, equipment and vehicles	25,001,411	2,297,816	1,373,523	25,925,704
Infrastructure	745,714,960	51,084,503	-	796,799,463
Total capital assets being depreciated	796,256,377	54,240,920	1,373,523	849,123,774
Less accumulated depreciation for				
Land improvements	616,297	66,005	-	682,302
Buildings	4,575,329	504,408	-	5,079,737
Machinery, equipment and vehicles	18,870,456	2,470,089	1,373,145	19,967,400
Infrastructure	262,249,222	30,519,355	-	292,768,577
Total accumulated depreciation	286,311,304	33,559,857	1,373,145	318,498,016
Total capital assets being depreciated, net	509,945,073	20,681,063	378	530,625,758
Governmental activities capital assets, net	\$ 677,887,483	\$ 25,305,720	\$ 378	\$ 703,192,825

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2005

Note 4 – Long-Term Debt

The following is a summary of the long-term liability transactions for the year ended December 31, 2005:

Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government					
Governmental activities					
Criminal Justice Bldg Authority					
Series 1989 Jail Renovation	\$ 300,000	\$ -	\$ -	\$ 300,000	\$ -
Series 1996 Refunding	985,000	-	315,000	670,000	330,000
Series 2002-B Refunding	5,525,000	-	280,000	5,245,000	275,000
Building Authority					
Series 1996-A Warren Satellite	625,000	-	175,000	450,000	225,000
Series 1999 Verkuilen Bldg	675,000	-	125,000	550,000	130,000
Series 2000 Clemens Center	3,475,000	-	2,825,000	650,000	150,000
Series 2002 MTB/Youth Home	29,600,000	-	1,100,000	28,500,000	1,150,000
Series 2002-A Refunding	8,215,000	-	610,000	7,605,000	635,000
Series 2004 Warehouse	5,100,000	-	175,000	4,925,000	175,000
Series 2004-A Public Works Bldg	4,250,000	-	150,000	4,100,000	150,000
Series 2005 Clemens Refunding	-	2,875,000	-	2,875,000	30,000
Series 2005 Commun System/Dist Court	-	19,380,000	-	19,380,000	725,000
MI Transportation Fund					
Series 2000-A Bridge Bonds	4,000,000	-	280,000	3,720,000	295,000
Series 2004-B Bridge Bonds	10,000,000	-	200,000	9,800,000	200,000
	<u>72,750,000</u>	<u>22,255,000</u>	<u>6,235,000</u>	<u>88,770,000</u>	<u>4,470,000</u>
Other liabilities					
Compensated Absences	6,899,733	826,954	1,122,192	6,604,495	1,000,000
General liability claims	3,616,798	-	932,908	2,683,890	850,000
Workers' compensation claims	1,998,875	479,807	688,536	1,790,146	800,000
	<u>85,265,406</u>	<u>23,561,761</u>	<u>8,978,636</u>	<u>99,848,531</u>	<u>7,120,000</u>
Component Units					
Drain Commissioner					
Special Assessment Debt	96,565,604	119,396	13,530,000	83,155,000	4,775,000
Road Commission					
Compensated Absences	1,249,609	188,675	-	1,438,284	-
General liability claims	1,746,534	-	125,996	1,620,538	16,765
Workers' compensation claims	346,775	292,968	251,440	388,303	106,690
Total Road Commission	<u>3,342,918</u>	<u>481,643</u>	<u>377,436</u>	<u>3,447,125</u>	<u>123,455</u>
Grand Totals	<u>\$ 185,173,928</u>	<u>\$ 24,162,800</u>	<u>\$ 22,886,072</u>	<u>\$ 186,450,656</u>	<u>\$ 12,018,455</u>

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2005

Note 4 – Long-Term Debt (continued)

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

Issue	Interest Rate	Date of Issue	Maturing Through	Original Issue Amount	Balance End of Year
Primary Government					
Governmental activities					
Criminal Justice Building Authority					
Series 1989 Jail Renovation	4.00-8.50%	9/1/1989	5/1/2008	3,800,000	300,000
Series 1996 Refunding	4.00-5.80	2/1/1996	5/1/2007	3,190,000	670,000
Series 2002-B Refunding	2.00-4.00	1/1/2003	7/1/2013	5,830,000	5,245,000
Macomb County Building Authority					
Series 1996-A Warren Satellite Renovation	3.80-4.80	5/1/1997	5/1/2007	1,700,000	450,000
Series 1999 Verkuilen Bldg Renovation	4.00-4.90	11/1/1999	5/1/2009	1,205,000	550,000
Series 2000 Clemens Center	4.70-5.70	8/1/2000	5/1/2020	4,000,000	650,000
Series 2002 MTB/Youth Home Renovation	3.50-5.00	5/1/2002	5/1/2022	32,000,000	28,500,000
Series 2002-A Refunding	2.50-4.00	12/1/2002	5/1/2015	8,885,000	7,605,000
Series 2004 Warehouse	2.00-5.00	5/1/2004	5/1/2024	5,100,000	4,925,000
Series 2004-A Public Works Bldg	3.00-4.50	11/1/2004	5/1/2024	4,250,000	4,100,000
Series 2005 Clemens Refunding	3.25-5.00	12/1/2005	5/1/2020	2,875,000	2,875,000
Series 2005 Commun System/Dist Court	3.75-4.50	12/1/2005	11/1/2025	19,380,000	19,380,000
Michigan Transportation Bonds					
Series 2000-A Bridge Bonds	5.375-5.625	6/1/2000	12/1/2015	5,000,000	3,720,000
Series 2004-B Bridge Bonds	3.00-4.75	5/1/2004	12/1/2024	10,000,000	9,800,000
Total Primary Government				107,215,000	88,770,000
Public Works Component Unit					
Special Assessment Debt					
Busch Drain	3.80- 4.55	10/1/1998	5/1/2014	1,250,000	900,000
Green Enclosure	2.80 - 5.70	7/1/1992	5/1/2007	1,065,000	200,000
Hawken Drain	4.30 - 5.25	8/1/2000	5/1/2015	795,000	550,000
Hayes Drain	4.50 - 5.20	8/1/2000	5/1/2015	1,095,000	925,000
Plumbrook Bridge Replacement	4.00 - 5.00	8/1/2000	5/1/2015	2,800,000	2,200,000
17 Mile Road Drain & Branches	4.00 - 8.00	4/1/1973	5/1/2013	3,550,000	2,115,000
17 Mile Road Extension	3.00 - 4.50	11/01/2001	11/01/2016	1,725,000	1,425,000
Sterling Relief Lateral 12B Extension	2.00 - 4.00	09/01/2003	11/01/2012	885,000	745,000
Warren Sanitary Refunding	4.40 - 4.45	12/1/1997	1/1/2007	4,750,000	880,000
Armada Village MCSSS	2.00	1/23/1992	10/1/2011	1,170,000	410,000
Chesterfield New Haven, Lenox Section	5.00 - 10.00	5/1/1998	10/1/2007	2,775,000	525,000

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2005

Note 4 – Long-Term Debt (continued)

Issue	Interest Rate	Date of Issue	Maturing Through	Original Issue Amount	Balance End of Year
Public Works Component Unit					
Special Assessment Debt					
Macomb County Water Supply System #13 (Lenox Township Section 2)	4.80 - 5.50	3/1/1994	5/1/2008	1,590,000	435,000
Macomb County Water Supply System #14 (Lenox Township Section 3)	4.75 - 5.40	3/1/1997	11/1/2011	1,050,000	705,000
Macomb County Waste Water Treatment System - Armada Refunding Bonds	3.70 - 4.50	6/1/1999	11/1/2007	990,000	380,000
Lake St. Clair Clean Water Initiative Series A	4.30 - 4.90	1/1/2001	10/1/2018	9,990,000	9,240,000
Lake St. Clair Clean Water Initiative State Revolving Fund Series #1 (5186-01)	2.50	Various	10/01/2022	20,670,000	18,190,000
Lake St. Clair Clean Water Initiative Phase II, No. 2		04/01/2002	04/01/2023	5,000,000	4,695,000
Lake St. Clair Clean Water Initiative State Revolving Fund Series #2 (5186-02)	2.50	Various	04/01/2022	13,630,000	11,995,000
Lake St. Clair Clean Water Initiative State Revolving Fund Series #3 (5186-03)	2.50	Various	04/08/2022	2,640,000	2,320,000
Lake St. Clair Clean Water Initiative State Revolving Fund Series #4 (5186-04)	2.50	Various	10/01/2022	5,550,000	4,885,000
Lake St. Clair Clean Water Initiative State Revolving Fund Series #5 (5186-05)	2.50	Various	10/01/2022	855,604	895,000
Lake St. Clair Clean Water Initiative Series 2004A	4.375 - 5.150	06/01/2004	10/01/2029	5,000,000	4,880,000
Lake St. Clair Clean Water Initiative Series 2004B	4.375 - 5.150	06/01/2004	10/01/2029	14,000,000	13,660,000
Total Public Works Component Unit				<u>102,825,604</u>	<u>83,155,000</u>
Total Reporting Entity				<u>\$ 210,460,604</u>	<u>\$ 171,925,000</u>

All long-term obligations are presented as of December 31, 2005 except for the Special Assessment Debt with Governmental Commitment and Road Commission obligations, which are presented as of September 30, 2005. Assessments receivable, including interest thereon, have been pledged for the payment of the Special Assessment Debt with Governmental Commitment. The County has also pledged its full faith and credit for the payment of the principal and interest on the Special Assessment Debt with Governmental Commitment.

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2005

Note 4 – Long-Term Debt (continued)

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

Year	Principal Maturities				
	Primary Government			Public Works	
	Building Authority	Criminal Justice Building Authority	MI Transportation Bonds	Total	Special Assessment Debt
2006	\$ 3,370,000	\$ 605,000	495,000	\$ 4,470,000	\$ 4,775,000
2007	3,475,000	615,000	660,000	4,750,000	4,515,000
2008	3,375,000	570,000	675,000	4,620,000	4,025,000
2009	3,480,000	270,000	740,000	4,490,000	3,915,000
2010	3,445,000	865,000	760,000	5,070,000	4,065,000
2011-2015	19,600,000	3,290,000	4,490,000	27,380,000	20,850,000
2016-2020	18,910,000	-	2,700,000	21,610,000	18,960,000
2021-2025	13,380,000	-	3,000,000	16,380,000	13,715,000
2026-2030	-	-	-	-	8,335,000
	\$ 69,035,000	\$ 6,215,000	\$ 13,520,000	\$ 88,770,000	\$ 83,155,000

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

Year	Interest Maturities				
	Primary Government			Public Works	
	Building Authority	Criminal Justice Building Authority	MI Transportation Bonds	Total	Special Assessment Debt
2006	\$ 2,776,295	\$ 230,725	611,232	\$ 3,618,252	\$ 2,975,527
2007	2,726,426	208,775	588,126	3,523,327	2,821,699
2008	2,598,331	186,125	558,776	3,343,232	2,667,347
2009	2,469,579	170,600	528,618	3,168,797	2,538,007
2010	2,339,194	161,150	495,844	2,996,188	2,391,324
2011-2015	9,521,295	254,112	1,919,472	11,694,879	9,916,440
2016-2020	5,441,888	-	1,058,450	6,500,338	6,662,247
2021-2025	1,333,520	-	365,400	1,698,920	3,485,541
2026-2030	-	-	-	-	959,054
	\$ 29,206,528	\$ 1,211,487	\$ 6,125,918	\$ 36,543,933	\$ 34,417,186

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2005

Note 4 – Long-Term Debt (continued)

New Debt Issued - On December 1, 2005, the Macomb County Building Authority (the "Authority") issued \$2,875,000 of Series 2005 Refunding bonds to advance refund \$2,675,000 of the \$3,325,000 Macomb County Building Authority Series 2000 Clemens Center bonds outstanding at December 1, 2005. The net proceeds of \$2,801,633 (after payment of \$73,367 of issuance costs and underwriters discounts) were placed in an irrevocable trust with an escrow agent and used to purchase obligations of the U. S. Treasury to provide for future debt service payments on the refunded bonds. Therefore, the refunded bonds have been removed from the accounts of the County. The remaining \$650,000 Series 2000 Clemens Center bonds are due and payable serially through May 1, 2009. The difference between the cash flows required to service the old debt and the cash flows required to service the new bonds and complete the refunding was \$201,150. The economic gain realized by the County as a result of the refunding was \$130,655, which represents the difference between the present value of the debt service payments on the old and new debt. The refunding bonds, issued in denominations of \$5,000 or multiples thereof, bear interest from 3.25% to 5.00% and are due serially through May 1, 2020. The bonds are to be repaid from rental payments received pursuant to a lease agreement executed between the Authority and the County. Bonds maturing prior to May 1, 2015 are not subject to redemption prior to maturity. Bonds maturing on or after May 1, 2015 are subject to redemption at par plus accrued interest prior to maturity, on or after May 1, 2014.

In December 2005, the Macomb County Building Authority issued \$19,380,000 of Series 2005 general obligation limited tax bonds dated December 1, 2005 for the dual purpose of constructing a District Court facility in the City of New Baltimore and also constructing a high frequency emergency radio communications system. The bonds issued have been allocated to the projects as follows: \$5,825,000 for the District Court building and \$13,555,000 for the communications system. Bonds totaling \$16,725,000, issued in denominations of \$5,000 or multiples thereof, bear interest from 3.75% to 4.50% and are due serially through November 1, 2023. The remaining \$2,655,000 term bonds bear interest at 4.50% and are due November 1, 2025. The bonds are to be repaid from rental payments to be received pursuant to a lease agreement executed between the Authority and the County. Bonds maturing prior to November 1, 2013 are not subject to redemption prior to maturity. Bonds maturing on or after November 1, 2013 may be redeemed at par plus accrued interest beginning November 1, 2012.

In prior years, the Lake St. Clair Clean Water Initiative Drain Drainage District (the "District") entered into various loan agreements with the Michigan Municipal Bond Authority, through its State Revolving Fund, to borrow up to \$43,465,000 for the purpose of defraying a portion of the cost of certain intra-county drain projects located in the cities of Eastpointe, Roseville and St. Clair Shores (the "Cities"). Funds are drawn down as construction costs are incurred and approved by the District and the Authority. During the year ended September 30, 2005, the District drew down \$119,365 and had drawn down \$43,464,969 as of September 30, 2005. The loans bear interest at a rate of 2.50% and are due serially through October 1, 2023 and were issued pursuant to the provisions of Chapter 20 of Act 40, Public Acts of Michigan, 1956, as amended. The loans are to be repaid from assessments against the Cities. These assessments are a general obligation of the Cities and are payable from City general funds or ad valorem taxes which may be levied by the Cities. The County has also pledged its full faith and credit as additional security for the payment of the principal and interest on the loans when due. The

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2005

Note 4 – Long-Term Debt (concluded)

Defeased debt - In prior years, the County defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the financial statements of the County. At December 31, 2005, the amount of defeased debt outstanding but not reported as long-term debt of the County totaled \$2,675,000 and \$ 250,000 for the primary government and Public Works Component Units, respectively.

Note 5 – Interfund Receivables, Payables and Transfers

Fund	Due From Other Funds	Due To Other Funds	Due From Component Units	Due To Primary Government
General Fund	\$ 5,643,126	\$ -	\$ 4,091,953	\$ -
<u>Special Revenue</u>				
Emergency Management Grants	-	909,423	-	-
Friend of the Court	-	65,637	-	-
Senior Citizen Services	-	2,251	-	-
Social Welfare	-	1,742,965	-	-
	-	2,720,276	-	-
<u>Business-type activities Funds</u>				
Delinquent Tax Revolving	9,870,771	-	-	-
Martha T. Berry	-	954,195	-	-
	9,870,771	954,195	-	-
<u>Fiduciary Funds</u>				
Pension Trust	463,086	904,270	-	-
Retiree Health Fund	-	2,840,245	-	-
Agency Funds	1,312,774	9,870,771	-	-
	1,775,860	13,615,286	-	-
<u>Component Units</u>				
Public Works	-	-	-	2,005,190
Michigan Works !	-	-	-	2,086,763
	-	-	-	4,091,953
	<u>\$ 17,289,757</u>	<u>\$ 17,289,757</u>	<u>\$ 4,091,953</u>	<u>\$ 4,091,953</u>

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2005

Note 5 – Interfund Receivables, Payables and Transfers (continued)

Fund	Transfers In	Transfers Out
General Fund	\$ 22,724,515	\$ 60,347,238
Revenue Sharing Reserve	-	14,069,515
<u>Special Revenue</u>		
Child Care	13,428,216	-
Community Services Agency	875,245	-
Emergency Management Grants	-	-
Friend of the Court	5,472,147	3,000,000
Health	12,595,893	-
Health Grants	366,924	-
Library	2,530,128	-
MSU Extension	120,839	95,839
Prosecuting Attorney Grants	602,273	35,790
Senior Citizens Services - Calendar	1,638,404	-
Sheriff Grants - Calendar	760,205	-
Social Welfare	29,990	-
Urban County Block Grant	202,169	196
Other Special Revenue	614,783	138,862
	<u>39,237,216</u>	<u>3,270,687</u>
Debt Service Fund	6,143,253	-
<u>Capital Projects Funds</u>		
Clemens center	52,000	-
District Court Building	72,795	-
E-911 Radio System	366,951	1,693,484
Martha T. Berry Renovation	2,097,899	-
Warehouse	122,469	-
General County Capital Projects Funds	13,223,956	9,031,552
	<u>15,936,070</u>	<u>10,725,036</u>
<u>Internal Service Funds</u>		
Equipment Revolving	406,635	-
<u>Business-type activities</u>		
Delinquent Tax Revolving	-	8,655,000
Community Mental Health	5,765,711	-
Martha T. Berry Medical Care Facility	5,065,185	-
Freedom Hill Park	802,655	-
	<u>11,633,551</u>	<u>8,655,000</u>
Subtotal	96,081,240	97,067,476
Imbalance caused by the timing effects of interfund transactions in funds with different year-end reporting dates	986,236	-
	<u>\$ 97,067,476</u>	<u>\$ 97,067,476</u>

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2005

Note 5 – Interfund Receivables, Payables and Transfers (concluded)

The governmental capital projects funds of the County paid for certain capital improvements at the Martha T. Berry and Freedom Hill Park business-type units during the year ended December 31, 2005. The value of the reported assets totaled \$4,470,615 and is reflected under the caption Transfers - Other in the Statement of Revenues, Expenses and Changes in Fund Net Assets of the Martha T. Berry and Freedom Hill business-type units.

Interfund advances at December 31, 2005 were:

<u>Fund</u>	<u>Advances Receivable</u>	<u>Advances Payable</u>
General Fund	\$ 300,000	\$ -
Special Revenue - Library	30,000	-
Internal Service - Equipment Revolving	-	330,000
	<u>\$ 330,000</u>	<u>\$ 330,000</u>

Note 6 – Deferred Compensation

The County offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan, available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts are held in trust for the exclusive benefit of participants and their beneficiaries. In accordance with GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans", the assets of the plan are no longer reported as assets of the employer.

Note 7 – Employees' Retirement System

Plan Description and Provision – The County sponsors and administers the Macomb County Employees' Retirement System (the "System"), a single employer defined benefit plan covering substantially all of the County's employees. The System was established in accordance with state statutes to provide retirement benefits for the employees of the County and its several offices, boards and departments, including the County Road Commission.

At December 31, 2004 (date of the most recent actuarial valuation) the System's membership consisted of:

Retirees and beneficiaries currently receiving benefits	1,640
Terminated employees entitled to benefits but not yet receiving them	234
Active employees covered by the plan	<u>2,888</u>
Total membership	<u><u>4,762</u></u>

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2005

Note 7 – Employees’ Retirement System (continued)

Separate independently audited financial statements are not issued for the System; therefore, condensed financial statements as of and for the year ended December 31, 2005 are presented below:

Statement of Fiduciary Net Assets

ASSETS

Cash and investments	\$	746,169,035
Securities lending collateral		36,706,226
Receivables		2,148,746
Due From Other Funds		<u>463,086</u>
 Total assets		 <u>785,487,093</u>

LIABILITIES

Accounts payable		187,410
Due to other funds		904,270
Obligations under securities lending		<u>36,706,226</u>
 Total Liabilities		 <u>37,797,906</u>

NET ASSETS

\$ 747,689,187

Statement of Changes In Fiduciary Net Assets

ADDITIONS

Contributions		
Employer	\$	14,854,000
Employee		5,399,279
Investment income		<u>60,747,829</u>
 Total additions		 <u>81,001,108</u>

DEDUCTIONS

Benefit payments		32,554,707
Other expenses		<u>444,034</u>
 Total deductions		 <u>32,998,741</u>

Net increase in net assets 48,002,367

Net assets held in trust , beginning of year 699,686,820

Net assets held in trust , end of year \$ 747,689,187

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2005

Note 7 – Employees' Retirement System (continued)

Retirement Benefits- The following is a summary of the benefits provided to the members of the system. All members become vested in the System after 8 years of service.

General County- The majority of employees 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 not covered by the provisions described above may retire at age 55 with 25 or more years of service or age 60 with 8 years of service. The annual retirement benefit, payable monthly for life, for these employees is computed at 2.2% of final average compensation for each year of service, with a maximum employer pension of 66%.

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

Road Commission- Employees may retire at age 55 with 25 or more years of service, at age 60 with 8 years of service or regardless of age 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 multiplied for the first 26 years of service and 1% for every year thereafter, with a maximum employer pension of 65%.

The System also provides death and disability benefits. If an employee leaves covered employment or dies before 8 years of credited service, accumulated employee contributions plus interest at the rate of 3.5% per year is refunded to the employee or designated beneficiary.

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

Method Used to Value Investments – In accordance with GASB Statement 25, "Financial Reporting for Defined Benefit Plans and Note Disclosures for Defined Contribution Plans", investments are reported at fair value, as indicated by quoted market prices as of December 31, 2005.

Funding Policy – The System's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The County's required contribution for 2005 was \$14,854,000. Administrative costs of the System are financed from investment earnings. General County employees contribute 2.5% or 3.5% of their annual salary to the System depending upon classification. Road Commission employees contribute 3.5% of their annual salary. Sheriff employees contribute 4.0% of their annual salary. The County contributes the remaining amounts necessary to fund the System, using the actuarial basis specified by statute.

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2005

Note 7 – Employees’ Retirement System (concluded)

Annual Pension Cost and Net Pension Obligation – During the year ended December 31, 2005, employer contributions totaled \$14,854,000, as required by the actuarial valuation of the plan as of December 31, 2003. The normal cost and actuarial accrued liability are determined using an entry age actuarial funding method. Unfunded actuarial accrued liabilities (UAAL) due to benefit and assumption changes are being amortized as a level percent of payroll over a 15 year closed period. Remaining UAAL is being amortized as a level percent of payroll over an 8-year open period. The County has historically contributed 100% of the annual required contribution. Three-year trend information regarding the County’s annual pension cost, percent contribution and net pension obligation are presented below.

Year Ended December 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2003	3,042,099	100	-
2004	8,577,844	100	-
2005	14,854,000	100	-

Significant actuarial assumptions used in determining the annual required contribution include (a) a rate of return on the investment of present and future assets of 7.5% per year compounded annually, (b) projected salary increases of 5.0% per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 1.2% to 5.0% for various members per year, depending on service, attributable to seniority/merit, and (d) the assumption that benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period.

Securities Lending – The Macomb County Employees’ Retirement System is authorized to participate in securities lending agreements with its custodian. Such transactions involve loans of securities to broker/dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future and are perceived to be invisible to the third party money managers who manage segments of the portfolio. The market for securities lending has developed to provide temporary access to a large portfolio of securities for broker/dealers who have a need to borrow specific instruments. Broker/dealers collateralize their borrowings (typically in cash) to 102% of the security value for domestic securities and 105% for foreign securities and this collateral is adjusted daily to maintain the appropriate level. The System had no credit risk exposure to borrowers at year-end since the borrowers had collateralized the securities on loan at 102%. In addition, the system is indemnified through its agreement with its custodian should borrowers fail to return securities lent or fail to pay the System income distributions by the securities’ issuers while the securities are on loan. The System may not pledge or sell collateral securities, except in the case of borrower default. The System periodically reviews the custodian’s practices to ensure fair distributions by the securities’ issuers while the securities are on loan. The value of securities on loan at December 31, 2005 was \$35,896,496.

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2005

Note 8 – Post Employment Benefits

The County and its Road Commission component unit provide certain health care benefits for the retirees and beneficiaries currently receiving retirement benefits. In accordance with labor agreements and County policy, substantially all of the County's employees may become eligible for these benefits if they meet normal vesting requirements while still working for the County. Hospitalization insurance is provided through insurance companies, whose premiums are based on the benefits paid during the year. The County finances these expenditures for General County and Sheriff Department retirees through the Retiree Health Care Trust Fund of the primary government. All postemployment benefits of Road Commission retirees are accounted for in the accounts of the Road Commission Component Unit. Post-employment benefit expenditures are recognized when premiums are paid and totaled \$11,597,651 in 2005, consisting of \$9,297,651 for County retiree health care, \$2,300,000 for Road Commission retiree health care.

The Governmental Accounting Standards Board recently released Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans". The disclosure requirements of the new pronouncement are very similar in nature to those set forth in GASB Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans" and will require postemployment benefit plans to begin measuring and reporting the actuarially determined liability associated with providing such benefits. The new pronouncement is effective for the Retiree Health Care Trust Fund for the year ending December 31, 2006.

The Governmental Accounting Standards Board also released Statement No. 45, "Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions". The new pronouncement is very similar in nature to GASB Statement No. 27, "Accounting for Pensions by State and Local Government Employers" and will require governmental entities to recognize the cost of providing retiree health care coverage over the working life of the employee rather than at the time the health care premiums are paid. The new pronouncement is effective for the County for the year ending December 31, 2007.

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2005

Note 8 – Post Employment Benefits (concluded)

Separate independently audited financial statements are not issued for the System; therefore, condensed financial statements as of and for the year ended December 31, 2005 are presented below:

Statement of Fiduciary Net Assets

ASSETS	
Cash and investments	\$ 92,336,489
Receivables	293,035
	<hr/>
Total assets	92,629,524
	<hr/>
LIABILITIES	
Accounts payable	61,691
Due to other funds	2,840,245
	<hr/>
Total Liabilities	2,901,936
	<hr/>
NET ASSETS	\$ 89,727,588
	<hr/> <hr/>

Statement of Changes In Fiduciary Net Assets

ADDITIONS	
Contributions	\$ 9,381,967
Investment income	5,933,103
	<hr/>
Total additions	15,315,070
	<hr/>
DEDUCTIONS	
Benefit payments	9,297,651
Other expenses	84,314
	<hr/>
Total deductions	9,381,965
	<hr/>
Net increase in net assets	5,933,105
Net assets held in trust , beginning of year	83,794,483
	<hr/>
Net assets held in trust , end of year	\$ 89,727,588
	<hr/> <hr/>

Note 9 – Contingencies and commitments

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

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2005

Note 10- Risk Management

The County is exposed to various risks of loss related to property damage and loss, torts, errors and omissions, employee injury (workers' compensation) and medical benefits provided to employees and retirees. The County has purchased commercial insurance for property damage coverage and certain medical benefits, but is self-insured for workers' compensation and general liability claims up to certain retention amounts, at which time reinsurance begins. The County also self-funds certain medical benefits of employees and retirees. There were no significant reductions in insurance coverage in 2005 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 \$350,000 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, 2005, the primary government has accrued an aggregate of \$1,790,146 for unresolved workers' compensation claims and claims incurred but not reported. At September 30, 2005, the Road Commission component unit has accrued an aggregate of \$388,303 for unresolved workers' compensation claims and claims incurred but not reported. Changes in the estimated liabilities for workers' compensation claims for the past two fiscal years were as follows:

	Primary Government		Road Commission	
	Year Ended December 31,		Year Ended September 30,	
	2004	2005	2004	2005
Estimated liability - beginning of year	\$ 1,882,080	\$ 1,998,875	\$ 266,269	\$ 346,775
Estimated claims incurred, including changes in estimates	996,177	479,807	251,440	292,968
Claims payments	(879,382)	(688,536)	(170,934)	(251,440)
Estimated liability - end of year	<u>\$ 1,998,875</u>	<u>\$ 1,790,146</u>	<u>\$ 346,775</u>	<u>\$ 388,303</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 Road Commission) is currently self-insured for losses of a general liability nature up to \$500,000 per claim, with commercial insurance covering claims in excess of the retention amount to an aggregate of \$10,000,000 annually. The Road Commission Component Unit 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, 2005, the Road Commission had an accrual of \$1,620,538 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 primary government. At December 31, 2005, the primary government reported a balance of \$2,693,890 for its unresolved general liability claims.

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (concluded)
December 31, 2005

Note 10- Risk Management (concluded)

Changes in the estimated liabilities for general liability claims for the past two fiscal years were as follows:

	Primary Government		Road Commission	
	Year Ended December 31,		Year Ended September 30,	
	2004	2005	2004	2005
Estimated liability - beginning of year	\$ 2,980,836	\$ 3,616,798	\$ 1,785,015	\$ 1,746,534
Estimated claims incurred, including changes in estimates	854,629	(610,153)	13,723	(62,100)
Claims payments	(218,667)	(322,755)	(52,204)	(63,896)
Estimated liability - end of year	<u>\$ 3,616,798</u>	<u>\$ 2,683,890</u>	<u>\$ 1,746,534</u>	<u>\$ 1,620,538</u>

Note 11 - Prior Period Adjustment

The net assets of the Road Commission Discretely Presented Component Unit were restated as of September 30, 2004 by the other auditors to correct an error in the allocation of certain construction costs in prior years. The net assets as of September 30, 2004 were decreased by \$3,531,293 as a result of this adjustment.

MACOMB COUNTY, MICHIGAN

December 31, 2005

Required Supplementary Information

Budgetary Comparison Schedule -- General Fund

Budgetary Comparison Schedule -- Revenue Sharing Reserve Fund

Schedule of Funding Progress

Schedule of Employer Contributions

MACOMB COUNTY, MICHIGAN
Required Supplementary Information
Budgetary Comparison Schedule (GAAP Basis) - General Fund Revenues
Year Ended December 31, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Taxes				
Current property	\$ 116,143,661	\$ 116,143,661	\$ 114,559,777	\$ (1,583,884)
Delinquent personal property	600,000	600,000	780,560	180,560
	<u>116,743,661</u>	<u>116,743,661</u>	<u>115,340,337</u>	<u>(1,403,324)</u>
Licenses and Permits	392,000	392,000	391,395	(605)
State Grants				
Revenue sharing	10,500,000	-	-	-
Court financing	4,871,874	4,871,874	5,116,278	244,404
Cigarette tax	492,761	492,761	492,672	(89)
Liquor tax	1,790,625	1,790,625	1,942,918	152,293
Other	659,500	839,600	869,844	30,244
	<u>18,314,760</u>	<u>7,994,860</u>	<u>8,421,712</u>	<u>426,852</u>
Charges for Services				
Court costs and fees	1,462,600	1,462,600	1,547,763	85,163
Certified copies	745,600	745,600	787,365	41,765
Probation oversight fees	1,450,400	1,558,400	1,652,340	93,940
Land transfer tax	3,500,000	3,500,000	5,055,872	1,555,872
Recording fees	4,167,500	4,167,500	4,958,063	790,563
Rents	-	-	81,268	81,268
Sheriff road patrol	4,149,379	5,207,298	5,283,569	76,271
Other sheriff services	499,646	499,646	683,636	183,990
Foster care	845,000	845,000	868,883	23,883
Attorney fees	1,160,000	1,220,000	921,342	(298,658)
Public works - pumping station	760,000	760,000	1,674,250	914,250
Personal services	695,000	1,880,000	1,940,658	60,658
Housing inmates	2,058,000	2,058,000	2,058,070	70
Soil erosion fees	475,000	475,000	469,675	(5,325)
Commissions	913,000	913,000	964,315	51,315
Miscellaneous	1,044,845	1,182,318	1,349,969	167,651
	<u>23,925,970</u>	<u>26,474,362</u>	<u>30,297,038</u>	<u>3,822,676</u>
Investment income	3,191,000	3,191,000	4,703,646	1,512,646
Charges to Other Funds for Administrative Services				
Data processing division	4,950,000	4,950,000	6,091,065	1,141,065
Other administrative charges	5,047,108	5,279,081	4,996,803	(282,278)
	<u>9,997,108</u>	<u>10,229,081</u>	<u>11,087,868</u>	<u>858,787</u>
Fines and Forfeitures	904,050	938,465	1,045,629	107,164
Other Revenue	23,450	23,450	166,929	143,479
Total Revenues	<u>173,491,999</u>	<u>165,986,879</u>	<u>171,454,554</u>	<u>5,467,675</u>
Other Financing Sources				
Transfers in	8,655,000	19,155,000	22,724,515	3,569,515
Total Revenues and Other Financing Sources	<u>\$ 182,146,999</u>	<u>\$ 185,141,879</u>	<u>\$ 194,179,069</u>	<u>\$ 9,037,190</u>

MACOMB COUNTY, MICHIGAN
Required Supplementary Information
Budgetary Comparison Schedule (GAAP Basis) - General Fund Expenditures
Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Legislative				
Board of Commissioners				
Salaries and fringe benefits	\$ 2,007,149	\$ 2,007,149	\$ 1,934,613	\$ 72,536
Operating	176,924	191,160	142,088	49,072
Department Total	<u>2,184,073</u>	<u>2,198,309</u>	<u>2,076,701</u>	<u>121,608</u>
Total Legislative	<u>2,184,073</u>	<u>2,198,309</u>	<u>2,076,701</u>	<u>121,608</u>
Judicial				
Circuit court				
Salaries and fringe benefits	4,486,642	4,486,642	4,382,282	104,360
Operating	4,620,077	4,749,077	4,577,936	171,141
Department Total	<u>9,106,719</u>	<u>9,235,719</u>	<u>8,960,218</u>	<u>275,501</u>
District Court - New Baltimore				
Salaries and fringe benefits	1,001,624	1,001,624	999,732	1,892
Operating	266,538	301,538	275,178	26,360
Department Total	<u>1,268,162</u>	<u>1,303,162</u>	<u>1,274,910</u>	<u>28,252</u>
District Court - Romeo				
Salaries and fringe benefits	824,846	799,155	780,047	19,108
Operating	226,417	251,417	226,376	25,041
Department Total	<u>1,051,263</u>	<u>1,050,572</u>	<u>1,006,423</u>	<u>44,149</u>
District Court - 3rd Class				
Operating	59,000	59,000	48,869	10,131
Family Counseling				
Salaries and fringe benefits	50,491	56,434	54,802	1,632
Operating	160,086	160,086	155,059	5,027
Department Total	<u>210,577</u>	<u>216,520</u>	<u>209,861</u>	<u>6,659</u>
Family Court - Juvenile Division				
Salaries and fringe benefits	4,800,492	4,754,590	4,615,937	138,653
Operating	1,402,584	1,613,584	1,604,917	8,667
Department Total	<u>6,203,076</u>	<u>6,368,174</u>	<u>6,220,854</u>	<u>147,320</u>
Jury Commission				
Operating	49,387	55,487	52,038	3,449

MACOMB COUNTY, MICHIGAN
Required Supplementary Information
Budgetary Comparison Schedule (GAAP Basis) - General Fund Expenditures
Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Judicial (concluded)				
Probate Court - Mental Division				
Salaries and fringe benefits	869,344	869,344	817,855	51,489
Operating	319,015	319,015	297,735	21,280
Department Total	<u>1,188,359</u>	<u>1,188,359</u>	<u>1,115,590</u>	<u>72,769</u>
Probate Court - Wills and Estates Division				
Salaries and fringe benefits	2,184,770	2,184,770	2,139,937	44,833
Operating	326,438	347,878	320,951	26,927
Department Total	<u>2,511,208</u>	<u>2,532,648</u>	<u>2,460,888</u>	<u>71,760</u>
Probation - Circuit Court				
Operating	166,830	166,830	154,583	12,247
Department Total	<u>166,830</u>	<u>166,830</u>	<u>154,583</u>	<u>12,247</u>
Probation - District Court				
Salaries and fringe benefits	1,218,348	1,321,348	1,185,964	135,384
Operating	112,377	117,377	89,296	28,081
Department Total	<u>1,330,725</u>	<u>1,438,725</u>	<u>1,275,260</u>	<u>163,465</u>
Total Judicial	<u>23,145,306</u>	<u>23,615,196</u>	<u>22,779,494</u>	<u>835,702</u>
General Government				
County Clerk				
Salaries and fringe benefits	3,753,857	3,816,639	3,590,320	226,319
Operating	335,692	419,066	390,493	28,573
Department Total	<u>4,089,549</u>	<u>4,235,705</u>	<u>3,980,813</u>	<u>254,892</u>
Corporation Counsel				
Salaries and fringe benefits	972,177	972,177	868,393	103,784
Operating	42,624	42,624	32,631	9,993
Department Total	<u>1,014,801</u>	<u>1,014,801</u>	<u>901,024</u>	<u>113,777</u>
Elections				
Operating	57,682	57,682	24,390	33,292

MACOMB COUNTY, MICHIGAN
Required Supplementary Information
Budgetary Comparison Schedule (GAAP Basis) - General Fund Expenditures
Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
General Government (continued)				
Facilities and Operations				
Salaries and fringe benefits	6,853,625	8,038,625	7,555,416	483,209
Operating	9,341,590	9,287,964	8,259,052	1,028,912
Capital outlay	-	53,626	53,626	-
Department Total	<u>16,195,215</u>	<u>17,380,215</u>	<u>15,868,094</u>	<u>1,512,121</u>
Finance				
Administration/Accounting				
Salaries and fringe benefits	2,289,571	2,289,571	1,879,537	410,034
Operating	124,105	124,105	112,793	11,312
Department Total	<u>2,413,676</u>	<u>2,413,676</u>	<u>1,992,330</u>	<u>421,346</u>
Equalization				
Salaries and fringe benefits	1,067,762	1,067,762	874,884	192,878
Operating	81,321	81,321	60,062	21,259
Department Total	<u>1,149,083</u>	<u>1,149,083</u>	<u>934,946</u>	<u>214,137</u>
Purchasing				
Salaries and fringe benefits	1,278,213	1,323,213	1,321,275	1,938
Operating	244,086	244,086	242,203	1,883
Department Total	<u>1,522,299</u>	<u>1,567,299</u>	<u>1,563,478</u>	<u>3,821</u>
Reimbursement				
Salaries and fringe benefits	822,308	822,308	769,203	53,105
Operating	112,252	112,252	98,656	13,596
Department Total	<u>934,560</u>	<u>934,560</u>	<u>867,859</u>	<u>66,701</u>
Human Resources				
Salaries and fringe benefits	2,052,897	2,052,897	1,915,778	137,119
Operating	264,292	264,292	146,088	118,204
Department Total	<u>2,317,189</u>	<u>2,317,189</u>	<u>2,061,866</u>	<u>255,323</u>
Information Technology				
Salaries and fringe benefits	4,423,630	4,423,630	4,196,368	227,262
Operating	1,651,383	1,651,383	1,651,293	90
Department Total	<u>6,075,013</u>	<u>6,075,013</u>	<u>5,847,661</u>	<u>227,352</u>

MACOMB COUNTY, MICHIGAN
Required Supplementary Information
Budgetary Comparison Schedule (GAAP Basis) - General Fund Expenditures
Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
General Government (concluded)				
MSU Extension				
Salaries and fringe benefits	775,561	781,061	751,993	29,068
Operating	229,230	229,230	219,654	9,576
Department Total	<u>1,004,791</u>	<u>1,010,291</u>	<u>971,647</u>	<u>38,644</u>
Planning and Economic Development				
Salaries and fringe benefits	2,175,292	2,175,292	2,072,833	102,459
Operating	181,395	181,395	167,167	14,228
Department Total	<u>2,356,687</u>	<u>2,356,687</u>	<u>2,240,000</u>	<u>116,687</u>
Plat Board				
Operating	4,500	4,500	2,065	2,435
Prosecuting Attorney				
Salaries and fringe benefits	8,680,460	8,930,127	8,067,866	862,261
Operating	624,170	624,170	612,298	11,872
Department Total	<u>9,304,630</u>	<u>9,554,297</u>	<u>8,680,164</u>	<u>874,133</u>
Public Works				
Salaries and fringe benefits	4,430,362	4,430,362	3,746,872	683,490
Operating	295,001	315,001	262,034	52,967
Department Total	<u>4,725,363</u>	<u>4,745,363</u>	<u>4,008,906</u>	<u>736,457</u>
Register of Deeds				
Salaries and fringe benefits	1,388,311	1,428,311	1,425,552	2,759
Operating	1,111,027	1,101,027	675,163	425,864
Department Total	<u>2,499,338</u>	<u>2,529,338</u>	<u>2,100,715</u>	<u>428,623</u>
Risk Management and Safety				
Salaries and fringe benefits	327,106	327,106	259,678	67,428
Operating	53,324	56,324	31,899	24,425
Department Total	<u>380,430</u>	<u>383,430</u>	<u>291,577</u>	<u>91,853</u>
Treasurer				
Salaries and fringe benefits	1,977,372	1,977,372	1,949,704	27,668
Operating	179,855	179,855	137,820	42,035
Department Total	<u>2,157,227</u>	<u>2,157,227</u>	<u>2,087,524</u>	<u>69,703</u>
Total General Government	<u>58,202,033</u>	<u>59,886,356</u>	<u>54,425,059</u>	<u>5,461,297</u>

MACOMB COUNTY, MICHIGAN
Required Supplementary Information
Budgetary Comparison Schedule (GAAP Basis) - General Fund Expenditures
Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Public Safety				
Civil Service Commission				
Operating	48,870	48,870	25,773	23,097
Court Building Safety				
Salaries and fringe benefits	1,007,480	1,007,480	923,505	83,975
Operating	49,379	49,379	42,631	6,748
Capital outlay	10,000	10,000	-	10,000
Department Total	1,066,859	1,066,859	966,136	100,723
Emergency Management				
Salaries and fringe benefits	296,519	296,519	290,978	5,541
Operating	34,269	34,269	26,366	7,903
Department Total	330,788	330,788	317,344	13,444
Security				
Salaries and fringe benefits	574,665	574,665	565,774	8,891
Operating	10,034	10,034	6,987	3,047
Department Total	584,699	584,699	572,761	11,938
Sheriff Department				
Salaries and fringe benefits	43,206,518	45,978,629	45,744,895	233,734
Operating	9,099,040	9,139,090	8,181,205	957,885
Capital outlay	202,200	214,105	115,435	98,670
Department Total	52,507,758	55,331,824	54,041,535	1,290,289
Technical Services				
Salaries and fringe benefits	721,289	721,289	720,714	575
Operating	43,608	43,608	34,916	8,692
Capital outlay	33,500	33,500	12,679	20,821
Department Total	798,397	798,397	768,309	30,088
Total Public Safety	55,337,371	58,161,437	56,691,858	1,469,579

MACOMB COUNTY, MICHIGAN
Required Supplementary Information
Budgetary Comparison Schedule (GAAP Basis) - General Fund Expenditures
Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Health and Welfare				
Water Quality Board				
Salaries and fringe benefits	3,780	3,780	280	3,500
Operating	11,220	11,220	1,767	9,453
Department Total	<u>15,000</u>	<u>15,000</u>	<u>2,047</u>	<u>12,953</u>
Senior Citizens Services				
Salaries and fringe benefits	18,669	18,669	13,211	5,458
Operating	268,557	268,557	92,420	176,137
Department Total	<u>287,226</u>	<u>287,226</u>	<u>105,631</u>	<u>181,595</u>
Veteran's Affairs				
Salaries and fringe benefits	339,705	362,766	343,795	18,971
Operating	208,056	255,056	254,128	928
Capital outlay	6,000	7,185	7,183	2
Department Total	<u>553,761</u>	<u>625,007</u>	<u>605,106</u>	<u>19,901</u>
Total Health and Welfare	<u>855,987</u>	<u>927,233</u>	<u>712,784</u>	<u>214,449</u>
Other Current Operations				
Non-Departmental Appropriations	<u>7,557,938</u>	<u>6,546,928</u>	<u>5,480,571</u>	<u>1,066,357</u>
Capital Outlay				
	<u>1,050,000</u>	<u>1,067,770</u>	<u>802,454</u>	<u>265,316</u>
Total Expenditures	<u>148,332,708</u>	<u>152,403,229</u>	<u>142,968,921</u>	<u>9,434,308</u>
Other Financing Uses				
Transfers Out	<u>69,683,555</u>	<u>70,107,354</u>	<u>60,347,238</u>	<u>9,760,116</u>
Total Expenditures and Other Financing Uses	<u>\$ 218,016,263</u>	<u>\$ 222,510,583</u>	<u>\$ 203,316,159</u>	<u>\$ 19,194,424</u>

MACOMB COUNTY, MICHIGAN
Required Supplementary Information
Budgetary Comparison Schedule (GAAP Basis) - Revenue Sharing Reserve Fund
Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Current property taxes	\$ 37,772,742	\$ 37,772,742	\$ 37,772,742	\$ -
Investment income	-	-	365,826	365,826
Total Revenues	<u>37,772,742</u>	<u>37,772,742</u>	<u>38,138,568</u>	<u>365,826</u>
Other Financing Uses				
Transfers out	<u>(37,772,742)</u>	<u>(37,772,742)</u>	<u>(14,069,515)</u>	<u>23,703,227</u>
Total Other Financing Uses	<u>(37,772,742)</u>	<u>(37,772,742)</u>	<u>(14,069,515)</u>	<u>23,703,227</u>
Net change in fund balances	-	-	24,069,053	24,069,053
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>28,702,563</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,771,616</u>	<u>\$ 24,069,053</u>

**MACOMB COUNTY, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION - EMPLOYEES' RETIREMENT SYSTEM**

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date December 31	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1998	503,458,791	415,475,313	(87,983,478)	121.18	100,795,108	(87.29)
1999	581,170,294	446,999,030	(134,171,264)	130.02	105,581,699	(127.08)
2000	635,685,439	497,584,613	(138,100,826)	127.75	105,284,539	(131.17)
2001	657,800,320	513,299,693	(144,500,627)	128.15	106,979,632	(135.07)
2002	645,539,428	578,104,382	(67,435,046)	111.66	121,299,445	(55.59)
2003	639,624,122	624,212,027	(15,412,095)	102.47	127,235,644	(12.11)
2004	674,857,869	664,487,155	(10,370,714)	101.56	134,258,243	(7.72)

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended December 31	General Employees		Sheriff Employees		Road Employees		Total
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	
1999	4,665,757	100	2,889,371	100	1,792,220	100	9,347,348
2000	2,837,566	100	2,170,690	100	1,492,430	100	6,500,686
2001	496,645	100	1,325,647	100	849,866	100	2,672,158
2002	1,707,060	100	1,184,523	100	372,158	100	3,263,741
2003	842,903	100	1,235,022	100	964,174	100	3,042,099
2004	3,741,031	100	3,267,545	100	1,569,268	100	8,577,844
2005	8,282,000	100	4,196,000	100	2,376,000	100	14,854,000

MACOMB COUNTY, MICHIGAN
Combining Balance Sheet
Nonmajor Fund Types
December 31, 2005

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 15,312,085	\$ 7,703,997	\$ 42,730,644	\$ 65,746,726
Taxes receivable	-	115,524	-	115,524
Accrued interest receivable	-	-	93,696	93,696
Accounts receivable, net	9,521,998	-	418,509	9,940,507
Due from other governments	3,754,852	-	51,148	3,806,000
Due from governmental funds	-	-	-	-
Due from business-type units	-	-	-	-
Due from fiduciary funds	-	-	-	-
Advances to other funds	30,000	-	-	30,000
Surplus property	-	-	-	-
Other assets	101,862	625	2,433	104,920
Total Assets	<u>\$ 28,720,797</u>	<u>\$ 7,820,146</u>	<u>\$ 43,296,430</u>	<u>\$ 79,837,373</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 2,849,804	-	\$ 1,904,347	\$ 4,754,151
Accrued liabilities	-	-	625,506	625,506
Accrued compensation and benefits	257,959	-	-	257,959
Due to other governments	443,086	-	-	443,086
Due to governmental funds	2,720,276	-	-	2,720,276
Due to business-type units	-	-	-	-
Deferred revenue	795,726	153,696	-	949,422
Total Liabilities	<u>7,066,851</u>	<u>153,696</u>	<u>2,529,853</u>	<u>9,750,400</u>
Fund Balances				
Reserved				
Debt service	-	7,666,450	-	7,666,450
Advances to other funds	30,000	-	-	30,000
Long-term receivables	6,854,606	-	-	6,854,606
Capital projects	5,241,192	-	25,039,446	30,280,638
Unreserved				
Designated				
Capital projects	-	-	15,727,131	15,727,131
Programs	3,272,733	-	-	3,272,733
Undesignated	6,255,415	-	-	6,255,415
Total Fund Balances	<u>21,653,946</u>	<u>7,666,450</u>	<u>40,766,577</u>	<u>70,086,973</u>
Total Liabilities and Fund Balances	<u>\$ 28,720,797</u>	<u>\$ 7,820,146</u>	<u>\$ 43,296,430</u>	<u>\$ 79,837,373</u>

MACOMB COUNTY, MICHIGAN
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Fund Types
Year Ended December 31, 2005

	Special Revenue	Debt Service	Capital Projects	Total
Revenues				
Taxes	\$ -	\$ 212,521	\$ -	\$ 212,521
Licenses and permits	811,480	-	-	811,480
Federal & State grants	49,268,310	-	-	49,268,310
Other grants	287,371	-	-	287,371
Charges for services	12,818,274	-	2,717,056	15,535,330
Investment income	175,344	332,252	879,298	1,386,894
Fines and forfeitures	745,089	-	-	745,089
Other revenue	354,309	-	59,294	413,603
Total Revenues	64,460,177	544,773	3,655,648	68,660,598
Expenditures				
Current				
Judicial	12,589,978	-	-	12,589,978
General government	1,298,738	-	-	1,298,738
Public safety	8,190,901	-	-	8,190,901
Public works	340,943	78,082	534,820	953,845
Health and welfare	73,155,641	-	-	73,155,641
Recreation and cultural	2,903,999	-	-	2,903,999
Capital outlay	957,826	-	22,010,787	22,968,613
Debt service				
Principal	-	3,560,000	-	3,560,000
Interest and fees	-	3,064,278	-	3,064,278
Bond issuance costs	-	45,885	242,643	288,528
Total Expenditures	99,438,026	6,748,245	22,788,250	128,974,521
Excess of Revenues over (under) Expenditures	(34,977,849)	(6,203,472)	(19,132,602)	(60,313,923)
Other financing sources (uses)				
Issuance of debt	-	2,875,000	19,380,000	22,255,000
Transfers in	39,237,216	6,143,253	15,936,070	61,316,539
Transfers out	(3,270,687)	-	(10,725,036)	(13,995,723)
Bond discounts	-	(27,482)	(177,072)	(204,554)
Payment to refunding debt escrow agent	-	(2,801,633)	-	(2,801,633)
Total Other financing sources (uses)	35,966,529	6,189,138	24,413,962	66,569,629
Net change in fund balances	988,680	(14,334)	5,281,360	6,255,706
Fund Balances, beginning of year	20,665,266	7,680,784	35,485,217	63,831,267
Fund Balances, end of year	\$ 21,653,946	\$ 7,666,450	\$ 40,766,577	\$ 70,086,973

MACOMB COUNTY, MICHIGAN
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2005

	<u>Child Care (1)</u>	<u>COMET</u>	<u>Community Services Agency (1)</u>	<u>Emergency Management Grants</u>	<u>Friend of the Court (1)</u>
Assets					
Cash and pooled investments	\$ 2,467,183	\$ 992,566	\$ 1,496,704	\$ -	\$ -
Accounts receivable, net	-	-	-	-	-
Due from other governments	42,462	-	230,371	918,043	874,084
Advances to other funds	-	-	-	-	-
Other assets	30,841	18,747	1,759	50,370	-
Total Assets	<u>\$ 2,540,486</u>	<u>\$ 1,011,313</u>	<u>\$ 1,728,834</u>	<u>\$ 968,413</u>	<u>\$ 874,084</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 690,397	\$ 35,550	\$ -	\$ 58,990	\$ -
Accrued compensation and benefits	-	-	39,759	-	-
Due to other governments	-	-	166	-	-
Due to governmental funds	-	-	-	909,423	65,637
Deferred revenue	-	-	-	-	727,686
Total Liabilities	<u>690,397</u>	<u>35,550</u>	<u>39,925</u>	<u>968,413</u>	<u>793,323</u>
Fund Balances					
Reserved					
Advances to other funds	-	-	-	-	-
Long-term receivables	-	-	-	-	-
Capital projects	-	-	-	-	-
Unreserved					
Designated					
Programs	-	975,763	-	-	-
Undesignated	1,850,089	-	1,688,909	-	80,761
Total Fund Balances	<u>1,850,089</u>	<u>975,763</u>	<u>1,688,909</u>	<u>-</u>	<u>80,761</u>
Total Liabilities and Fund Balances	<u>\$ 2,540,486</u>	<u>\$ 1,011,313</u>	<u>\$ 1,728,834</u>	<u>\$ 968,413</u>	<u>\$ 874,084</u>

(1) - Balance sheet as of September 30, 2005

MACOMB COUNTY, MICHIGAN
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
December 31, 2005

	<u>Health Department</u>	<u>Health Grants (1)</u>	<u>County Library</u>	<u>Macomb/St. Clair Employment and Training</u>	<u>MSU Extension</u>
Assets					
Cash and pooled investments	\$ 2,836,494	\$ 212,751	\$ 521,190	\$ 82,380	\$ 210,647
Accounts receivable, net	282,908	-	11,691	-	5,678
Due from other governments	578,929	20,035	-	-	3,495
Advances to other funds	-	-	30,000	-	-
Other assets	-	109	-	-	-
Total Assets	\$ 3,698,331	\$ 232,895	\$ 562,881	\$ 82,380	\$ 219,820
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 1,064,688	\$ 24,210	\$ 101,884	\$ 78,246	\$ 959
Accrued compensation and benefits	149,305	19,740	22,234	4,134	695
Due to other governments	95,757	145,737	-	-	-
Due to governmental funds	-	-	-	-	-
Deferred revenue	38,250	-	-	-	3,507
Total Liabilities	1,348,000	189,687	124,118	82,380	5,161
Fund Balances					
Reserved					
Advances to other funds	-	-	30,000	-	-
Long-term receivables	-	-	-	-	-
Capital projects	-	-	-	-	-
Unreserved					
Designated					
Programs	541,056	43,208	58,551	-	214,659
Undesignated	1,809,275	-	350,212	-	-
Total Fund Balances	2,350,331	43,208	438,763	-	214,659
Total Liabilities and Fund Balances	\$ 3,698,331	\$ 232,895	\$ 562,881	\$ 82,380	\$ 219,820

(1) - Balance sheet as of September 30, 2005

MACOMB COUNTY, MICHIGAN
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
December 31, 2005

	MSU Extension (1)	Prosecuting Attorney Grants	Prosecuting Attorney Grants (1)	Senior Citizens Services
Assets				
Cash and pooled investments	\$ 450,833	\$ 48,111	\$ 109,468	\$ 28,756
Accounts receivable, net	28	-	-	10,764
Due from other governments	-	-	82,246	11,400
Advances to other funds	-	-	-	-
Other assets	-	-	-	-
Total Assets	\$ 450,861	\$ 48,111	\$ 191,714	\$ 50,920
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 12,371	\$ 26,278	\$ -	\$ 6,655
Accrued compensation and benefits	7,347	2,406	-	8,059
Due to other governments	426	-	-	-
Due to governmental funds	-	-	-	-
Deferred revenue	-	-	-	-
Total Liabilities	20,144	28,684	-	14,714
Fund Balances				
Reserved				
Advances to other funds	-	-	-	-
Long-term receivables	-	-	-	-
Capital projects	-	-	-	-
Unreserved				
Designated				
Programs	430,717	11,712	191,714	32,458
Undesignated	-	7,715	-	3,748
Total Fund Balances	430,717	19,427	191,714	36,206
Total Liabilities and Fund Balances	\$ 450,861	\$ 48,111	\$ 191,714	\$ 50,920

(1) - Balance sheet as of September 30, 2005

MACOMB COUNTY, MICHIGAN
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
December 31, 2005

	<u>Senior Citizens Services (1)</u>	<u>Sheriff Grants</u>	<u>Sheriff Grants (1)</u>	<u>Social Welfare</u>
Assets				
Cash and pooled investments	\$ -	\$ 626,062	\$ 43,486	\$ -
Accounts receivable, net	-	26,106	-	2,312,364
Due from other governments	2,746	126,520	144,884	126,512
Advances to other funds	-	-	-	-
Other assets	-	-	-	-
Total Assets	<u>\$ 2,746</u>	<u>\$ 778,688</u>	<u>\$ 188,370</u>	<u>\$ 2,438,876</u>
 Liabilities and Fund Balances				
Liabilities				
Accounts payable	-	\$ 12,623	\$ 181,344	\$ 371,146
Accrued compensation and benefits	-	2,500	-	-
Due to other governments	-	-	-	201,000
Due to governmental funds	2,251	-	-	1,742,965
Deferred revenue	-	-	-	26,283
Total Liabilities	<u>2,251</u>	<u>15,123</u>	<u>181,344</u>	<u>2,341,394</u>
Fund Balances				
Reserved				
Advances to other funds	-	-	-	-
Long-term receivables	-	-	-	-
Capital projects	-	-	-	-
Unreserved				
Designated				
Programs	495	763,565	7,026	-
Undesignated	-	-	-	97,482
Total Fund Balances	<u>495</u>	<u>763,565</u>	<u>7,026</u>	<u>97,482</u>
Total Liabilities and Fund Balances	<u>\$ 2,746</u>	<u>\$ 778,688</u>	<u>\$ 188,370</u>	<u>\$ 2,438,876</u>

(1) - Balance sheet as of September 30, 2005

MACOMB COUNTY, MICHIGAN
Combining Balance Sheet
Nonmajor Special Revenue Funds (concluded)
December 31, 2006

	Urban County Block Grant	Veterans' Trust Fund (1)	Other Special Revenue	Total Special Revenue
Assets				
Cash and pooled investments	\$ 1,449,220	\$ 1,809	\$ 3,734,425	\$ 15,312,085
Accounts receivable, net	6,854,706	-	17,753	9,521,998
Due from other governments	55,480	-	537,645	3,754,852
Advances to other funds	-	-	-	30,000
Other assets	36	-	-	101,862
Total Assets	\$ 8,359,442	\$ 1,809	\$ 4,289,823	\$ 28,720,797
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 19,138	\$ -	\$ 165,325	\$ 2,849,804
Accrued compensation and benefits	842	-	938	257,959
Due to other governments	-	-	-	443,086
Due to governmental funds	-	-	-	2,720,276
Deferred revenue	-	-	-	795,726
Total Liabilities	19,980	-	166,263	7,066,851
Fund Balances				
Reserved				
Advances to other funds	-	-	-	30,000
Long-term receivables	6,854,606	-	-	6,854,606
Capital projects	1,265,910	-	3,975,282	5,241,192
Unreserved				
Designated				
Programs	-	1,809	-	3,272,733
Undesignated	218,946	-	148,278	6,255,415
Total Fund Balances	8,339,462	1,809	4,123,560	21,653,946
Total Liabilities and Fund Balances	\$ 8,359,442	\$ 1,809	\$ 4,289,823	\$ 28,720,797

(1) - Balance sheet as of September 30, 2005

MACOMB COUNTY, MICHIGAN
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Special Revenue Funds
Year Ended December 31, 2005

	Child Care (1)	COMET	Community Services Agency (1)	Emergency Management Grants	Friend of the Court (1)
Revenues					
Licenses and permits	\$ -	\$ -	\$ 104,280	\$ -	\$ -
Federal & State grants	8,840,668	171,055	10,572,805	1,538,463	6,221,633
Other grants	-	-	-	-	-
Charges for services	1,120,281	-	2,625,116	-	606,550
Investment income	-	33,767	-	-	1,743
Fines and forfeitures	-	378,337	-	-	-
Other revenue	5,343	5,407	159,580	-	1,414
Total Revenues	9,966,292	588,566	13,461,781	1,538,463	6,831,340
Expenditures					
Current					
Judicial	-	-	-	-	9,292,218
General government	-	-	-	-	-
Public safety	-	939,449	-	1,538,463	-
Public works	-	-	-	-	-
Health and welfare	23,380,538	-	14,128,126	-	-
Recreation and cultural	-	-	-	-	-
Capital outlay	13,970	14,918	188,980	-	11,269
Total Expenditures	23,394,508	954,367	14,317,106	1,538,463	9,303,487
Excess of Revenues over (under) Expenditures	(13,428,216)	(365,801)	(855,325)	-	(2,472,147)
Other financing sources (uses)					
Transfers in	13,428,216	-	875,245	-	5,472,147
Transfers out	-	-	-	-	(3,000,000)
Total Other financing sources (uses)	13,428,216	-	875,245	-	2,472,147
Net change in fund balances	-	(365,801)	19,920	-	-
Fund Balances, beginning of year	1,850,089	1,341,564	1,668,989	-	80,761
Fund Balances, end of year	\$ 1,850,089	\$ 975,763	\$ 1,688,909	\$ -	\$ 80,761

(1) - Year ended September 30, 2005

MACOMB COUNTY, MICHIGAN
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Special Revenue Funds (continued)
Year Ended December 31, 2005

	Health Department	Health Grants (1)	County Library	Employment and Training	MSU Extension
Revenues					
Licenses and permits	\$ 707,200	\$ -	\$ -	\$ -	\$ -
Federal & State grants	6,051,759	2,604,454	58,600	-	6,745
Other grants	-	-	-	-	22,501
Charges for services	1,688,232	357,503	257,476	3,250,742	49,816
Investment income	-	-	-	-	-
Fines and forfeitures	-	-	52,929	-	-
Other revenue	55,711	-	-	-	-
Total Revenues	8,502,902	2,961,957	369,005	3,250,742	79,062
Expenditures					
Current					
Judicial	-	-	-	-	-
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Health and welfare	20,963,560	3,080,379	-	3,250,742	112,395
Recreation and cultural	-	-	2,903,999	-	-
Capital outlay	240,325	398,500	1,157	-	281
Total Expenditures	21,203,885	3,478,879	2,905,156	3,250,742	112,676
Excess of Revenues over (under) Expenditures	(12,700,983)	(516,922)	(2,536,151)	-	(33,614)
Other financing sources (uses)					
Transfers in	12,595,893	366,924	2,530,128	-	25,354
Transfers out	-	-	-	-	(71,209)
Total Other financing sources (uses)	12,595,893	366,924	2,530,128	-	(45,855)
Net change in fund balances	(105,090)	(149,998)	(6,023)	-	(79,469)
Fund Balances, beginning of year	2,455,421	193,206	444,786	-	294,128
Fund Balances, end of year	\$ 2,350,331	\$ 43,208	\$ 438,763	\$ -	\$ 214,659

(1) - Year ended September 30, 2005

MACOMB COUNTY, MICHIGAN
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Special Revenue Funds (continued)
Year Ended December 31, 2005

	MSU Extension (1)	Prosecuting Attorney Grants	Prosecuting Attorney Grants (1)	Senior Citizens Services
Revenues				
Licenses and permits	\$ -	\$ -	\$ -	\$ -
Federal & State grants	563,822	88,512	1,092,601	138,270
Other grants	-	-	-	-
Charges for services	205,682	-	62	280,127
Investment income	-	-	1,419	-
Fines and forfeitures	-	-	103,083	-
Other revenue	-	-	-	-
Total Revenues	769,504	88,512	1,197,165	418,397
Expenditures				
Current				
Judicial	-	130,642	1,815,974	-
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	732,876	-	-	2,036,831
Recreation and cultural	-	-	-	-
Capital outlay	7,208	-	-	2,055
Total Expenditures	740,084	130,642	1,815,974	2,038,886
Excess of Revenues over (under) Expenditures	29,420	(42,130)	(618,809)	(1,620,489)
Other financing sources (uses)				
Transfers in	95,485	43,855	558,418	1,630,066
Transfers out	(24,630)	-	(35,790)	-
Total Other financing sources (uses)	70,855	43,855	522,628	1,630,066
Net change in fund balances	100,275	1,725	(96,181)	9,577
Fund Balances, beginning of year	330,442	17,702	287,895	26,629
Fund Balances, end of year	\$ 430,717	\$ 19,427	\$ 191,714	\$ 36,206

(1) - Year ended September 30, 2005

MACOMB COUNTY, MICHIGAN
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Special Revenue Funds (continued)
Year Ended December 31, 2005

	Senior Citizens Services (1)	Sheriff Grants	Sheriff Grants (1)	Social Welfare
Revenues				
Licenses and permits	\$ -	\$ -	\$ -	\$ -
Federal & State grants	52,543	846,013	2,905,771	1,347,579
Other grants	-	89,687	175,183	-
Charges for services	-	160,528	159,670	248,339
Investment income	-	-	-	-
Fines and forfeitures	-	202,240	-	-
Other revenue	-	-	-	-
Total Revenues	52,543	1,298,468	3,240,624	1,595,918
Expenditures				
Current				
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	-	1,028,406	3,939,684	-
Public works	-	-	-	-
Health and welfare	60,386	-	-	1,625,908
Recreation and cultural	-	-	-	-
Capital outlay	-	13,078	62,028	-
Total Expenditures	60,386	1,041,484	4,001,712	1,625,908
Excess of Revenues over (under) Expenditures	(7,843)	256,984	(761,088)	(29,990)
Other financing sources (uses)				
Transfers in	8,338	168,336	591,869	29,990
Transfers out	-	-	-	-
Total Other financing sources (uses)	8,338	168,336	591,869	29,990
Net change in fund balances	495	425,320	(169,219)	-
Fund Balances, beginning of year	-	338,245	176,245	97,482
Fund Balances, end of year	\$ 495	\$ 763,565	\$ 7,026	\$ 97,482

(1) - Year ended September 30, 2005

MACOMB COUNTY, MICHIGAN
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Special Revenue Funds (concluded)
Year Ended December 31, 2005

	Urban County Block Grant	Veterans' Trust Fund (1)	Other Special Revenue	Total Special Revenue
Revenues				
Licenses and permits	\$ -	\$ -	\$ -	\$ 811,480
Federal & State grants	3,731,727	63,128	2,372,162	49,268,310
Other grants	-	-	-	287,371
Charges for services	593,605	-	1,214,545	12,818,274
Investment income	-	-	138,415	175,344
Fines and forfeitures	-	-	8,500	745,089
Other revenue	22,029	-	104,825	354,309
Total Revenues	4,347,361	63,128	3,838,447	64,460,177
Expenditures				
Current				
Judicial	-	-	1,351,144	12,589,978
General government	-	-	1,298,738	1,298,738
Public safety	-	-	744,899	8,190,901
Public works	340,943	-	-	340,943
Health and welfare	3,563,374	62,997	157,529	73,155,641
Recreation and cultural	-	-	-	2,903,999
Capital outlay	-	-	4,057	957,826
Total Expenditures	3,904,317	62,997	3,556,367	99,438,026
Excess of Revenues over (under) Expenditures	443,044	131	282,080	(34,977,849)
Other financing sources (uses)				
Transfers in	202,169	-	614,783	39,237,216
Transfers out	(196)	-	(138,862)	(3,270,687)
Total Other financing sources (uses)	201,973	-	475,921	35,966,529
Net change in fund balances	645,017	131	758,001	988,680
Fund Balances, beginning of year	7,694,445	1,678	3,365,559	20,665,266
Fund Balances, end of year	\$ 8,339,462	\$ 1,809	\$ 4,123,560	\$ 21,653,946

(1) - Year ended September 30, 2005

MACOMB COUNTY, MICHIGAN
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Child Care Fund
Year Ended September 30, 2005

	Final Budget	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
Revenues			
Federal & State grants	\$ 7,335,000	\$ 8,840,668	\$ 1,505,668
Charges for services	1,220,000	1,120,281	(99,719)
Other revenue	150	5,343	5,193
Total Revenues	<u>8,555,150</u>	<u>9,966,292</u>	<u>1,411,142</u>
Expenditures			
Salaries and fringe benefits	7,978,978	7,275,358	703,620
Operating	17,125,793	16,105,180	1,020,613
Capitla Outlay	16,300	13,970	2,330
Total Expenditures	<u>25,121,071</u>	<u>23,394,508</u>	<u>1,726,563</u>
Excess of Revenues over (under) Expenditures	<u>(16,565,921)</u>	<u>(13,428,216)</u>	<u>3,137,705</u>
Other financing sources (uses)			
Transfers in	16,565,921	13,428,216	(3,137,705)
Total Other financing sources (uses)	<u>16,565,921</u>	<u>13,428,216</u>	<u>(3,137,705)</u>
Net change in fund balances	-	-	-
Fund Balances, beginning of year	1,850,089	1,850,089	-
Fund Balances, end of year	<u>\$ 1,850,089</u>	<u>\$ 1,850,089</u>	<u>\$ -</u>

MACOMB COUNTY, MICHIGAN
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Community Services Agency
Year Ended September 30, 2005

	Final Budget	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
Revenues			
Licenses and permits	\$ 104,280	\$ 104,280	\$ -
Federal & State grants	10,363,977	10,572,805	208,828
Charges for services	2,741,920	2,625,116	(116,804)
Investment income	500	-	(500)
Other revenue	323,767	159,580	(164,187)
Total Revenues	13,534,444	13,461,781	(72,663)
Expenditures			
Salaries and fringe benefits	7,056,768	6,871,609	185,159
Operating	7,518,064	7,256,517	261,547
Capital outlay	198,380	188,980	9,400
Total Expenditures	14,773,212	14,317,106	456,106
Excess of Revenues over (under) Expenditures	(1,238,768)	(855,325)	383,443
Other financing sources (uses)			
Transfers in	1,264,957	875,245	(389,712)
Transfers out	(26,189)	-	26,189
Total Other financing sources (uses)	1,238,768	875,245	(363,523)
Net change in fund balances	-	19,920	19,920
Fund Balances, beginning of year	1,668,989	1,668,989	-
Fund Balances, end of year	\$ 1,668,989	\$ 1,688,909	\$ 19,920

MACOMB COUNTY, MICHIGAN
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Friend of the Court
Year Ended September 30, 2005

	Final Budget	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
Revenues			
Federal & State grants	\$ 6,671,216	\$ 6,221,633	\$ (449,583)
Charges for services	280,000	606,550	326,550
Investment income	-	1,743	1,743
Other revenue	-	1,414	1,414
Total Revenues	6,951,216	6,831,340	(119,876)
Expenditures			
Salaries and fringe benefits	8,042,160	7,236,279	805,881
Operating	2,943,610	2,055,939	887,671
Capital Outlay	24,000	11,269	12,731
Total Expenditures	11,009,770	9,303,487	1,706,283
Excess of Revenues over (under) Expenditures	(4,058,554)	(2,472,147)	1,586,407
Other financing sources (uses)			
Transfers in	7,058,554	5,472,147	(1,586,407)
Transfers out	(3,000,000)	(3,000,000)	-
Total Other financing sources (uses)	4,058,554	2,472,147	(1,586,407)
Net change in fund balances	-	-	-
Fund Balances, beginning of year	80,761	80,761	-
Fund Balances, end of year	\$ 80,761	\$ 80,761	\$ -

MACOMB COUNTY, MICHIGAN
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Health Department
Year Ended December 31, 2005

	Final Budget	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
Revenues			
Licenses and permits	638,751	\$ 707,200	\$ 68,449
Federal & State grants	7,090,690	6,051,759	(1,038,931)
Charges for services	1,223,960	1,688,232	464,272
Other revenue	133,507	55,711	(77,796)
Total Revenues	9,086,908	8,502,902	(584,006)
Expenditures			
Salaries and fringe benefits	13,839,504	12,269,074	1,570,430
Operating	10,284,545	8,694,486	1,590,059
Capital outlay	277,090	240,325	36,765
Total Expenditures	24,401,139	21,203,885	3,197,254
Excess of Revenues over (under) Expenditures	(15,314,231)	(12,700,983)	2,613,248
Other financing sources (uses)			
Transfers in	15,314,231	12,595,893	(2,718,338)
Total Other financing sources (uses)	15,314,231	12,595,893	(2,718,338)
Net change in fund balances	-	(105,090)	(105,090)
Fund Balances, beginning of year	2,455,421	2,455,421	-
Fund Balances, end of year	\$ 2,455,421	\$ 2,350,331	\$ (105,090)

MACOMB COUNTY, MICHIGAN
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
County Library
Year Ended December 31, 2005

	Final Budget	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
Revenues			
Federal & State grants	\$ 70,103	\$ 58,600	\$ (11,503)
Charges for services	433,242	257,476	(175,766)
Fines and forfeitures	50,500	52,929	2,429
Other revenue	8,339	-	(8,339)
Total Revenues	<u>562,184</u>	<u>369,005</u>	<u>(193,179)</u>
Expenditures			
Salaries and fringe benefits	2,987,244	2,182,363	804,881
Operating	802,979	721,636	81,343
Capital Outlay	1,157	1,157	-
Total Expenditures	<u>3,791,380</u>	<u>2,905,156</u>	<u>886,224</u>
Excess of Revenues over (under) Expenditures	<u>(3,229,196)</u>	<u>(2,536,151)</u>	<u>693,045</u>
Other financing sources (uses)			
Transfers in	3,229,196	2,530,128	(699,068)
Total Other financing sources (uses)	<u>3,229,196</u>	<u>2,530,128</u>	<u>(699,068)</u>
Net change in fund balances	-	(6,023)	(6,023)
Fund Balances, beginning of year	<u>444,786</u>	<u>444,786</u>	<u>-</u>
Fund Balances, end of year	<u>\$ 444,786</u>	<u>\$ 438,763</u>	<u>\$ (6,023)</u>

MACOMB COUNTY, MICHIGAN
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Senior Citizens Services
Year Ended December 31, 2005

	Final Budget	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
Revenues			
Federal & State grants	\$ 141,198	\$ 138,270	\$ (2,928)
Charges for services	289,067	280,127	(8,940)
Other revenue	-	-	-
Total Revenues	430,265	418,397	(11,868)
Expenditures			
Salaries and fringe benefits	1,798,225	1,679,009	119,216
Operating	396,437	357,822	38,615
Capital outlay	6,568	2,055	4,513
Total Expenditures	2,201,230	2,038,886	162,344
Excess of Revenues over (under) Expenditures	(1,770,965)	(1,620,489)	150,476
Other financing sources (uses)			
Transfers in	1,770,965	1,630,066	(140,899)
Total Other financing sources (uses)	1,770,965	1,630,066	(140,899)
Net change in fund balances	-	9,577	9,577
Fund Balances, beginning of year	26,629	26,629	-
Fund Balances, end of year	\$ 26,629	\$ 36,206	\$ 9,577

MACOMB COUNTY, MICHIGAN
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Senior Citizens Services
Year Ended September 30, 2005

	Final Budget	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
Revenues			
Federal & State grants	\$ 53,232	\$ 52,543	\$ (689)
Total Revenues	<u>53,232</u>	<u>52,543</u>	<u>(689)</u>
Expenditures			
Salaries and fringe benefits	53,514	50,896	2,618
Operating	<u>9,718</u>	<u>9,490</u>	<u>228</u>
Total Expenditures	<u>63,232</u>	<u>60,386</u>	<u>2,846</u>
Excess of Revenues over (under) Expenditures	<u>(10,000)</u>	<u>(7,843)</u>	<u>2,157</u>
Other financing sources (uses)			
Transfers in	<u>10,000</u>	<u>8,338</u>	<u>(1,662)</u>
Total Other financing sources (uses)	<u>10,000</u>	<u>8,338</u>	<u>(1,662)</u>
Net change in fund balances	-	495	495
Fund Balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, end of year	<u>\$ -</u>	<u>\$ 495</u>	<u>\$ 495</u>

MACOMB COUNTY, MICHIGAN
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Social Welfare Fund
Year Ended December 31, 20015

	Final Budget	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
Revenues			
Federal & State grants	\$ 1,500,000	\$ 1,347,579	\$ (152,421)
Charges for services	400,000	248,339	(151,661)
Total Revenues	<u>1,900,000</u>	<u>1,595,918</u>	<u>(304,082)</u>
Expenditures			
Operating	<u>3,827,972</u>	<u>1,625,908</u>	<u>2,202,064</u>
Total Expenditures	<u>3,827,972</u>	<u>1,625,908</u>	<u>2,202,064</u>
Excess of Revenues over (under) Expenditures	<u>(1,927,972)</u>	<u>(29,990)</u>	<u>1,897,982</u>
Other financing sources (uses)			
Transfers in	<u>1,927,972</u>	<u>29,990</u>	<u>(1,897,982)</u>
Total Other financing sources (uses)	<u>1,927,972</u>	<u>29,990</u>	<u>(1,897,982)</u>
Net change in fund balances	-	-	-
Fund Balances, beginning of year	<u>97,482</u>	<u>97,482</u>	-
Fund Balances, end of year	<u><u>\$ 97,482</u></u>	<u><u>\$ 97,482</u></u>	<u><u>\$ -</u></u>

MACOMB COUNTY, MICHIGAN

December 31, 2005

Capital Projects Funds

These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The related capital assets are included in the General Fixed Asset Account Group and are financed by County funds or state grants. Separate funds are used for major capital projects and include:

Bridge Program	To account for the activities related to the renovation and repair of certain bridge structures in the County.
Clemens Center	To account for the acquisition and renovation of the Clemens Center complex.
District Court Building	To account for the construction of a court facility in the City of New Baltimore.
E-911 Radio System	To account for the construction of a high frequency emergency communications system.
Martha T. Berry Renovation	To account for the renovation of the Martha T. Berry Medical Care Facility.
Public Works Building	To account for the construction of the new Public Works facility.
Verkuilen Building Renovation	To account for the renovation of the Verkuilen Building.
Warehouse	To account for the purchase of a warehouse facility.
Youth Home Renovation	To account for the renovation of the County Youth Home.
General County Capital Projects Funds	These funds are used to account for various construction and equipment replacement activities.

MACOMB COUNTY, MICHIGAN
Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2005

	<u>Bridge Program</u>	<u>Clemens Center</u>	<u>District Court Building</u>	<u>E-911 Radio System</u>
Assets				
Cash and pooled investments	\$ 8,777,064	\$ 35,444	5,771,880	\$ 5,591,099
Accrued interest receivable	93,696		-	-
Accounts receivable, net	4,756	-	-	-
Due from other governments	-	-	-	-
Other assets	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 8,875,516</u>	<u>\$ 35,444</u>	<u>\$ 5,771,880</u>	<u>\$ 5,591,099</u>
 Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 79,946		-	\$ 690,396
Accrued liabilities	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>79,946</u>	<u>-</u>	<u>-</u>	<u>690,396</u>
 Fund Balances				
Reserved				
Capital projects	8,795,570	35,444	5,771,880	4,900,703
Unreserved				
Designated - Capital projects	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>8,795,570</u>	<u>35,444</u>	<u>5,771,880</u>	<u>4,900,703</u>
Total Liabilities and Fund Balances	<u>\$ 8,875,516</u>	<u>\$ 35,444</u>	<u>\$ 5,771,880</u>	<u>\$ 5,591,099</u>

MACOMB COUNTY, MICHIGAN
Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2005

	Martha T Berry Renovation	Public Works Building	Verkuilen Bldg Renovation	Warehouse
Assets				
Cash and pooled investments	\$ 2,431,336	\$ 3,092,211	\$ 36,108	\$ 19,380
Accrued interest receivable	-	-	-	-
Accounts receivable, less allowance for	-	-	-	-
Due from other governments	-	-	-	-
Other assets	-	-	-	-
Total Assets	\$ 2,431,336	\$ 3,092,211	\$ 36,108	\$ 19,380
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 543,126	\$ 26,756	\$ -	\$ 19,380
Accrued liabilities	370,881	135,053	-	-
Total Liabilities	914,007	161,809	-	19,380
Fund Balances				
Reserved				
Capital projects	1,517,329	2,930,402	36,108	-
Unreserved				
Designated - Capital projects	-	-	-	-
Total Fund Balances	1,517,329	2,930,402	36,108	-
Total Liabilities and Fund Balances	\$ 2,431,336	\$ 3,092,211	\$ 36,108	\$ 19,380

MACOMB COUNTY, MICHIGAN
Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2005

	<u>Youth Home Renovation</u>	<u>General County Capital Projects</u>	<u>Totals</u>
Assets			
Cash and pooled investments	\$ 1,241,746	\$ 15,734,376	\$ 42,730,644
Accrued interest receivable	-	-	93,696
Accounts receivable, net	-	413,753	418,509
Due from other governments	-	51,148	51,148
Other assets	-	2,433	2,433
Total Assets	<u><u>\$ 1,241,746</u></u>	<u><u>\$ 16,201,710</u></u>	<u><u>\$ 43,296,430</u></u>
 Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 89,736	\$ 455,007	\$ 1,904,347
Accrued liabilities	100,000	19,572	625,506
Total Liabilities	<u>189,736</u>	<u>474,579</u>	<u>2,529,853</u>
Fund Balances			
Reserved			
Capital projects	1,052,010	-	25,039,446
Unreserved			
Designated - Capital projects	-	15,727,131	15,727,131
Total Fund Balances	<u>1,052,010</u>	<u>15,727,131</u>	<u>40,766,577</u>
Total Liabilities and Fund Balances	<u><u>\$ 1,241,746</u></u>	<u><u>\$ 16,201,710</u></u>	<u><u>\$ 43,296,430</u></u>

MACOMB COUNTY, MICHIGAN
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Capital Projects Funds
Year Ended December 31, 2005

	Bridge Program	Clemens Center	District Court Building	E-911 Radio System
Revenues				
Federal & State grants	\$ -	\$ -	\$ -	\$ -
Charges for services	4,756	-	-	-
Investment income	294,199	-	-	21,993
Other revenue	-	-	-	-
Total Revenues	298,955	-	-	21,993
Expenditures				
Current				
Public works	498,273	-	-	-
Bond issue costs	-	-	72,793	169,850
Capital outlay	-	117,002	-	7,055,957
Total Expenditures	498,273	117,002	72,793	7,225,807
Excess of Revenues over (under) Expenditures	(199,318)	(117,002)	(72,793)	(7,203,814)
Other financing sources (uses)				
Issuance of debt	-	-	5,825,000	13,555,000
Transfers in	-	52,000	72,795	366,951
Transfers out	-	-	-	(1,693,484)
Bond discounts	-	-	(53,122)	(123,950)
Total Other financing sources (uses)	-	52,000	5,844,673	12,104,517
Net change in fund balances	(199,318)	(65,002)	5,771,880	4,900,703
Fund Balances, beginning of year	8,994,888	100,446	-	-
Fund Balances, end of year	\$ 8,795,570	\$ 35,444	\$ 5,771,880	\$ 4,900,703

MACOMB COUNTY, MICHIGAN
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Debt Service Funds
Year Ended December 31, 2005

	Martha T Berry Renovation	Public Works Building	Verkuilen Bldg Renovation	Warehouse
Revenues				
Federal & State grants	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Investment income	83,758	99,283	-	270
Other revenue	-	-	-	-
Total Revenues	83,758	99,283	-	270
Expenditures				
Current				
Public works	-	-	-	36,547
Bond issue costs	-	-	-	-
Capital outlay	3,556,554	1,408,868	-	86,192
Total Expenditures	3,556,554	1,408,868	-	122,739
Excess of Revenues over (under) Expenditures	(3,472,796)	(1,309,585)	-	(122,469)
Other financing sources (uses)				
Issuance of debt	-	-	-	-
Transfers in	2,097,899	-	-	122,469
Transfers out	-	-	-	-
Bond discounts	-	-	-	-
Total Other financing sources (uses)	2,097,899	-	-	122,469
Net change in fund balances	(1,374,897)	(1,309,585)	-	-
Fund Balances, beginning of year	2,892,226	4,239,987	36,108	-
Fund Balances, end of year	\$ 1,517,329	\$ 2,930,402	\$ 36,108	\$ -

MACOMB COUNTY, MICHIGAN
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Capital Projects Funds
Year Ended December 31, 2005

	<u>Youth Home Renovation</u>	<u>General County Capital Projects</u>	<u>Totals</u>
Revenues			
Federal & State grants	\$ -	\$ -	\$ -
Charges for services	-	2,712,300	2,717,056
Investment income	38,758	341,037	879,298
Other revenue	-	59,294	59,294
Total Revenues	<u>38,758</u>	<u>3,112,631</u>	<u>3,655,648</u>
Expenditures			
Current			
Public works	-	-	534,820
Bond issue costs	-	-	242,643
Capital outlay	714,306	9,071,908	22,010,787
Total Expenditures	<u>714,306</u>	<u>9,071,908</u>	<u>22,788,250</u>
Excess of Revenues over (under) Expenditures	<u>(675,548)</u>	<u>(5,959,277)</u>	<u>(19,132,602)</u>
Other financing sources (uses)			
Issuance of debt	-	-	19,380,000
Transfers in	-	13,223,956	15,936,070
Transfers out	-	(9,031,552)	(10,725,036)
Bond discounts	-	-	(177,072)
Total Other financing sources (uses)	<u>-</u>	<u>4,192,404</u>	<u>24,413,962</u>
Net change in fund balances	<u>(675,548)</u>	<u>(1,766,873)</u>	<u>5,281,360</u>
Fund Balances, beginning of year	<u>1,727,558</u>	<u>17,494,004</u>	<u>35,485,217</u>
Fund Balances, end of year	<u>\$ 1,052,010</u>	<u>\$ 15,727,131</u>	<u>\$ 40,766,577</u>

MACOMB COUNTY, MICHIGAN

December 31, 2005

Internal Service Funds

These funds are used to account for services rendered or materials supplied on a user charge basis to departments or other governments within the County. Funds in this group include:

Compensated Absences	To account for the costs of accumulated sick and annual leave pay.
Equipment Revolving	To account for the costs of operating and maintaining automotive and other equipment used by County departments.
General Liability Insurance	To account for the costs of self-insurance for general liability insurance.
Workers' Compensation Insurance	To account for the costs of self-insurance for workers' compensation insurance.

MACOMB COUNTY, MICHIGAN
Combining Statement of Net Assets
Internal Service Funds
December 31, 2005

	<u>Compensated Absences</u>	<u>Equipment Revolving</u>	<u>General Liability Insurance</u>	<u>Workers' Compensation</u>	<u>Totals</u>
ASSETS					
Current assets					
Cash and pooled investments	\$ 6,242,876	\$ 5,556,250	\$ 5,947,189	\$ 9,473,821	\$ 27,220,136
Trade accounts, net	-	77,047	-	-	77,047
Inventories	-	412,469	-	-	412,469
Due from other governments	-	322,241	-	-	322,241
Due from business-type units	-	-	-	-	-
Due from fiduciary funds	-	-	-	-	-
Other assets	-	115,994	152,589	80,620	349,203
Total current assets	<u>6,242,876</u>	<u>6,484,001</u>	<u>6,099,778</u>	<u>9,554,441</u>	<u>28,381,096</u>
Noncurrent assets					
Capital assets, net:					
Assets being depreciated	-	1,173,289	-	-	1,173,289
Total noncurrent assets	<u>-</u>	<u>1,173,289</u>	<u>-</u>	<u>-</u>	<u>1,173,289</u>
Total Assets	<u>6,242,876</u>	<u>7,657,290</u>	<u>6,099,778</u>	<u>9,554,441</u>	<u>29,554,385</u>
LIABILITIES					
Current liabilities					
Accounts payable	\$ -	\$ 620,098	\$ 146,515	\$ -	\$ 766,613
Accrued wages payable	-	1,393	-	-	1,393
Due to other governments	-	4,673	-	-	4,673
Compensated absences	1,000,000	-	-	-	1,000,000
Claims and judgements	-	-	850,000	800,000	1,650,000
Total current liabilities	<u>1,000,000</u>	<u>626,164</u>	<u>996,515</u>	<u>800,000</u>	<u>3,422,679</u>
Noncurrent liabilities					
Claims and judgements	-	-	1,833,890	990,146	2,824,036
Compensated absences	5,242,876	-	-	-	5,242,876
Advances from other funds	-	330,000	-	-	330,000
Total noncurrent liabilities	<u>5,242,876</u>	<u>330,000</u>	<u>1,833,890</u>	<u>990,146</u>	<u>8,396,912</u>
Total Liabilities	<u>6,242,876</u>	<u>956,164</u>	<u>2,830,405</u>	<u>1,790,146</u>	<u>11,819,591</u>
NET ASSETS					
Investment in capital assets, net of related debt	-	-	-	-	-
Unrestricted	-	6,701,126	3,269,373	7,764,295	17,734,794
Total Net Assets	<u>\$ -</u>	<u>\$ 6,701,126</u>	<u>\$ 3,269,373</u>	<u>\$ 7,764,295</u>	<u>\$ 17,734,794</u>

MACOMB COUNTY, MICHIGAN
Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
Year Ended December 31, 2005

	<u>Compensated Absences</u>	<u>Equipment Revolving</u>	<u>General Liability Insurance</u>	<u>Workers' Compensation</u>	<u>Totals</u>
Operating Revenues					
Charges for services	\$ 1,122,192	\$ 5,551,781	\$ 1,370,127	\$ 730,878	\$ 8,774,978
Operating Expenses					
Personal services	-	-	-	-	-
Utilities	-	-	-	-	-
Benefits and claims expenses	1,122,192	-	1,195,264	479,807	2,797,263
Supplies and services	-	5,746,093	-	-	5,746,093
Depreciation	-	459,172	-	-	459,172
Total operating expenses	<u>1,122,192</u>	<u>6,205,265</u>	<u>1,195,264</u>	<u>479,807</u>	<u>9,002,528</u>
Operating income	-	(653,484)	174,863	251,071	(227,550)
Transfers					
Transfers in	-	406,635	-	-	406,635
Net Operating Transfers	<u>-</u>	<u>406,635</u>	<u>-</u>	<u>-</u>	<u>406,635</u>
Increase (Decrease) in net assets	-	(246,849)	174,863	251,071	179,085
Net assets, beginning of year	<u>-</u>	<u>6,947,975</u>	<u>3,094,510</u>	<u>7,513,224</u>	<u>17,555,709</u>
Net assets, end of year	<u>\$ -</u>	<u>\$ 6,701,126</u>	<u>\$ 3,269,373</u>	<u>\$ 7,764,295</u>	<u>\$ 17,734,794</u>

MACOMB COUNTY, MICHIGAN
Combining Statement of Cash Flows - Internal Service Funds
Year Ended December 31, 2005

	Compensated Absences	Equipment Revolving	General Liability Insurance	Workers' Compensation	Totals
Cash Flows from Operating Activities					\$ 133,886
Cash received from customers	\$ -	\$ 133,886	\$ -		\$ 133,886
Cash received from interfund services	1,122,192	5,504,644	1,379,734	730,878	8,737,448
Cash payments to employees	(1,433,891)	1,284	-	-	(1,432,607)
Cash payments to suppliers	-	(5,730,479)	(2,121,456)	(681,672)	(8,533,607)
Net cash provided by Operating Activities	(311,699)	(90,665)	(741,722)	49,206	(1,094,880)
Cash Flows From Noncapital Financing Activities					406,635
Transfers in	-	406,635	-	-	406,635
Net cash provided by (used in) Noncapital Financing Activities	-	406,635	-	-	406,635
Cash Flows From Capital and Related Financing Activities					-
Proceeds from sale of capital assets	-	-	-	-	-
Acquisition of capital assets	-	(832,627)	-	-	(832,627)
Net Cash used in Capital and Related Financing Activities	-	(832,627)	-	-	(832,627)
Increase (decrease) in cash and short-term investments	(311,699)	(516,657)	(741,722)	49,206	(1,520,872)
Cash and cash equivalents, beginning of year	6,554,575	6,072,907	6,688,911	9,424,615	28,741,008
Cash and cash equivalents, end of year	<u>\$ 6,242,876</u>	<u>\$ 5,556,250</u>	<u>\$ 5,947,189</u>	<u>\$ 9,473,821</u>	<u>\$ 27,220,136</u>
Reconciliation of operating income to net cash provided (used) by operating activities					\$ (227,550)
Operating income (loss)	\$ -	\$ (653,484)	\$ 174,863	\$ 251,071	\$ (227,550)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation	-	459,172	-	-	459,172
Increase in accounts receivable	-	(52,495)	-	-	(52,495)
Increase in inventory	-	(72,876)	-	-	(72,876)
Increase in amounts due from other governments	-	(346)	-	-	(346)
Decrease in amounts due from other funds	-	98,481	9,607	-	108,088
Decrease (Increase) in other assets	-	41,109	(43)	45,476	86,542
Increase (decrease) in accounts payable	-	88,490	6,759	(38,612)	56,637
Decrease (increase) in accrued employee benefits	(311,699)	1,284	-	-	(310,415)
Decrease in accrued claims and judgements	-	-	(932,908)	(208,729)	(1,141,637)
Net cash provided by Operating Activities	<u>\$ (311,699)</u>	<u>\$ (90,665)</u>	<u>\$ (741,722)</u>	<u>\$ 49,206</u>	<u>\$ (1,094,880)</u>

MACOMB COUNTY, MICHIGAN

December 31, 2005

Fiduciary Funds

These funds are used to account for money and property received from individuals and other parties by the County as trustee, custodian or agent for those parties. Funds in this group include:

Pension Trust Fund

To account for the accumulation of resources to be used for retirement payments. Resources are contributed by employees at rates fixed by union contract and by the County at amounts determined by annual actuarial valuations.

Retiree Health Care Trust Fund

To account for expenditures related to providing health care benefits to County retirees.

Trust and Agency

To account for the collection and subsequent payment of property taxes to other funds and various governmental units located within the County. This fund also accounts for deposits associated with judicial proceedings.

Payroll and Benefits

To account for the transfer of money from other funds to be used for the payment of payroll and employee benefits.

Other

To account for money received from individuals or other miscellaneous parties for which the County acts as an agent.

MACOMB COUNTY, MICHIGAN
Combining Statement of Fiduciary Net Assets
Pension and Other Employee Benefit Trust Funds Funds
December 31, 2005

	<u>Employees'</u> <u>Retirement Fund</u>	<u>Retiree Health</u> <u>Care Fund</u>	<u>Total</u>
ASSETS			
Cash and pooled investments	\$ 28,167,056	\$ -	\$ 28,167,056
Receivables			
Accrued interest	986,964	293,035	1,279,999
Other	1,161,782	-	1,161,782
	<u>2,148,746</u>	<u>293,035</u>	<u>2,441,781</u>
Total receivables			
Investments, at fair value			
US Government obligations	20,664,485	-	20,664,485
Corporate Bonds	45,948,746	-	45,948,746
Preferred Stock	36,863,843	-	36,863,843
Common Stock	301,836,417	13,548,618	315,385,035
Foreign Stock	107,979,950	14,094,844	122,074,794
Limited partnerships	18,124,324	-	18,124,324
Mutual funds	186,584,214	64,693,027	251,277,241
	<u>718,001,979</u>	<u>92,336,489</u>	<u>810,338,468</u>
Total investments			
Securities lending collateral	36,706,226	-	36,706,226
Due from fiduciary funds	463,086	-	463,086
	<u>37,169,312</u>	<u>-</u>	<u>37,169,312</u>
Total Assets	<u>785,487,093</u>	<u>92,629,524</u>	<u>878,116,617</u>
LIABILITIES			
Accounts payable	187,410	61,691	249,101
Due to governmental funds	-	1,968,655	1,968,655
Due to fiduciary funds	904,270	871,590	1,775,860
Obligations under securities lending	36,706,226	-	36,706,226
	<u>37,797,906</u>	<u>2,901,936</u>	<u>40,699,842</u>
Total Liabilities			
NET ASSETS			
Net assets held in trust for pension and other postemployment benefits	<u>\$ 747,689,187</u>	<u>\$ 89,727,588</u>	<u>\$ 837,416,775</u>

MACOMB COUNTY, MICHIGAN
Combining Statement of Changes In Fiduciary Net Assets
Pension and Other Employee Benefit Trust Funds Funds
Year Ended December 31, 2005

	<u>Employees'</u> <u>Retirement Fund</u>	<u>Retiree Health</u> <u>Care Fund</u>	<u>Total</u>
ADDITIONS			
Contributions			
Employer	\$ 14,854,000	\$ 8,814,855	\$ 23,668,855
Employee	5,399,279	567,112	5,966,391
	<hr/>	<hr/>	<hr/>
Total contributions	20,253,279	9,381,967	29,635,246
	<hr/>	<hr/>	<hr/>
Investment income			
Net appreciation in fair value of assets	51,038,631	488,620	51,527,251
Interest	4,159,772	1,925	4,161,697
Dividends	7,868,661	5,442,558	13,311,219
Securities lending	201,833	-	201,833
	<hr/>	<hr/>	<hr/>
	63,268,897	5,933,103	69,202,000
Less investment expenses			
Management and custodial fees	2,441,450	-	2,441,450
Securities lending agent fees	79,618	-	79,618
	<hr/>	<hr/>	<hr/>
Net investment income	60,747,829	5,933,103	66,680,932
	<hr/>	<hr/>	<hr/>
Total additions	81,001,108	15,315,070	96,316,178
	<hr/>	<hr/>	<hr/>
DEDUCTIONS			
Benefit payments	32,554,707	9,297,651	41,852,358
Refunds of contributions	257,433	-	257,433
Administrative expense	186,601	84,314	270,915
	<hr/>	<hr/>	<hr/>
Total deductions	32,998,741	9,381,965	42,380,706
	<hr/>	<hr/>	<hr/>
Net increase in net assets	48,002,367	5,933,105	53,935,472
	<hr/>	<hr/>	<hr/>
NET ASSETS			
Beginning of year	699,686,820	83,794,483	783,481,303
	<hr/>	<hr/>	<hr/>
End of year	\$ 747,689,187	\$ 89,727,588	\$ 837,416,775
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

MACOMB COUNTY, MICHIGAN
Combining Statement of Fiduciary Net Assets
Agency Funds
December 31, 2005

	<u>Trust and Agency</u>	<u>Payroll and Benefits</u>	<u>Miscellaneous Agency Funds</u>	<u>Total</u>
ASSETS				
Cash and pooled investments	\$ 21,893,645	\$ 5,962,283	\$ 3,206,059	\$ 31,061,987
Receivables				
Other	680,301	892,088	1,837,866	3,410,255
Total receivables	680,301	892,088	1,837,866	3,410,255
Due from fiduciary funds	113,416	1,199,358	-	1,312,774
Other assets	4,843	-	-	4,843
Total Assets	<u>\$ 22,692,205</u>	<u>\$ 8,053,729</u>	<u>\$ 5,043,925</u>	<u>\$ 35,789,859</u>
LIABILITIES				
Accounts payable	\$ 724,844	\$ 7,060,508	\$ 44,470	\$ 7,829,822
Accrued compensation and benefits	-	993,221	-	993,221
Deposits	8,899,665	-	2,289,746	11,189,411
Due to other governments	3,196,925	-	2,709,709	5,906,634
Due to business-type units	9,870,771	-	-	9,870,771
Total Liabilities	<u>\$ 22,692,205</u>	<u>\$ 8,053,729</u>	<u>\$ 5,043,925</u>	<u>\$ 35,789,859</u>

MACOMB COUNTY, MICHIGAN
Statement of Changes in Assets and Liabilities
Trust and Agency Fund
Year Ended December 31, 2005

	<u>Balance 12/31/2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2005</u>
ASSETS				
Cash and pooled investments	\$ 12,548,255	\$ 138,713,131	\$ 129,367,741	\$ 21,893,645
Receivables				
Other	367,426	329,301	16,426	680,301
Total receivables	367,426	329,301	16,426	680,301
Due from business-type units	101,212	-	101,212	-
Due from fiduciary funds	149,947	6,889	43,420	113,416
Due from component units	-	-	-	-
Other assets	2,356	156,013	153,526	4,843
Total Assets	<u>\$ 13,169,196</u>	<u>\$ 139,205,334</u>	<u>\$ 129,682,325</u>	<u>\$ 22,692,205</u>
LIABILITIES				
Accounts payable	\$ 1,164,911	\$ 74,349,350	\$ 74,789,417	\$ 724,844
Accrued compensation and benefits	-	-	-	-
Deposits	4,217,593	42,914,070	38,231,998	8,899,665
Due to other governments	3,038,697	37,984,435	37,826,207	3,196,925
Due to business-type units	4,742,273	47,234,455	42,105,957	9,870,771
Due to fiduciary funds	5,722	-	5,722	-
Total Liabilities	<u>\$ 13,169,196</u>	<u>\$ 202,482,310</u>	<u>\$ 192,959,301</u>	<u>\$ 22,692,205</u>

MACOMB COUNTY, MICHIGAN
Statement of Changes in Assets and Liabilities
Payroll and Benefits Agency Funds
Year Ended December 31, 2005

	<u>Balance 12/31/2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2005</u>
ASSETS				
Cash and pooled investments	\$ 4,531,064	\$ 175,260,920	\$ 173,829,701	\$ 5,962,283
Receivables				
Other	<u>1,222,398</u>	<u>4,236,302</u>	<u>4,566,612</u>	<u>892,088</u>
Total receivables	<u>1,222,398</u>	<u>4,236,302</u>	<u>4,566,612</u>	<u>892,088</u>
Due from business-type units	2,898	-	2,898	-
Due from fiduciary funds	790,854	7,077,177	6,668,673	1,199,358
Other assets	<u>9,765</u>	<u>29,294</u>	<u>39,059</u>	<u>-</u>
Total Assets	<u>\$ 6,556,979</u>	<u>\$ 186,603,693</u>	<u>\$ 185,106,943</u>	<u>\$ 8,053,729</u>
LIABILITIES				
Accounts payable	\$ 6,022,110	\$ 11,671,067	\$ 10,632,669	\$ 7,060,508
Accrued compensation and benefits	534,869	46,460,306	46,001,954	993,221
Due to governmental funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>\$ 6,556,979</u>	<u>\$ 58,131,373</u>	<u>\$ 56,634,623</u>	<u>\$ 8,053,729</u>

MACOMB COUNTY, MICHIGAN
Statement of Changes in Assets and Liabilities
Miscellaneous Agency Funds
Year Ended December 31, 2005

	<u>Balance 12/31/2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2005</u>
ASSETS				
Cash and pooled investments	\$ 2,825,408	\$ 683,148,967	\$ 682,768,316	\$ 3,206,059
Receivables				
Other	1,648,907	167,310,437	167,121,478	1,837,866
Total receivables	<u>1,648,907</u>	<u>167,310,437</u>	<u>167,121,478</u>	<u>1,837,866</u>
Due from governmental funds	-	-	-	-
Due from business-type units	30	-	30	-
Due from fiduciary funds	68,543	-	68,543	-
Total Assets	<u>\$ 4,542,888</u>	<u>\$ 850,459,404</u>	<u>\$ 849,958,367</u>	<u>\$ 5,043,925</u>
LIABILITIES				
Accounts payable	\$ 8,378	\$ 169,218,524	\$ 169,182,432	\$ 44,470
Deposits	2,362,718	14,191,799	14,264,771	2,289,746
Due to other governments	2,071,305	176,292,932	175,654,528	2,709,709
Due to governmental funds	-	-	-	-
Due to business-type units	1,134	-	1,134	-
Due to fiduciary funds	99,353	-	99,353	-
Total Liabilities	<u>\$ 4,542,888</u>	<u>\$ 359,703,255</u>	<u>\$ 359,202,218</u>	<u>\$ 5,043,925</u>

MACOMB COUNTY, MICHIGAN

December 31, 2005

Statistical Section - Unaudited

MACOMB COUNTY, MICHIGAN

General Governmental Expenditures By Function - Unaudited
Last Ten Fiscal Years

	1996 (1)	1997 (1)	1998 (1)	1999 (1)	2000 (1)	2001 (1)	2002 (2)	2003 (2)	2004 (2)	2005 (2)
Legislative	\$1,326,741	\$1,368,647	\$1,496,704	\$1,525,364	\$1,487,510	\$1,730,854	\$ 1,714,990	\$ 1,833,491	\$ 1,958,277	\$ 2,076,701
Judicial	21,558,249	22,870,283	24,309,620	23,686,678	27,196,695	28,851,981	30,125,239	30,637,785	31,390,997	35,369,472
General government	31,882,467	33,017,267	37,744,517	38,136,938	40,027,974	43,298,739	44,696,780	46,351,383	58,783,758	65,105,762
Public safety	32,854,454	34,966,720	37,761,410	40,167,550	42,570,273	45,923,195	48,530,770	52,210,801	58,293,534	64,882,759
Public works	50,542,963	49,766,261	59,023,548	55,145,689	51,581,451	56,802,005	87,860,389	76,769,274	81,415,154	85,064,118
Health and welfare	136,415,086	155,132,371	167,982,079	182,014,743	190,881,896	205,182,224	228,170,810	237,972,823	245,025,366	254,743,838
Recreation and culture	3,048,149	3,130,436	3,137,408	3,319,253	3,410,383	3,506,992	3,774,400	4,565,802	4,039,668	4,035,002
Other	2,767,708	2,959,608	719,088	2,887,901	2,693,902	3,267,085	2,917,469	3,792,538	4,732,839	5,480,571
Capital outlay	7,899,880	25,529,723	23,116,352	15,853,555	20,553,128	43,945,069	25,652,360	26,553,566	29,930,105	23,771,067
Debt service	9,853,613	9,266,918	8,552,677	7,607,815	8,257,378	8,164,390	6,774,873	5,639,355	5,938,938	6,912,806
Total	\$298,149,310	\$338,008,234	\$363,243,403	\$370,347,486	\$388,660,590	\$440,672,534	\$480,208,080	\$486,326,818	\$521,508,636	\$547,442,096

(1) Includes General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, Expendable Trust Fund and Discretely Presented Component Units

(2) Implementation of GASB Statement No. 34. Includes General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, Proprietary Funds (excluding Delinquent Tax revolving Fund), Retiree Health Care Fiduciary Fund and Discretely Presented Component Units

Source: Macomb County Financial Statements

MACOMB COUNTY, MICHIGAN

General Governmental Revenues By Source - Unaudited
Last Ten Fiscal Years

	1996 (1)	1997 (1)	1998 (1)	1999 (1)	2000 (1)	2001 (1)	2002 (2)	2003 (2)	2004 (2)	2005 (2)
Taxes	\$66,147,764	\$69,792,429	\$74,131,732	\$79,567,175	\$84,643,231	\$88,610,129	\$96,530,794	\$104,046,884	\$145,946,433	\$153,325,600
Licenses and permits	869,820	907,715	933,279	964,757	980,986	984,592	1,029,545	1,053,529	1,087,053	1,202,875
Federal and State grants	147,810,286	134,919,045	151,129,657	142,804,451	145,840,221	162,242,048	216,809,918	209,298,687	200,896,886	145,173,621
Other grants	3,946,078	3,052,209	4,779,364	3,682,706	4,983,537	4,321,437	185,267	312,849	7,000	287,371
Charges for services	55,671,975	107,919,207	105,842,514	132,970,488	141,132,423	158,751,879	191,414,385	192,188,076	184,423,716	239,618,841
Investment income	13,308,474	13,304,811	15,043,135	15,100,718	16,242,248	15,342,938	6,009,063	20,346,221	13,942,799	19,645,638
Special assessments	4,129,895	5,261,715	3,622,788	5,771,676	2,850,419	3,124,138	-	-	-	-
Charges to other funds for										
administrative services	5,536,753	6,351,764	6,610,223	6,786,318	7,374,423	7,502,557	8,854,689	9,275,422	10,516,996	11,087,868
Fines and forfeitures	853,392	860,976	1,154,375	1,225,053	1,264,973	1,040,199	1,075,053	1,097,119	1,981,455	1,790,718
Other revenue	6,554,630	6,093,092	6,723,406	4,645,766	4,663,349	8,553,412	2,105,797	1,329,097	1,805,339	906,251
Total	\$304,829,067	\$348,462,963	\$369,970,473	\$393,519,108	\$409,975,810	\$450,473,329	\$524,014,511	\$538,947,884	\$560,607,677	\$573,038,783

(1) Includes General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, Expendable Trust Fund and Discretely Presented Component Units

(2) Implementation of GASB Statement No. 34. Includes General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, Proprietary Funds (excluding Delinquent Tax revolving Fund), Retiree Health Care Fiduciary Fund and Discretely Presented Component Units. Special assessments are included as charges for services beginning in 2002.

Source: Macomb County Financial Statements

MACOMB COUNTY, MICHIGAN

County Property Tax Levies and Collections - Unaudited
Last Ten Fiscal Years

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Operating levy	\$64,313,055	\$68,215,669	\$72,462,286	\$78,013,055	\$83,347,833	\$88,616,875	\$95,349,781	\$101,666,486	\$107,407,546	\$113,318,228
Industrial & commercial facility tax	<u>1,782,622</u>	<u>1,914,724</u>	<u>1,924,072</u>	<u>2,035,599</u>	<u>2,070,627</u>	<u>2,065,564</u>	<u>2,537,883</u>	<u>2,780,580</u>	<u>2,394,896</u>	<u>2,284,112</u>
Total tax levy	<u>\$66,095,677</u>	<u>\$70,130,393</u>	<u>\$74,386,358</u>	<u>\$80,048,654</u>	<u>\$85,418,460</u>	<u>\$90,682,439</u>	<u>\$97,887,664</u>	<u>\$104,447,066</u>	<u>\$109,802,442</u>	<u>\$115,602,340</u>
Current tax collections	\$65,623,818	\$69,279,823	\$73,670,498	\$78,920,951	\$83,958,287	\$87,735,241	\$95,833,685	\$103,230,735	\$107,355,031	\$114,604,662
Delinquent tax collections	<u>346,666</u>	<u>359,522</u>	<u>318,679</u>	<u>491,631</u>	<u>520,877</u>	<u>723,239</u>	<u>555,879</u>	<u>673,994</u>	<u>669,651</u>	<u>735,676</u>
Total tax collections	<u>\$65,970,484</u>	<u>\$69,639,345</u>	<u>\$73,989,177</u>	<u>\$79,412,582</u>	<u>\$84,479,164</u>	<u>\$88,458,480</u>	<u>\$96,389,564</u>	<u>\$103,904,729</u>	<u>\$108,024,682</u>	<u>\$115,340,338</u>
Current collections as a percent of current levy	99.3%	98.8%	99.0%	98.6%	98.3%	96.7%	97.9%	98.8%	97.8%	99.1%
Total collections as a percent of current levy	99.8%	99.3%	99.5%	99.2%	98.9%	97.5%	98.5%	99.5%	98.4%	99.8%
Outstanding delinquent taxes	\$1,765,970	\$1,670,918	\$1,711,458	\$2,063,377	\$1,996,976	\$2,155,371	\$1,115,588	\$1,657,925	\$3,435,685	\$ 5,799,757
Outstanding delinquent taxes as a percent of current levy	2.7%	2.4%	2.3%	2.6%	2.3%	2.4%	1.1%	1.6%	3.1%	5.0%

Source: Macomb County Treasurer

MACOMB COUNTY, MICHIGAN

Assessed and Actual (Estimated) Value of Taxable Property - Unaudited
Last Ten Fiscal Years

Fiscal Year	Real Property		Personal Property		Total		Ratio of Total Assessed Value to Total Actual Value
	Assessed Value	Actual Value (Estimated)	Assessed Value	Actual Value (Estimated)	Assessed Value	Actual Value (Estimated)	
1996	14,634,860,739	29,532,331,567	2,089,670,135	4,179,341,149	16,724,530,874	33,711,672,716	49.61
1997	15,944,820,686	32,105,427,466	2,229,248,841	4,458,493,471	18,174,069,527	36,563,920,937	49.70
1998	17,646,762,286	35,580,569,981	2,472,813,024	4,945,620,357	20,119,575,310	40,526,190,338	49.65
1999	19,592,141,715	39,529,004,811	2,670,678,340	5,341,419,143	22,262,820,055	44,870,423,954	49.62
2000	21,647,822,913	43,657,252,303	2,669,098,323	5,339,430,081	24,316,921,236	48,996,682,384	49.63
2001	24,274,542,247	48,187,829,237	2,693,815,190	5,394,490,942	26,968,357,437	53,582,320,179	50.33
2002	27,162,673,833	54,648,958,134	2,668,991,460	5,354,597,725	29,831,665,293	60,003,555,859	49.72
2003	29,275,241,874	58,976,236,880	2,731,345,097	5,479,015,079	32,006,586,971	64,455,251,959	49.66
2004	31,082,617,162	62,611,108,416	2,638,869,596	5,299,578,832	33,721,486,758	67,910,687,248	49.66
2005	32,944,444,171	66,255,473,916	2,624,385,697	5,268,639,776	35,568,829,868	71,524,113,692	49.73

Source: Macomb County Equalization Department

MACOMB COUNTY, MICHIGAN

Tax Rates Per \$1,000 Assessed Value and Tax Levies - Unaudited
Last Ten Fiscal Years

PROPERTY TAX RATES (MILLS)

Fiscal Year	County Operating	Drain Debt	Huron Clinton		SMART		Intermediate		Special Education	Community College		Total
			Metropolitan Park Authority	Regional Transportation	School District	School District	Education	College				
1996	4.2000	0.0110	0.2236	0.3300	0.2101	0.2101	1.8266	1.6757	8.4770			
1997	4.2000	0.0090	0.2236	0.3300	0.2101	0.2101	1.8266	1.6457	8.4450			
1998	4.2000	0.0080	0.2236	0.3300	0.2101	0.2101	1.8266	1.6539	8.4522			
1999	4.2000	0.0080	0.2235	0.3299	0.2101	0.2101	1.8262	1.6134	8.4111			
2000	4.2000	0.0080	0.2218	0.3273	0.2085	0.2085	1.8125	1.5840	8.3621			
2001	4.2000	0.0070	0.2202	0.3273	0.2085	0.2085	1.8125	1.5140	8.2895			
2002	4.2000	0.0060	0.2186	0.3235	0.2066	0.2066	1.7965	1.6707	8.4219			
2003	4.2000	0.0058	0.2170	0.6000	0.2054	0.2054	2.7811	1.7000	9.7093			
2004	4.2000	0.0058	0.2161	0.5973	0.2044	0.2044	2.7685	1.5859	9.5780			
2005	4.2000	0.0058	0.2154	0.5949	0.2036	0.2036	2.7579	1.5002	9.4778			

PROPERTY TAX LEVIES

1996	64,313,055	168,439	3,423,904	5,053,171	3,216,914	3,216,914	27,970,055	25,659,378	129,804,916
1997	68,215,669	146,177	3,631,671	5,359,800	3,412,120	3,412,120	29,667,320	26,729,174	137,161,931
1998	72,462,286	138,024	3,857,755	5,693,465	3,624,540	3,624,540	31,514,194	28,534,614	145,824,878
1999	78,013,055	148,600	4,151,409	6,127,737	3,902,129	3,902,129	33,920,820	29,968,158	156,231,908
2000	83,347,833	158,758	4,401,558	6,495,177	4,137,223	4,137,223	35,968,560	31,434,041	165,943,150
2001	88,616,875	147,697	4,646,056	6,905,785	4,398,578	4,398,578	38,242,402	31,944,274	174,901,667
2002	95,349,781	136,214	4,962,732	7,344,203	4,689,616	4,689,616	40,784,734	37,928,781	191,196,061
2003	101,666,486	140,394	5,252,769	14,523,780	4,971,211	4,971,211	72,334,187	40,969,174	239,858,001
2004	107,407,546	148,321	5,526,376	15,274,885	5,226,338	5,226,338	76,069,437	40,556,578	250,209,481
2005	113,318,228	156,487	5,811,605	16,050,718	5,492,337	5,492,337	79,946,771	40,476,192	261,252,338

Source: Macomb County Apportionment Report

MACOMB COUNTY, MICHIGAN

Special Assessment Billings and Collections - Unaudited
Last Ten Fiscal Years

<u>Year Ended December 31,</u>	<u>Special Assessment Billings</u>	<u>Special Assessment Collections</u>
1996	6,467,823	6,953,964
1997	6,270,073	6,620,247
1998	5,726,582	5,376,407
1999	8,007,651	8,007,651
2000	5,397,810	5,397,810
2001	8,077,661	8,077,661
2002	6,448,918	6,448,918
2003	8,552,020	8,552,020
2004	6,367,966	6,582,966
2005	7,226,724	7,356,724

Source: Public Works Commission

MACOMB COUNTY, MICHIGAN

Percentage of General Obligation Bonded Debt to Assessed Value
and General Obligation Bonded Debt Per Capita - Unaudited
Last Ten Fiscal Years

Fiscal Year	Population (A)	Assessed Value	Net General Obligation Bonded Debt (B)	Percentage of Net General Obligation Bonded Debt to Assessed Value	Net General Obligation Bonded Debt Per Capita
1996	778,699	16,724,530,874	21,630,000	0.13	27.78
1997	783,451	18,174,069,527	22,760,000	0.13	29.05
1998	787,698	20,119,575,310	21,830,000	0.11	27.71
1999	792,082	22,262,820,055	22,060,000	0.10	27.85
2000	788,149	24,316,921,236	24,930,000	0.10	31.63
2001	799,954	26,968,357,637	23,610,000	0.09	29.51
2002	805,395	29,831,665,293	54,655,000	0.18	67.86
2003	820,739	32,006,586,971	52,120,000	0.16	63.50
2004	822,660	33,721,486,758	58,750,000	0.17	71.41
2005	829,453	35,568,829,868	75,250,000	0.21	90.72

Sources: (A) SEMCOG & U.S. Census Bureau

(B) Municipal Advisory Council of Michigan

MACOMB COUNTY, MICHIGAN

Computation of Direct and Overlapping Debt - Unaudited
December 31, 2005

	Long-term Debt		Percentage Applicable to Macomb County	Macomb County Share of Debt
	Total	Net (A)		
Macomb County	\$88,770,000 (B)	\$75,250,000	100.0	\$75,250,000
County Issued Bonds Paid by Local Municipalities	83,155,000	83,155,000	100.0	83,155,000
Total County Debt	<u>171,925,000</u>	<u>158,405,000</u>		<u>158,405,000</u>
School Districts	2,138,012,796	2,138,012,796	83.8	1,791,560,018
Cities and Villages	330,788,320	330,788,320	98.3	325,286,056
Townships	123,951,080	123,951,080	100.0	123,951,080
Community College and Intermediate School District	<u>22,465,000</u>	<u>22,465,000</u>	13.4	<u>3,007,796</u>
	<u>\$2,787,142,196</u>	<u>\$2,773,622,196</u>		<u>\$2,402,209,950</u>

(A) Net amounts consist of debt primarily financed by real estate tax levies.

(B) Amount is exclusive of compensated absences and workers compensation.

Source: Municipal Advisory Council of Michigan

MACOMB COUNTY, MICHIGAN

Computation of Legal Debt Margin - Unaudited
December 31, 2005

2005 Assessed Taxable Value (A)	<u>\$ 28,602,726,523</u>
Debt Limit - 10% of Assessed Taxable Value (1)	\$2,860,272,652
Outstanding Debt (2)	\$171,925,000
Less: Transportation Fund Bonds	<u>13,520,000</u>
Amount of Outstanding Debt	<u>158,405,000</u>
LEGAL DEBT MARGIN	<u>\$2,701,867,652</u>

Note:

- (1) Act 279, Public Acts of Michigan, 1909, as amended, states that the net indebtedness of the County shall not exceed 10% of all assessed real and personal property in the County.
- (2) Represents total long-term debt payable exclusive of compensated absences and workers compensation.

Source: (A) Macomb County Apportionment Report - 2005 Tax Year (2006 Fiscal Year)

MACOMB COUNTY, MICHIGAN

Ratio of Debt Service Expenditures for General Obligation
Bonded Debt to Total General Expenditures - Unaudited
Last Ten Fiscal Years

	1996	1997	1998	1999	2000	2001	2002(A)	2003	2004	2005
Debt service expenditures for general obligation bonded debt:										
Principal	\$1,040,719	\$768,892	\$930,000	\$975,000	\$1,130,000	\$1,555,000	\$1,620,000	\$3,070,000	\$2,985,000	\$3,560,000
Interest	876,866	1,065,435	1,082,611	1,030,829	1,257,082	1,467,681	1,861,009	2,569,355	2,733,457	3,064,278
Total	\$1,917,585	\$1,834,327	\$2,012,611	\$2,005,829	\$2,387,082	\$3,022,681	\$3,481,009	\$5,639,355	\$5,718,457	\$6,624,278
General expenditures										
General fund	\$81,200,973	\$85,357,866	\$91,325,258	\$96,114,714	\$101,282,145	\$110,199,655	\$113,578,461	\$120,053,502	\$128,416,089	\$142,968,921
Special revenue funds	141,446,994	157,924,346	168,243,802	180,802,604	193,643,525	208,114,366	78,792,800	81,107,364	91,932,673	99,438,026
Debt service funds	1,920,973	1,837,528	2,015,632	2,009,036	2,387,082	3,022,681	3,481,009	5,736,668	5,798,510	6,748,245
Capital projects funds	3,130,615	15,490,301	15,808,059	5,512,813	11,802,987	6,501,890	24,980,529	28,650,916	30,163,696	22,788,250
Enterprise funds (excluding Delinquent Tax Revolving Fund)	-	-	-	-	-	-	144,842,967	155,154,802	158,940,193	164,316,854
Total	\$227,699,555	\$260,610,041	\$277,392,751	\$284,439,167	\$309,115,739	\$327,838,592	\$365,675,766	\$390,703,252	\$415,251,161	\$436,260,296
Ratio of debt service expenditures for general obligation bonded debt to total general expenditures:										
Principal	0.5%	0.3%	0.3%	0.3%	0.4%	0.5%	0.4%	0.8%	0.7%	0.8%
Interest	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.5%	0.7%	0.7%	0.7%
Total	0.8%	0.7%	0.7%	0.6%	0.8%	0.9%	1.0%	1.4%	1.4%	1.5%

(A) The County implemented GASB Statement No. 34 for the year-ended December 31, 2002. Certain funds previously accounted for as Special Revenue Funds were reclassified as Enterprise Funds as part of the implementation.

Source: Macomb County Financial Statements

MACOMB COUNTY, MICHIGAN

Insurance Coverage - Unaudited
December 31, 2005

<u>Company Name/Type of Insurance</u>	<u>Policy Term</u>	<u>Limits/Deductibles</u>	<u>Brief Description of Policy</u>
<u>COMPREHENSIVE GENERAL LIABILITY:</u>			
International Insurance Company of Hanover	7/1/05-6/30/06	a) \$5,000,000 bodily injury, personal injury and public officials liability b) \$500,000 Deductible	Comprehensive General Liability including premises, products and completed operations, personal injury, discrimination coverage, and professional liability, employees and elected officials; public officials coverage for misfeasance, malfeasance and non-feasance includes errors or omissions for wrongful acts or misstatements
<u>AUTOMOBILE POLICY:</u>			
International Insurance Company of Hanover	7/1/05-6/30/06	a) \$5,000,000 per occurrence bodily injury and property damage	Liability and No-Fault protection for all owned vehicles; coverage for the County while employees use their own vehicles or hired or borrowed vehicles

Source: Macomb County Risk Management

MACOMB COUNTY, MICHIGAN

Insurance Coverage - Unaudited
December 31, 2005

<u>Company Name/Type of Insurance</u>	<u>Policy Term</u>	<u>Limits/Deductibles</u>	<u>Brief Description of Policy</u>
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WORKERS' COMPENSATION SPECIFIC STOP LOSS INSURANCE:

Accident Fund Co.	7/1/03-6/30/06	a) Compensation-Statutory, Liability-\$1,000,000 b) \$350,000 self-insured retention per claim	Specific Stop Loss only; excess as indicated
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BOILER AND MACHINERY:

F M Global	7/1/05-6/30/06	a) \$250,000 limit b) \$10,000 retention	Repair or replacement of insured property, expediting expenses, extra expense. (carry on as normal as possible), liability for injury, damage to property of others, defense costs resulting from an accident to injured object
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ELECTRONIC DATA PROCESSING:

F M Global	7/1/05-6/30/06	a) \$1,000,000 limit b) \$5,000 retention	Replacement cost for damaged equipment and media; extra expense to resume operations; all risk less certain excluded perils; includes Chapaton Pump Station with separate limits
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- a) Limits
- b) Deductible

Source: Macomb County Risk Management

MACOMB COUNTY, MICHIGAN

Insurance Coverage - Unaudited
December 31, 2005

<u>Company Name/Type of Insurance</u>	<u>Policy Term</u>	<u>Limits/Deductibles</u>	<u>Brief Description of Policy</u>
PROPERTY:			
F M Global	7/1/05-6/30/06	a) \$228,500,000 buildings and contents b) \$100,000 each occurrence	Insures buildings and contents from all risk of loss, subject to limits and certain excluded perils. Total limit: any one occurrence, loss or disaster with respect to real property is \$100,000,000 for earthquake, \$100,000,000 for flood, \$1,000,000 for valuable papers.
<u>DEPOSITORS FIDUCIARY LIABILITY:</u>			
Federal Insurance Company	7/1/04-7/1/07	a) \$25,000 per loss \$5,000,000 aggregate b) \$25,000	
<u>CRIME:</u>			
Fidelity & Deposit Co.	4/1/05-3/31/06	a) \$1,500,000 crime \$200,000 forgery \$50,000 counterfeit currency \$200,000 theft and destruction b) \$25,000	Theft, disappearance and destruction in/out premises

- a) Limits
- b) Deductible

Source: Macomb County Risk Management

MACOMB COUNTY, MICHIGAN

Insurance Coverage - Unaudited
December 31, 2005

<u>Company Name/Type of Insurance</u>	<u>Policy Term</u>	<u>Limits/Deductibles</u>	<u>Brief Description of Policy</u>
<u>LIFE INSURANCE:</u> MetLife	1/1/04-12/31/06	a) As per schedule	Principal sum for death or scheduled loss; one-half (1/2) of principal sum for other scheduled losses; provision for conversion
<u>DENTAL INSURANCE: (Self Funded)</u> Administered by Delta Dental Plan Administered by Golden Dental	1/1/04-12/31/06	a) \$1,000 maximum payment per covered individual per contract year (Delta), subject to co-payment by covered individual	75% payment of Class I benefits; diagnostic, restorative, periodontics, endodontics, etc.
<u>LONG-TERM DISABILITY INSURANCE:</u> C N A	4/1/04-3/31/06	a) \$5,000 monthly maximum; Six (6) month elimination period	60% of salary to age 65, as scheduled from ages 65 to 70; subject to coordination of benefits; covers those totally disabled by accident or illness

a) Limits

Source: Macomb County Risk Management

MACOMB COUNTY, MICHIGAN

Insurance Coverage - Unaudited
December 31, 2005

<u>Company Name/Type of Insurance</u>	<u>Policy Term</u>	<u>Limits/Deductibles</u>	<u>Brief Description of Policy</u>
<u>HEALTH/HOSPITAL INSURANCE:</u>			
Blue Cross/Blue Shield Network of Michigan (BCN)	1/1/04-12/31/06	a) Limits of self retention \$125,000	Medical Service Indemnity Contract
HMO - Health Alliance Plan			I Blue Cross Comp. Hospital Coverage 365 days sickness, 45 days nervous and mental II. Blue Shield (Master Medical) \$1,000,000 lifetime maximum (catastrophic) covers surgical and doctors treatment, maternity, outpatient lab tests and prescription drugs
Self Funded - Administered by Blue Cross/Blue Shield of Michigan Traditional Plan Community Blue PPO Plan	1/1/04-12/31/06	a) Specific excess of \$125,000 per claim	Stop loss insurance

a) Limits

Source: Macomb County Risk Management

MACOMB COUNTY, MICHIGAN

Demographic Statistics - Unaudited
Last Ten Fiscal Years

<u>Year</u>	<u>Population</u>	<u>Median Household Income</u>	<u>Median Age</u>	<u>K thru 12 School Enrollment</u>	<u>Unemployment Rate</u>
1996	778,699	41,332	35.7	121,849	4.1
1997	783,451	44,023	36.0	126,130	3.5
1998	787,698	45,089	36.3	126,626	3.2
1999	792,082	45,089	36.5	127,802	3.2
2000	788,149	46,336	37.0	129,964	3.1
2001	799,954	49,601	36.9	134,354	5.1
2002	805,395	52,102	36.9	136,578	5.7
2003	820,739	50,134	37.2	144,529	6.6
2004	822,660	51,858	37.9	151,500	8.2
2005	829,453	53,039	38.2	146,912	7.8

Source: U.S. Census Bureau

MACOMB COUNTY, MICHIGAN

**Property Values, Construction and Bank Deposits - Unaudited
Last Ten Fiscal Years**

Fiscal Year	Assessed Property Value			Nontaxable (Estimated)	Residential Construction		Commercial Construction		Bank Deposits (In Thousands)
	Residential	Commercial	Tax Abatement		Units	Value	Units	Value	
1996	11,230,824,485	1,999,356,515	731,373,971	2,884,289,000	4,518	463,119,000	147	116,850,000	7,235,072
1997	12,321,855,281	2,138,029,968	1,106,846,000	3,133,321,000	3,801	435,847,000	135	105,688,000	10,252,819
1998	13,765,463,183	2,267,628,144	1,207,410,000	3,164,546,000	5,297	519,361,000	128	102,659,000	10,665,048
1999	15,343,358,605	2,499,667,087	1,313,933,000	3,105,164,000	5,648	694,080,000	NA	NA	10,789,079
2000	17,087,602,588	2,673,843,115	943,541,000	3,265,812,000	5,963	725,963,000	NA	NA	11,067,818
2001	18,954,831,089	2,923,132,057	1,213,714,000	2,920,368,000	4,614	564,727,326	NA	NA	11,521,828
2002	20,907,586,826	3,753,838,046	1,275,619,000	4,242,566,000	4,818	624,940,000	NA	NA	11,618,993
2003	22,568,891,512	4,086,548,493	1,154,067,000	3,998,529,000	5,151	655,311,000	NA	NA	11,949,085
2004	24,066,971,401	4,219,934,337	1,091,791,000	6,140,506,000	5,125	684,972,000	NA	NA	12,216,991
2005	25,481,238,707	4,485,764,246	1,190,351,000	6,616,804,000	4,185	583,666,000	NA	NA	12,637,000

NA - Not available

Source: Macomb County Equalization Department
FDIC/OTS Data book
SEMCOG Building Permits
S/E Mich. Residential Bldg. Report

MACOMB COUNTY, MICHIGAN

Principal Taxpayers - Unaudited
Top Ten Taxpayers for 2004

<u>Taxpayer</u>	<u>Real Property Taxable Value</u>	<u>Personal Property Taxable Value</u>	<u>Total Taxable Value</u>	<u>Percentage of Total County Taxable Value</u>
Daimler-Chrysler	\$132,941,373	\$238,466,124	\$371,407,497	1.38 %
General Motors	194,551,900	155,992,372	350,544,272	1.30
Ford Motor Company	22,634,418	216,502,800	239,137,218	0.89
Detroit Edison	5,227,706	208,080,242	213,307,948	0.79
Visteon	40,412,562	132,867,867	173,280,429	0.64
Consumer Energy	4,894,958	103,696,350	108,591,308	0.40
International Trans.	34,304,580	25,262,661	59,567,241	0.22
Meijers	31,347,994	7,268,853	38,616,847	0.14
Walmart	17,663,934	15,976,283	33,640,217	0.12
Michigan Consolidated	1,865,580	30,308,808	32,174,388	0.12
TOTAL	<u>\$485,845,005</u>	<u>\$1,134,422,360</u>	<u>\$1,620,267,365</u>	<u>6.01 %</u>

Note: All values listed are taxable values for assessment purposes and as such denotes generally, 50% of true cash value for the year 2004.

Table does not include industrial facility assessments.

Source: Macomb County Equalization Department

MACOMB COUNTY, MICHIGAN

Miscellaneous Statistics - Unaudited
December 31, 2005

Date of incorporation	1818
Area in square miles	482
Communities:	
Cities	12
Townships	12
Villages	3
Macomb County facilities and services:	
Library books	149,806
Other library media	17,332
Lane miles of county primary and local roads	2,942
Bridges and drainage structures	756
Miles of storm drains	750
Miles of state trunklines and freeways maintained	166
Miles of sanitary sewers	188
Miles of water mains	43
Waste water pump stations	42
County sheriff's offices	1
Sheriff's marine patrol substations	2
Sheriff's patrol substations	6
Sewage treatment plants	9
Parks	1

Facilities and services not included in the reporting entity:

Education	
Public elementary schools	181
Public senior high schools	60
Public middle schools	66
Public special purpose schools	21
Community college campus sites	5
Private/parochial & Charter Schools	65
Medical care	
General acute care hospitals	6
General acute care patient beds	1,388
Nursing care facilities	29
Nursing care patient beds	3,933
Private mental health facilities	3
Private mental health patient beds	177
Public safety	
Fire stations	49
Community fire departments	26
Community police departments	18
State police posts	1
Recreation	
State areas	1
Acres	935
Regional metropolitan parks	3
Acres	7,856
Marinas	100