

FINAL OFFERING CIRCULAR DATED JULY 6, 2007

NEW ISSUE- Book-Entry Only

Ratings: Moody's: Aaa
Standard & Poor's: AA+

\$556,985,000

TAXABLE CERTIFICATES OF PARTICIPATION, SERIES 2007

ISSUED BY THE 2007 OAKLAND COUNTY RETIREE MEDICAL BENEFITS FUNDING TRUST

EVIDENCING UNDIVIDED PROPORTIONATE INTERESTS
IN THE RIGHTS TO RECEIVE CERTAIN PAYMENTS
PURSUANT TO A CONTRACT BETWEEN THE

COUNTY OF OAKLAND, MICHIGAN

AND THE

2007 OAKLAND COUNTY RETIREE MEDICAL BENEFITS FUNDING TRUST

DATED: JULY 1, 2007
TAXABLE OBLIGATIONS

CERTIFICATES OF PARTICIPATION

INTEREST: Paid from July 1, 2007 - 1st Paid October 1, 2007 - Semi-Annually Thereafter

TRUSTEE: The Huntington National Bank, Columbus, Ohio

DENOMINATIONS: \$5,000 or a Multiple of \$5,000

SOURCE OF PAYMENT: Principal of and interest on the Certificates are payable, when due, solely from Payments to be paid by the County under the Contract. See "Sources of Payment and Security for the Certificates" herein.

TAX MATTERS: Interest on the Certificates is subject to U.S. federal income tax and State of Michigan income tax.

REDEMPTION PROVISIONS: Maturities on and before April 1, 2014 - Non-Callable

Maturities on and after April 1, 2015 as follows:

Certificates called for redemption on or after April 1, 2014 shall be redeemed at par.

PURPOSE: The Certificates are being issued to provide moneys to fund certain estimated unfunded accrued actuarial retiree medical benefits liabilities of the County. See "Plan of Finance" herein.

GLOBAL BOOK ENTRY SYSTEM: Clearance is expected to be available through The Depository Trust Company, New York, New York, (the depository for the Certificates), and through the Euroclear System and Clearstream, Luxembourg, in Europe.

GLOBAL OFFERING: The Certificates are offered globally for sale in jurisdictions where it is lawful to make such offers.

STOCK EXCHANGE LISTING: Application may be made for the Certificates to be listed on the Luxembourg Stock Exchange. There can be no assurance that this listing will be obtained. The issuance and settlement of the Certificates is not conditioned on the listing of the Certificates on the Luxembourg Stock Exchange.

MATURITY SCHEDULE

Due Apr. 1	Amount	Rate	Yield	Due Apr. 1	Amount	Rate	Yield	Due Apr. 1	Amount	Rate	Yield
2008	\$20,765,000	6.00%	5.400%	2015*	\$22,720,000	6.00%	5.844%	2022*	\$33,465,000	6.25%	6.250%
2009	16,610,000	6.00	5.370	2016*	23,940,000	6.00	5.944	2023*	35,420,000	6.25	6.320
2010	17,590,000	6.00	5.430	2017*	25,405,000	6.00	6.024	2024*	37,620,000	6.25	6.320
2011	18,320,000	6.00	5.470	2018*	26,875,000	6.00	6.114	2025*	39,820,000	6.25	6.345
2012	19,545,000	6.00	5.540	2019*	28,340,000	6.25	6.174	2026*	42,260,000	6.25	6.345
2013	20,520,000	6.00	5.630	2020*	29,805,000	6.25	6.234	2027*	44,705,000	6.25	6.345
2014	21,500,000	6.00	5.674	2021*	31,760,000	6.25	6.230				

*Callable - see "THE CERTIFICATES - Optional Redemption" herein.

Information prepared in cooperation with:

PATRICK M. DOHANY
Oakland County Treasurer
as agent for the Funding Trust in formation

Certificate Counsel:
AXE & ECKLUND, P.C.
Grosse Pointe Farms, Michigan

Underwriter:
LEHMAN BROTHERS

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



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NO DEALER, BROKER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORIZED BY THE COUNTY OF OAKLAND, MICHIGAN (THE “COUNTY”), THE 2007 OAKLAND COUNTY RETIREE MEDICAL BENEFITS FUNDING TRUST (THE “FUNDING TRUST”) OR THE OAKLAND COUNTY VEBA TRUST (“VEBA”) TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN AS CONTAINED IN THIS OFFERING CIRCULAR, AND IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COUNTY, THE FUNDING TRUST OR THE VEBA.

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

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

**FINAL
OFFERING CIRCULAR**

\$556,985,000

TAXABLE CERTIFICATES OF PARTICIPATION, SERIES 2007

issued by the

2007 OAKLAND COUNTY RETIREE MEDICAL BENEFITS FUNDING TRUST

evidencing undivided proportionate interests

in the rights to receive certain payments

pursuant to a Contract between the

COUNTY OF OAKLAND, MICHIGAN

and the

2007 OAKLAND COUNTY RETIREE MEDICAL BENEFITS FUNDING TRUST

INTRODUCTION

This Offering Circular sets forth information concerning the Taxable Certificates of Participation, Series 2007 in the original aggregate principal amount of \$556,985,000 (**Certificates**) issued by the 2007 Oakland County Retiree Medical Benefits Funding Trust (**Funding Trust**) to be formed under the Trust Agreement described below.

The Certificates evidence individual undivided proportionate interests in the rights to receive certain payments (**Contract Payments**) to be made by the County of Oakland, Michigan (**County**) under the County's 2007 Oakland County Retiree Medical Benefits Contract dated as of July 1, 2007 with the Funding Trust (**Contract**).

The Certificates are being issued to provide moneys to fund on the date of original delivery of the Certificates (**Closing Date**) a specific amount of the estimated unfunded accrued actuarial liabilities for retiree medical benefits (**Subject RMB UAAL**) of the County, and to pay the costs of issuance of the Certificates. The Certificates are issued pursuant to an ordinance of the County adopted on June 14, 2007 (**Funding Ordinance**), the Contract and the Trust Agreement.

On the Closing Date, the County will enter into the Trust Agreement dated as of July 1, 2007 (**Trust Agreement**) with The Huntington National Bank, as Trustee (**Trustee**), establishing the Funding Trust. Also on the Closing Date, the County and the Funding Trust will enter into the Contract, and the Funding Trust will issue and sell the Certificates and fund the Subject RMB UAAL on behalf of the County by irrevocably paying Certificate proceeds to the 2007 Oakland County Intermediate Retiree Medical Benefits Trust (**Intermediate Trust**). The Intermediate Trust will receive and invest those Certificate proceeds and then annually transfer those funds in scheduled amounts to the Oakland County VEBA Trust (**VEBA**), which the County established in 2000 to make all required payments for the retiree medical benefits provided by the County for its eligible retirees and their covered dependents.

THE PAYMENT OBLIGATIONS OF THE COUNTY UNDER THE CONTRACT ARE UNSECURED CONTRACTUAL OBLIGATIONS OF THE COUNTY. NEITHER THE FAITH AND CREDIT, THE TAXING POWER NOR ANY SPECIAL REVENUES OF THE COUNTY ARE PLEDGED TO THE CONTRACT PAYMENTS COMING DUE UNDER THE CONTRACT.

No Pledge of Assets of the Trusts or of Proceeds of the Certificates

Although the proceeds of the Certificates will be used to fund the Subject RMB UAAL on the Closing Date as described above, no assets of either the Intermediate Trust or the VEBA and no proceeds

of the Certificates will secure or be available to pay the Certificates (except potentially, but not necessarily, from Surplus Intermediate Trust Assets, if any, as described below under “THE CERTIFICATES - Optional Redemption”). See “PLAN OF FINANCE” and “SOURCES OF PAYMENT AND SECURITY FOR THE CERTIFICATES.”

Investment Considerations

This is a new financing structure for governmental retiree medical benefits, which is being used for the first time in the State of Michigan. The County’s unconditional contractual obligation to make Contract Payments is not “subject to appropriation” (*i.e.*, the contractual obligation is not subject to termination if the County were to fail to appropriate sufficient amounts for the required Contract Payments in any single year). The County is legally bound to make all Contract Payments for the full term of the Contract, and statutory remedies exist to enforce the County’s obligations. See “PLAN OF FINANCE” and its first subheading “Legal Authority for Payment of the Contract Payments and Issuance of the Certificates.”

Defined Terms

All capitalized terms used in this Offering Circular, unless otherwise defined or the context otherwise indicates, have the same meaning as in the Contract and the Trust Agreement. See “DEFINITIONS OF CERTAIN TERMS” in APPENDIX A.

Underlying Documents

The descriptions and summaries of various documents set forth below do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such document. Copies of the Contract and the Trust Agreement are available in reasonable quantities upon request to the County.

THE COUNTY

Information regarding the County of Oakland, Michigan is included in Exhibit A and Exhibit B.

PLAN OF FINANCE

The Certificates will be issued as part of the County’s first use of its recently authorized alternative funding mechanism for meeting its contractual obligations to fund the County’s estimated unfunded accrued actuarial liabilities for retiree medical benefits (**RMB UAAL**). Rather than paying a certain specific amount of RMB UAAL (the **Subject RMB UAAL**) in annual installments, with interest, directly to the VEBA over the next 20 years, the County instead will enter into the Contract with the Funding Trust and contractually obligate itself to make periodic Contract Payments to the Funding Trust in return for the Funding Trust’s agreeing to issue and sell the Certificates on the Closing Date and irrevocably pay Certificate proceeds to the Intermediate Trust in an amount equal to the Subject RMB UAAL. Upon such payment to the Intermediate Trust, those Certificate proceeds will irrevocably fund the Subject RMB UAAL and become assets solely of the Intermediate Trust. Those proceeds will never be available to pay, nor serve as security for payment of, Contract Payments due from the County under the Contract or the Certificateholders’ undivided proportionate interests in the right to receive those Contract Payments (except potentially, and only at the County’s option in its sole discretion, from Surplus Intermediate Trust Assets, if any, as described under “THE CERTIFICATES - Optional Redemption”).

Legal Authority for Payment of the Contract Payments and Issuance of the Certificates

There is established Michigan Supreme Court authority that ordinances have the same effect for a county as statutes do for the State and are entitled to the same presumption of constitutionality. There also is recent Michigan Supreme Court authority that despite a general presumption to the contrary, a legislative body can by clear and unequivocal language in a legislative enactment create contractual rights for public employees to receive retiree medical benefits, binding on the employer and its successor legislative bodies.

The County is authorized by statute (Act No. 156 of the Michigan Public Acts of 1851, as amended) to provide group health care benefits for County retirees and their covered dependents (**retiree medical benefits**) and has done so since 1965. The County's longstanding contractual obligations to provide retiree medical benefits to eligible County retirees and their covered dependents have been documented in diverse contracts, resolutions, employee booklets and otherwise. Act No. 139 of the Michigan Public Acts of 1973, as amended (**Act 139**), authorizes county boards of commissioners to adopt ordinances for their counties. Pursuant to Act 139, on June 14, 2007 the Oakland County Board of Commissioners adopted Ordinance No. 27, "An Ordinance to Confirm and Restate Oakland County's Existing Contractual Obligations to Provide for Medical Benefits for Certain Retired County Employees and their Eligible Dependents" for the stated purpose of providing a clear, comprehensive confirmation, reaffirmation and restatement of the County's contractual obligations to provide retiree medical benefits.

Pursuant to Michigan's Public Employee Health Care Fund Investment Act (Act No. 149 of the Michigan Public Acts of 1999) and applicable U.S. federal law, in August 2000 the Oakland County Board of Commissioners adopted Misc. Res. #00210, establishing a public voluntary employee benefit association trust called the Oakland County VEBA effective as of October 1, 2000 for the purposes of accumulating the funds needed to pay for the retiree medical benefits that the County is contractually obligated to provide to eligible County retirees and their covered dependents. The trustees of the VEBA are the same persons who are the Commissioners of the Oakland County Retirement System, as designated by the Oakland County Board of Commissioners.

The VEBA receives an annual actuarial report from its consulting actuary as of each September 30, providing actuarial valuations of the County's RMB UAAL. The County traditionally uses those actuarial valuations, together with certain actuarial assumptions and estimates, to determine the annual contribution amounts required from the County to the VEBA to fulfill the County's contractual retiree medical benefits funding obligations, including to annually amortize a portion of its RMB UAAL.

The most recent annual actuarial report available for the VEBA is as of September 30, 2006. Although the VEBA had assets actuarially valued at \$303.1 million as of September 30, 2006, it had estimated accrued actuarial liabilities for retiree medical benefits of \$829.7 million as of that date, as determined by its actuary, resulting in \$526,631,457 of RMB UAAL as of that date. Although not includable in that actuarial report, the County has identified an additional \$11,780,659 million and \$14,079,682 million of estimated existing accrued actuarial liabilities for retiree medical benefits which it expects would be counted in the VEBA's next two annual actuarial reports as of September 30, 2007 and 2008, respectively, if the County did not utilize the alternative funding mechanism in the manner described in this Offering Circular. Accordingly, \$552,491,798 is the **Subject RMB UAAL** to be funded in full from Certificate proceeds on the Closing Date.

Under the VEBA's actuarial assumptions and the traditional funding mechanism, the County would be required to amortize the Subject RMB UAAL over a remaining period of 20 years. In each year that the County has outstanding RMB UAAL, it is assessed interest thereon (currently at the rate of 7.5% per annum).

On June 14, 2007 the County authorized an alternative funding mechanism for its RMB UAAL through new enabling legislation duly enacted by the Oakland County Board of Commissioners pursuant to Act 139, Ordinance No. 28 (**Funding Ordinance**). The Funding Ordinance enables the County and the Trustee to provide for the issuance and sale of the Certificates and the use of the Certificate proceeds to fund the Subject RMB UAAL.

In accordance with the Funding Ordinance, the Funding Trust will issue the Certificates pursuant to the Trust Agreement and irrevocably pay a portion of the Certificate proceeds, in the exact amount of the Subject RMB UAAL, to the Intermediate Trust on the Closing Date, thereby immediately funding the Subject RMB UAAL. The Intermediate Trust will receive and invest those Certificate proceeds and annually transfer scheduled amounts from those funds to the VEBA. The trustees of the Intermediate Trust will initially be the same persons who are the trustees of the VEBA. The VEBA will be the sole beneficiary of the Intermediate Trust (except as to Surplus Intermediate Trust Assets, if any, as described below under "THE CERTIFICATES - Optional Redemption") and will apply the amounts received annually from the Intermediate Trust to pay for such retiree medical benefits on the County's behalf.

By arranging through the alternative funding mechanism for the Subject RMB UAAL to be funded (in effect, prepaid) on the Closing Date, the County will avoid further interest accrual on the amount thus funded; and the trustees of the Intermediate Trust will have possession and control of those funds much sooner than the VEBA would under the traditional funding mechanism. The Alternative Funding Mechanism Resolution imposes certain technical restrictions on the Intermediate Trust's use of those funds, but neither rescinds any substantive rights, entitlements or obligations with respect to benefits earned or accrued of the County's retired and active employees or their covered dependents nor affects the validity or enforceability of the Contract or the County's payment obligations thereunder.

The financing plan reflects the expectation that by prepaying the Subject RMB UAAL, the County will reduce its costs and better ensure the timely and full payment of retiree medical benefits. As a practical matter, it is expected that amounts that otherwise would have been expended by the County for the annual amortization of the Subject RMB UAAL (under the traditional funding mechanism) will be sufficient to offset all of the Contract Payments to be made by the County under the Contract. Those Contract Payments are intended to replace payments the County would otherwise make to meet its contractual obligations to fund the Subject RMB UAAL.

Sources and Uses of Funds

The proceeds from the sale of the Certificates are expected to be used as follows:

Sources of Funds

Principal Amount of Certificates.....	\$556,985,000
TOTAL SOURCES	<u>\$556,985,000</u>

Uses of Funds

Subject RMB UAAL	\$552,491,798
Estimated Costs of Issuance*	<u>4,493,202</u>
TOTAL USES	<u>\$556,985,000</u>

*Includes underwriter's discount and other costs of issuance.

SOURCES OF PAYMENT AND SECURITY FOR THE CERTIFICATES

The Certificates are payable solely from all Contract Payments which may be received by the Trustee pursuant to the Contract. Such Contract Payments will include all Scheduled Payments and Contract Charges payable by the County under the Contract, corresponding to the principal of and interest on the Certificates. The County's obligations to make Contract Payments are unsecured contractual obligations of the County, enforceable in the same manner as any other contractual obligation of the County. Such payment obligations of the County are not general obligations of the County, and neither the faith and credit, taxing power nor any specific revenues of the County are pledged to the Contract Payments coming due under the Contract.

The County's unconditional contractual obligation to pay all Contract Payments is not "subject to appropriation," as is customary with many certificate of participation transactions entered into by municipalities in the United States. The County's Contract is not subject to termination if the County were to fail to appropriate sufficient amounts for the required payments in any single year. The County is legally bound to make all Contract Payments for the full term of the Contract, and statutory remedies exist to enforce the County's obligations.

If the County were to fail to pay any Contract Payment when due, the Trustee could file a lawsuit against the County to enforce that contractual obligation, a right that is available to all parties entering into valid enforceable contracts with the County. The County would be required to pay any resulting judgment against it, the same as any other. If the County were to fail to provide for payment of any such judgment, a court can compel the County to raise the payment through the levy of taxes, as provided in the Revised Judicature Act of 1961, Act No. 236 of the Michigan Public Acts of 1961, as amended (Michigan Compiled Laws Section 600.6093), without limit as to rate or amount. This is the same remedy that the VEBA would have against the County if it failed to make its required annual payment to fund RMB UAAL under the traditional funding mechanism described above under "PLAN OF FINANCE - Legal Authority for Payment of the Contract Payments and Issuance of the Certificates."

The Trustee has no duty under the Trust Agreement to pursue any remedy against the County for nonpayment of Contract Payments except at the request of Certificateholders representing at least 25% of the outstanding principal amount of Certificates, the payments on which have not been made when due, or at least 50% of the outstanding principal amount of all Certificates. See "FISCAL YEAR CONTRACT PAYMENTS – Enforcement."

THE CERTIFICATES

The Certificates

The Certificates will be dated July 1, 2007. Interest from that date will be payable on each Certificate on October 1, 2007 and on the 1st day each April and October thereafter until its maturity or earlier redemption. The interest on the Certificates will be computed on the basis of a 30-day month and a 360-day year. The Certificates are issued as fully registered Certificates, in principal denominations of \$5,000 or multiples thereof.

Optional Redemption

Certificates maturing prior to April 1, 2015, are not subject to redemption prior to maturity. Solely in the event of any Surplus Intermediate Trust Assets resulting from the occurrence of the Optional Prepayment Trigger as described in the next paragraph below, Certificates maturing on and after April 1, 2015 are subject to redemption in whole or in part, but limited to the amount of such Surplus Intermediate Trust Assets available therefor, on any interest payment date on and after April 1, 2014, and in any order, at the option of the County, at par, plus accrued interest to the date fixed for redemption.

In the event that any health care benefits plan, program or arrangement becomes effective during the period that any Certificates are outstanding with the effect of supplanting and superseding the County's obligations to pay for all of the costs of providing retiree medical benefits (the **Optional Prepayment Trigger**), the Intermediate Trust will have fulfilled its designated purpose, and then (i) all, or the applicable portion (as the case may be), of the then existing assets of the Intermediate Trust, to the extent no longer needed to pay future costs of providing County retiree medical benefits, shall be deemed **Surplus Intermediate Trust Assets**, and (ii) if the County, at its option and in its sole discretion, gives written notice to the Trustee, with a copy to the trustees of the Intermediate Trust, of the County's irrevocable election to optionally redeem all or a portion (to the extent of the available Surplus Intermediate Trust Assets) of the then outstanding principal amount of the Certificates through an Optional Prepayment as defined in the Contract, then the Intermediate Trust shall (A) transfer all or a portion (as the case may be) of the available Surplus Intermediate Trust Assets to the Trustee as such optional prepayment for and on behalf of the County and (B) promptly give written notice thereof to the County.

Selection of Certificates for Redemption

If some but less than all of the Certificates are to be redeemed on any date, the Trustee, at the direction of the County, will select the maturity or maturities to be redeemed. Within a maturity, the particular Certificates to be redeemed shall be redeemed *pro rata* as described below.

So long as the Certificates are in the book-entry-only system, the securities depository will administer the prorating of partial redemptions among beneficial owners of the Certificates. See "THE CERTIFICATES - Global Book-Entry System."

Notice of Redemption

The Trustee will mail a notice to the registered owner of each Certificate to be redeemed in whole or in part at the address for the registered owner shown in the registration books (the securities depository so long as the book-entry-only system is in effect). The notice will be mailed at least 30 days but not more than 45 days prior to the redemption date. Failure to give a notice of redemption or a defect in it will not affect the validity of the proceedings for the redemption of any Certificates for which proper notice was given.

Global Book-Entry System

Payments of principal and interest for each Certificate will be paid to the registered owner of the Certificates. The Certificates are being issued initially in book-entry-only form, so the registered owner will be a securities depository -- a nominee of The Depository Trust Company (**DTC**). Clearance is expected to be available through DTC and also through Clearstream and Euroclear, which will hold omnibus positions on behalf of their participants in the books of their respective depositories. For more information about the global book-entry system, see APPENDIX B. Under certain conditions the Certificates may be issued in certificated form.

The Trustee is the registrar and paying agent for the Certificates and may be contacted as follows:

<i>Contact:</i>	The Huntington National Bank
<i>Attn:</i>	Ruth F. Sowers, CCTS
<i>Phone:</i>	614-331-9559
<i>Mail:</i>	Business Service Center 7 Easton Oval - EA4E63 Columbus, Ohio 43219
<i>Email:</i>	Ruth.Sowers@Huntington.com

Registration and Payment of Certificates

How the Certificates are paid depends on whether or not they are in book-entry-only form.

While the Certificates are in book-entry-only form (as they are initially), payment of principal will be made by wire transfer to the securities depository or its nominee. Payment of interest will be made by wire transfer to the securities depository or its nominee on the payment date.

If the Certificates are not in book-entry-only form, payment of principal will be made by check or draft issued upon the presentation and surrender of the Certificates at the designated office of the Trustee. Payment of interest due on the Certificates will be made by check or draft mailed to the registered owner shown in the registration book at the close of business on the 15th day (whether or not a business day) preceding the respective interest payment date.

FISCAL YEAR CONTRACT PAYMENTS

The table on EXHIBIT 1 sets forth the contractual obligations of the County under the Contract in each fiscal year for payment of Scheduled Payments and Contract Charges, corresponding to the principal of and interest on the Certificates, respectively.

Enforcement

Promptly after any failure of the County to pay any Contract Payment when due, the Trustee is required to give written notice by mail to all Certificateholders and others. The Trustee has no duty under the Contract to pursue any remedy against the County for nonpayment of Contract Payments except at the request of Certificateholders representing at least 25% of the outstanding principal amount of Certificates, the payments on which have not been made when due, or at least 50% of the outstanding principal amount of all Certificates, and only if they shall have offered reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request. See "SOURCES OF PAYMENT AND SECURITY FOR THE CERTIFICATES."

RATINGS

Standard & Poor's

At the County's request, the Certificates have received a rating of **AA+** from Standard & Poor's Ratings Services. The County furnished to such rating agency certain materials and information in addition to that provided herein. Generally, rating agencies base their ratings on such information and materials and investigations, studies and assumptions made by the rating agencies. There is no assurance that such rating will prevail for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency if, in its judgment, circumstances so warrant. Any such

downward revision or withdrawal of such rating may have an adverse effect on the market price of the Certificates.

The definitions of a rating furnished by Standard & Poor's Ratings Services are as follows:

AAA	Debt rated "AAA" has the highest rating to a debt obligation. Capacity to pay interest and repay principal is extremely strong.
AA	Debt rated "AA" has a very strong capacity to pay interest and repay principal and differs from the higher rated issues only in small degree.
A	Debt rated "A" has a strong capacity to pay interest and repay principal although it is somewhat more susceptible to the adverse effects of changes of circumstances and economic conditions than in debt in higher rated categories.
BBB	Debt rated "BBB" is regarded as having an adequate capacity to pay interest and repay principal. Whereas it normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for debt in this category than in higher debt rated categories.
BB-CC	Debt rated "BB", "B", "CCC" or "CC" is regarded, on balance, as predominantly speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. "BB" indicates the lowest degree of speculation and "CC" the highest degree of speculation. While such debt will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions.
C	This rating is reserved for income bonds on which no interest is being paid.
D	Debt rated "D" is in default, and payment of interest and/or repayment of principal is in arrears.

Plus (+) or minus (-): The ratings "AA" to "BBB" may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

Moody's

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

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

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

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

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

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

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

FINANCIAL ADVISOR

Municipal Financial Consultants Incorporated has been employed by the County to perform professional services on behalf of the County with respect to the Contract and the Certificates.

INDEPENDENT ACCOUNTANTS

The pages of the basic financial statements of the County, as of and for the fiscal year ended September 30, 2006, included in EXHIBIT B, have been audited by the firm of Plante & Moran, PLLC, independent accountants.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Certificates are subject to the approval of Axe & Ecklund, P.C., Grosse Pointe Farms, Michigan, Certificate Counsel, whose approving opinion, substantially in the form shown in APPENDIX C, will be delivered on the date of issuance of the Certificates. In the event certificated Certificates are issued, the opinion will be printed on the reverse side of each Certificate.

A legal opinion addressing the United States federal income tax characterization of the Funding Trust and of the Scheduled Payments and Contract Charges to be received by the Funding Trust under the Contract will be delivered by Roberts & Holland LLP, New York, New York, as special U.S. federal tax counsel.

LITIGATION

To the knowledge of the County, there is no controversy of any nature threatened or pending against the County, seeking to restrain or enjoin the execution or delivery of the Contract or the issuance, sale, execution or delivery of the Certificates or in any way contesting or affecting the validity of the Contract or the Certificates or any proceedings of the County taken with respect to the issuance or sale thereof.

UNITED STATES FEDERAL TAX CONSIDERATIONS

This written advice was not intended or written to be used, and it cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer. This advice was written to support the promotion or marketing of the transactions and matters addressed herein. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

The following is a general discussion of certain U.S. federal income tax considerations relating to the purchase, ownership, and disposition of beneficial interests in the Certificates. The discussion below does not deal with all U.S. federal tax considerations. It also does not deal with considerations applicable to certain categories of investors, some of which may be subject to special rules, such as certain financial institutions, banks, insurance companies, tax-exempt entities, certain former citizens or residents of the United States, dealers in securities, traders in securities that elect to use a mark-to-market method of accounting, partnerships, and other pass-through entities (and persons holding beneficial interests in Certificates through a partnership or other pass-through entity), persons holding beneficial interests in Certificates as part of a hedge, straddle, constructive sale, conversion transaction, or other integrated transaction, holders whose functional currency is not the U.S. dollar, passive foreign investment companies, controlled foreign corporations, and corporations that accumulate earnings to avoid U.S. federal income tax. This discussion also does not address the effect of any state, local, foreign, or other tax laws or any U.S. federal estate, gift, or alternative minimum tax considerations.

In addition, this discussion is generally limited to initial purchasers of beneficial interests in Certificates who or that will hold such beneficial interests in Certificates as "capital assets" (generally, property held for investment) within the meaning of Section 1221 of the U.S. Internal Revenue Code of 1986, as amended (the **Code**), and who or that would be treated as holding the Funding Trust's right to receive Contract Payments under the Contract as a capital asset if they held such right directly. In the absence of information indicating that Lehman Brothers, the party initially acquiring the beneficial interest in the Certificates (the **Initial Owner**), is not acquiring a substantial portion of the beneficial interest in the Certificates of each maturity for its own account, it is assumed that the Initial Owner constitutes the "initial purchaser" of all of the beneficial interests in all of the Certificates. Purchasers of beneficial interests in Certificates from or through the Initial Owner are strongly urged to consult their own tax advisors regarding whether they should be considered initial purchasers of beneficial interests in Certificates for purposes hereof and regarding the computation and treatment to them of original issue discount, market discount, acquisition (or other) premium, and other tax attributes of owning beneficial interests in the Certificates, as initial purchasers or otherwise.

Investors (including subsequent purchasers of beneficial interests in Certificates) are strongly urged to consult their own tax advisors about the U.S. federal, state (including State of Michigan), local, and other tax consequences of the purchase, ownership, and disposition of beneficial interests in Certificates.

This discussion is based on the Code, administrative pronouncements, judicial decisions, and final, temporary, and proposed Treasury Regulations, all as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. No rulings have been or will be sought from the Internal Revenue Service (the **IRS**) with respect to any of the U.S. federal tax considerations discussed below, and no assurance can be given that the IRS will not take contrary positions. Roberts & Holland LLP has opined on none of the tax considerations discussed herein, except as expressly indicated below.

As used below, the term “**U.S. Certificateholder**” means an owner of a beneficial interest in a Certificate who or that is (i) a citizen or resident of the United States; (ii) a U.S. domestic corporation; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust if (A) a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (B) that trust was in existence on August 20, 1996, and has a valid election in effect under applicable Treasury Regulations to be treated as a domestic trust. The term “**Non-U.S. Certificateholder**” means an owner of a beneficial interest in a Certificate other than a U.S. Certificateholder. The terms U.S. Certificateholders and Non-U.S. Certificateholders are referred to jointly as Certificateholders (**Certificateholders**). Except as expressly stated below, the following discussion does not address any tax considerations that apply specifically to a Non-U.S. Certificateholder.

Tax Status of the Funding Trust

The opinion of Roberts & Holland LLP concludes that the Funding Trust will be treated as a grantor trust under subpart E, part I of subchapter J, chapter 1 of the Code, and each Certificateholder will be treated as the owner of an undivided pro rata interest in the portion of the Funding Trust attributable to the specific maturity of such Certificateholder’s Certificate(s) for U.S. federal income tax purposes.

Tax Status of the Contract Payments under the Contract

The opinion of Roberts & Holland LLP concludes that payments in respect of the Contract received by the Funding Trust will constitute payments in respect of indebtedness for U.S. federal income tax purposes.

Treatment as Interest

The Contract Charges received by the Funding Trust under the Contract will constitute interest in respect of indebtedness for U.S. federal income tax purposes.

Agreements Regarding Tax Status of the Funding Trust and Contract Payments under the Contract

The County. The County has agreed that, for all Federal, state, and local income, business, franchise, gross receipts, modified gross receipts, and modified value added tax purposes, the County shall treat Contract Payments as payments in respect of indebtedness.

Certificateholders. By purchasing or acquiring a beneficial interest in a Certificate, each Certificateholder agrees that for all U.S. federal, state, and local income, business, franchise, gross receipts, modified gross receipts, and modified value added tax purposes, such Certificateholder will (i) treat the Funding Trust as a grantor trust under the Code, (ii) be treated as the owner of an undivided pro rata interest in the portion of the Funding Trust attributable to such Certificateholder’s Certificate(s) and all proceeds thereof, and (iii) treat the Contract Payments as payments in respect of indebtedness.

U.S. Certificateholders

Separate Debt Instruments. The discussion below assumes that the rights of the Funding Trust to Contract Payments corresponding to Certificates of a particular maturity will constitute a separate debt instrument for U.S. federal income tax purposes. There can be no assurance, however, that the IRS will not take a contrary position. If all of the rights of the Funding Trust to Contract Payments under the Contract were aggregated and, therefore, treated as a single debt instrument, with the separation of the

Contract Payments corresponding to the various maturities of Certificates being viewed as a “stripping” of “coupons” within the meaning of Section 1286 of the Code, then the tax consequences for a U.S. Certificateholder could be different from those described below. For example, a U.S. Certificateholder using the cash receipts and disbursements method of accounting could, in certain circumstances, be required to recognize ordinary interest income prior to the payment of Contract Charges, under rules similar to those described below with respect to original issue discount. Certificateholders should consult their own tax advisors regarding the question of whether Contract Payments corresponding to the various maturities of Certificates would be aggregated and what the effect thereof would be on Certificateholders holding beneficial interests in Certificates of one or more maturities.

Interest Income. A U.S. Certificateholder will be required to recognize its allocable share of the Contract Charges payable under the Contract as interest income in accordance with the method of accounting used by such U.S. Certificateholder for U.S. federal income tax purposes. **Such interest will not be exempt from U.S. federal income tax.**

Computation of Issue Price. The “issue price” for the Contract Payments that correspond to the Certificates of each maturity is equal to the first price at which a substantial amount of beneficial interests in such Contract Payments is issued or sold for money. For this purpose, sales to persons acting in the capacity of underwriters, placement agents, or wholesalers are ignored. It is assumed for purposes hereof that the amount paid by the Initial Owner to the Funding Trust and remitted by the Funding Trust to the Intermediate Trust with respect to the Certificates of each maturity will constitute the “issue price” of the Contract Payments corresponding to the Certificates of such maturity.

Original Issue Discount and Bond Premium. To the extent that the Scheduled Payments corresponding to the Certificates of any maturity exceed the price paid by the Funding Trust for the rights to contract Payments corresponding to such Certificates, such excess (which should equal or exceed the amount of acquisition costs incurred by the Funding Trust with respect to such rights) generally will constitute original issue discount (**OID**). If the amount of OID with respect to the rights to Contract Payments that correspond to the Certificates of any maturity equals or exceeds 0.25% of the face amount of such Certificates multiplied by the number of complete years to maturity from the issue date of such Certificates (such Certificates being **OID Certificates**), each U.S. Certificateholder generally will be required to include OID in income on an accrual basis, as described below.

Subject to the discussion of acquisition premium below, the amount of OID that accrues in respect of each OID Certificate during any accrual period equals (i) the adjusted issue price of the OID Certificate at the beginning of the accrual period, multiplied by (ii) the yield to maturity of the OID Certificate, less (iii) the amount of any stated interest payable on the OID Certificate allocable to the accrual period. The “adjusted issue price” of an OID Certificate at the beginning of any accrual period equals the issue price of the OID Certificate, plus the amount of OID that has accrued on the OID Certificate on a constant-yield basis in all prior accrual periods, minus the amount of any Scheduled Payments received on the OID Certificate in prior accrual periods. The “yield to maturity” of an OID Certificate is determined on the basis of compounding at the end of each accrual period and properly adjusted for the length of the accrual period. Accrual periods of a Certificateholder may be of any length, and may vary in length over the term of a Certificate, provided that each accrual period is no longer than one year and each date on which any Scheduled Payments and Contract Charges with respect to such Certificate are scheduled to be paid falls on either the final day or the first day of an accrual period. With respect to Certificates of each maturity after 2014, the County has the right to prepay the Scheduled Payment corresponding to such Certificates and, if the County does so, such Certificates will be prepaid. The County will be deemed to exercise such option with respect to a Certificate if such exercise would minimize the yield on such Certificate. If the County is deemed to exercise any such option, there could be some effect on the timing of inclusion of OID by the holder of a beneficial interest in a Certificate.

The amount of OID accrued on an OID Certificate during a particular accrual period will be divided by the number of days in the accrual period to derive a "daily portion." A U.S. Certificateholder who owns a beneficial interest in an OID Certificate must include as ordinary income the daily portions of OID that accrue with respect to the portion of the OID Certificate beneficially owned by such U.S. Certificateholder for each day during the taxable year on which the U.S. Certificateholder owns its beneficial interest in the OID Certificate. Such an inclusion in advance of receipt of the cash attributable to the income is required even if the U.S. Certificateholder uses the cash receipts and disbursements method of accounting for U.S. federal income tax purposes. The amount of OID includible in a U.S. Certificateholder's income will increase the U.S. Certificateholder's tax basis in its beneficial interest in the OID Certificate for purposes of determining the U.S. Certificateholder's gain or loss upon a sale, exchange, or redemption of such beneficial interest in the OID Certificate.

The Funding Trust intends to treat the acquisition costs incurred by it with respect to each OID Certificate as an "acquisition premium" with respect to such OID Certificate, but there can be no assurance that the IRS will respect this treatment. Assuming that this treatment is respected, then, under the applicable Treasury Regulations, the amount of OID otherwise required to be included in the income of a U.S. Certificateholder during any accrual period generally will be reduced by the product of (i) the amount of OID otherwise includible by such Certificateholder during such accrual period and (ii) a fraction the numerator of which is the amount of acquisition premium with respect to such U.S. Certificateholder's beneficial interest in such OID Certificate and the denominator of which is the total amount of OID with respect to such U.S. Certificateholder's beneficial interest in such OID Certificate as of the date that the Certificateholder acquires such beneficial interest. Alternatively, a U.S. Certificateholder may make an irrevocable election to include in gross income all OID and Contract Charges with respect to such U.S. Certificateholder's beneficial interest in an OID Certificate under a "constant yield method" described in the applicable Treasury Regulations. U.S. Certificateholders should consult their own tax advisors regarding the timing, manner, and consequences of making such election.

An initial purchaser of a beneficial interest in a Certificate whose tax basis in such beneficial interest is greater than the adjusted issue price of the Contract Payments corresponding to such beneficial interest may be permitted to reduce the amount of such Certificateholder's OID inclusions by reason of an "acquisition premium." An initial purchaser of a beneficial interest in a Certificate whose tax basis in such beneficial interest exceeds the principal amount of such Certificate allocable to such beneficial interest may be permitted to amortize the amount of such premium on a "constant yield" basis. An initial purchaser of a beneficial interest in a Certificate whose tax basis in such beneficial interest is less than the issue price of the Contract Payments allocable to such beneficial interest may be considered to hold the beneficial interest at a "market discount" and should consult such Certificateholder's tax advisor regarding the tax consequences thereof, which may include treating a portion of such Certificateholder's gain on the disposition or collection of such beneficial interest as ordinary income and deferral of certain interest expense deductions.

In the case of Certificates maturing in 2008, which may be considered "short-term obligations" for U.S. federal income tax purposes, somewhat different rules may apply with respect to the timing of the inclusion of OID on such Certificates and the possible deferral of deductions for "net direct interest expense" with respect thereto; holders of beneficial interests in such Certificates should consult their tax advisors.

Trustee's Fees and Expenses. In general, each U.S. Certificateholder will be entitled to deduct, consistent with its method of tax accounting, its pro rata share of any fees and expenses paid or incurred by the Funding Trust as provided in Sections 162 or 212 of the Code. The U.S. federal income tax treatment of the Trustee's fees is unclear, and prospective U.S. Certificateholders should consult their

own tax advisors regarding such treatment, including the effect of the possible treatment of the Trustee's fees as having been constructively received by the Funding Trust from the County (followed by the constructive payment of such fees by the Funding Trust).

If a U.S. Certificateholder is an individual, estate, or trust, the deduction for the Certificateholder's share of the fees and expenses, if any, paid or incurred by the Funding Trust, including the Trustee's fees, will be allowed only to the extent that all of the Certificateholder's miscellaneous itemized deductions exceed 2% of the Certificateholder's adjusted gross income. In addition, in the case of U.S. Certificateholders who are individuals, certain otherwise allowable itemized deductions will be subject generally to additional limitations on itemized deductions under the applicable provisions of the Code.

Sale or Other Disposition of a Beneficial Interest in a Certificate. Upon the sale, exchange, or redemption of a U.S. Certificateholder's beneficial interest in a Certificate, the Certificateholder will recognize gain or loss in an amount generally equal to the difference between the amount realized by the Certificateholder on such sale, exchange, or redemption and the Certificateholder's adjusted tax basis in such beneficial interest. A U.S. Certificateholder's adjusted tax basis in its beneficial interest in a Certificate will equal the price paid by the Certificateholder for such beneficial interest (excluding the portion of such price, if any, attributable to accrued interest on such beneficial interest in the Certificate), increased by any amounts includible in income by the Certificateholder as OID on such beneficial interest in the Certificate, and reduced by the Certificateholder's allocable share of Scheduled Payments received by the Funding Trust under the Contract. In general, any such gain or loss recognized by a U.S. Certificateholder will be capital gain or loss, and will be long-term capital gain or loss if the Certificateholder held its beneficial interest in the Certificate for more than one year. If it is determined that the County had an intention to prepay the Scheduled Payments corresponding to the Certificates of a particular maturity prior to the maturity date of such Certificates, however, all or a portion of the gain, if any, recognized by a U.S. Certificateholder on a disposition of its beneficial interest in a Certificate of such maturity could be treated as ordinary income. Under present law, long-term capital gains recognized by a noncorporate U.S. Certificateholder qualify for taxation at a reduced rate.

Non-U.S. Certificateholders

A Non-U.S. Certificateholder that has no connection with the United States other than holding a beneficial interest in a Certificate will not be subject to U.S. withholding or income tax with respect to its share of payments received under the Certificate; provided, with respect to interest (including OID), that such interest is considered "portfolio interest" (as defined in Sections 871(h) and 881(c) of the Code).² such Certificateholder provides an appropriate statement (generally on IRS Form W-8BEN), signed under penalties of perjury, identifying the Non-U.S. Certificateholder and stating, among other things, that such Certificateholder is a non-U.S. person, and each clearing system, bank, or other financial institution that directly or indirectly holds an interest in a Certificate on behalf of such Certificateholder complies with all applicable certification requirements. Special certification rules may apply to non-U.S. partnerships or trusts (or entities that are so treated for U.S. federal tax purposes). If these conditions are not met, a 30% withholding tax will apply to interest (including OID) unless an income tax treaty reduces or eliminates such tax or unless the interest is effectively connected with the conduct of a trade or business within the United States by such Certificateholder and certain other requirements are met. In the latter case, the Non-U.S. Certificateholder will be subject to U.S. federal income tax with respect to all income attributable to its beneficial interest in the Certificate at regular rates then applicable to U.S. taxpayers (and, in the case of corporations, possibly also the branch profits tax). A Non-U.S. Certificateholder will not be considered engaged in a United States trade or business solely by reason of holding a beneficial interest in a Certificate.

Information Reporting and Backup Withholding

Information reporting to the IRS generally will be required with respect to amounts distributed by the Funding Trust to Certificateholders other than corporations and other exempt recipients. In addition, the Funding Trust believes that it is a “non-mortgage widely held fixed investment trust,” within the meaning of the applicable Treasury Regulations. Pursuant to recently issued Treasury Regulations effective as of January 1, 2007, a “non-mortgage widely held fixed investment trust” is subject to additional requirements to report information to the IRS and to owners of interests therein. The Funding Trust intends to comply with such Treasury Regulations and to provide information to the IRS and to the Certificateholders at the time and in the manner required therein. The method of accounting used by the Funding Trust for purposes of such reporting with regard to all Certificateholders may differ from the method of accounting required to be used by a particular Certificateholder in computing such Certificateholder’s taxable income.

A “backup” withholding tax at the rates described below will apply to certain payments to a Certificateholder if such Certificateholder fails to provide certain identifying information (such as the Certificateholder’s taxpayer identification number) to the withholding agent. Any amount withheld under the backup withholding rules will be allowable as a credit against the Certificateholder’s U.S. federal income tax, provided that the required information is provided to the IRS. The current backup withholding rate of 28% applies to payments made through the year 2010. For payments made after the year 2010, the backup withholding rate is scheduled to be increased to 31%.

Non-U.S. Certificateholders generally will be required to comply with applicable certification procedures to establish that they are not U.S. Certificateholders in order to avoid the application of the information reporting requirements and backup withholding rules described above.

State and Other Tax Considerations

In addition to the U.S. federal income tax consequences described above, potential investors should consider the state, local, and foreign tax consequences of the acquisition, ownership, and disposition of beneficial interests in the Certificates offered under this Offering Circular. State tax law may differ substantially from the corresponding U.S. federal tax law, and the discussion above does not purport to describe any aspect of the tax laws of any state, local, foreign, or other jurisdiction.

Under existing Michigan law, the State of Michigan’s single business tax (**SBT**) act will be automatically repealed for tax years that begin after December 31, 2007. The SBT is a modified value added tax imposed on business activity conducted in Michigan. In late June 2007, the State Legislature passed tax reform legislation to replace the SBT after 2007 with a modified gross receipts tax and an income tax on most businesses and a net capital tax on certain financial institutions. A press release of the Michigan Governor dated July 6, 2007 stated that she was expected to sign the tax reform legislation into law as soon as the following week. Under the tax reform legislation, the Michigan Department of Treasury is given authority to promulgate rules to implement the new legislation. It is not possible to predict whether or when the Department of Treasury will promulgate rules implementing the new legislation, or the effect any such potential rules will have on the issuance, purchase, holding or disposition of a beneficial interest in a Certificate. It is also possible that the tax reform legislation could be suspended or rejected by a referendum under Article 2, § 9 of the Michigan Constitution, which provides that a referendum may be invoked by properly filing, within 90 days following the final adjournment of the legislative session in which the legislation was enacted, referendum petitions signed by five percent of the total vote cast for all candidates for governor at the last general election. If the power of referendum is properly invoked, the legislation would not be effective unless approved by a majority of the electors at the next general election.

Each Certificateholder is strongly urged to consult its own tax advisor with respect to all aspects of the U.S. federal, state (including State of Michigan), local, and foreign tax treatment of the purchase, ownership, and disposition of a beneficial interest in a Certificate.

ERISA Considerations

The Employee Retirement Income Security Act of 1974, as amended (**ERISA**), imposes certain fiduciary and prohibited transaction restrictions on employee pension and welfare benefit plans subject to ERISA (**ERISA Plans**). Section 4975 of the Code imposes essentially the same prohibited transaction restrictions on, among other things, tax-qualified retirement plans described in Section 401(a) of the Code (**Qualified Retirement Plans**) and on Individual Retirement Accounts described in Sections 408(a) and (b) and 408A of the Code (collectively, **Tax-Favored Plans**).

Certain employee benefit plans, such as governmental plans (as defined in Section 3(32) of ERISA) and, if no election has been made under Section 410(d) of the Code, church plans (as defined in Section 3(33) of ERISA) and foreign plans which are maintained outside of the United States and primarily cover nonresident aliens, are not subject to ERISA's requirements. Accordingly, assets of such plans may be invested in the Certificates, without regard to the ERISA considerations described below, subject to the provisions of applicable federal and state law. However, any such plan which is a Qualified Retirement Plan and exempt from taxation under Sections 401(a) and 501(a) of the Code, is subject to the prohibited transaction rules set forth in the Code which may result in restrictions on any such plan's investments.

In addition to the imposition of general fiduciary requirements (including those of investment prudence and diversification, and the requirement that a plan's investment be made in accordance with the documents governing the plan), Section 406 of ERISA and Section 4975 of the Code prohibit a broad range of transactions involving assets of ERISA Plans, Tax-Favored Plans and entities whose underlying assets include "plan assets" by reason of ERISA Plans or Tax-Favored Plans investing in such entities (collectively, **Benefit Plans**) and persons who have certain specified relationships to the Benefit Plans (**Parties in Interest** or **Disqualified Persons**), unless a statutory or administrative exemption is available. Certain Parties in Interest (or Disqualified Persons) that participate in a prohibited transaction may be subject to a penalty (or an excise tax) imposed pursuant to Section 502(i) of ERISA (or Section 4975 of the Code) unless a statutory or United States Department of Labor (**DOL**) administrative exemption is available.

Accordingly, a fiduciary of a Benefit Plan should consider the fiduciary standards applicable to such fiduciary in the context of the Benefit Plan's particular circumstances before authorizing an investment in the Certificates. Among other factors, the fiduciary should consider whether the Certificates alone, or in conjunction with the Funding Trust, could be deemed "plan assets" of the Benefit Plan for purposes of ERISA or the Code. ERISA and the Code do not define "plan assets." However, a regulation issued by the DOL (**Plan Asset Regulation**) generally provides that when a Benefit Plan acquires an "equity interest" in an entity that is neither a "publicly-offered security" nor a security issued by an investment company registered under the Investment Company Act of 1940, the Benefit Plan's assets include both the equity interest and an undivided interest in each of the underlying assets of the entity, unless it is established that either equity participation in the entity by "benefit plan investors" (as defined in the Plan Asset Regulation) is not significant or that the entity is an "operating company," in each case as defined in the Plan Asset Regulation. The Plan Asset Regulation defines an "equity interest" as an interest in an entity, including a beneficial interest in a trust, other than an instrument that is treated as indebtedness under applicable local law and which has no substantial equity features. Equity participation by benefit plan investors will not be deemed "significant" unless and until at least twenty-

five percent (25%) of the total value of each class of equity interests in the entity is held by benefit plan investors.

The Certificates will not qualify as “publicly offered” securities for purposes of the Plan Asset Regulation nor are they being offered by an investment company. There can be no assurance that participation by “benefit plan investors” in the Funding Trust will not be significant, and it is not anticipated that the Funding Trust will qualify as an operating company.

If the Certificates are treated as equity interests for purposes of the Plan Asset Regulation and participation by “benefit plan investors” is or becomes significant, the assets of the Funding Trust, to the extent and in proportion as the Certificates are held by benefit plan investors, would be deemed to be, under ERISA, assets of those Benefit Plans who had invested in the Certificates. This would result, among other things, in the application of the prudence and other fiduciary responsibility standards of ERISA to the operation of the Funding Trust with respect to those “plan assets.” Moreover, the terms of the Trust Agreement provide that, should any of the assets of the Funding Trust be deemed “plan assets,” the Trust Agreement is deemed to be a management contract between the Trustee and the applicable Benefit Plan. However, because the assets of the Funding Trust consist entirely of the assignment of Contract Payments pursuant to the Contract, it is not anticipated that the application of these rules should have any substantial impact on the operation of the Funding Trust.

Certificateholders are only entitled to a *pro rata* share of the Contract Payments. The Contract Payments may be treated as indebtedness for purposes of the Plan Asset Regulation. Although there is little guidance on the subject, the Contract Payments should not be treated as having substantial equity features for purposes of the Plan Asset Regulation. This determination is based in part on the traditional debt features of the Contract Payments, including the reasonable expectation that the Contract Payments will be paid when due, as well as the absence of conversion rights, warrants and other typical equity features.

However, without regard to whether the Certificates are treated as an equity interest for purposes of the Plan Asset Regulation, the acquisition or holding of Certificates by or on behalf of the Benefit Plan could be considered as giving rise to a prohibited transaction if the County or the Funding Trust, or any of their affiliates, is or becomes a Party in Interest or a Disqualified Person with respect to such Benefit Plan. A prohibited transaction could also occur in the event that a Benefit Plan transfers a Certificate to a Party in Interest or a Disqualified Person with respect to such Benefit Plan. In such case, certain exemptions from the prohibited transaction rules could apply depending on the type and circumstances of the plan fiduciary making the decision to acquire a Certificate. Included among these exemptions are: Prohibited Transaction Class Exemption (PTCE) 96-23, regarding transactions effected by “in-house asset managers,” PTCE 90-1, regarding investments by insurance company pooled separate accounts; PTCE 95-60, regarding transactions effected by “insurance company general accounts,” PTCE 91-38, regarding investments by bank collective investment funds; and PTCE 84-14, regarding transactions effected by “qualified professional assets managers.”

A transferee (including any purchaser in the initial transfer of the Certificates) of Certificates or any interest therein, who is a trustee of or is acting on behalf of a Benefit Plan or who is using Benefit Plan assets to effect such transfer, will be deemed to represent that such Benefit Plan’s acquisition and holding of Certificates does not result in a violation of the prohibited transaction rules of Section 406 of ERISA or Section 4975 of the Code because the transaction is covered by an applicable statutory or regulatory exemption, including PTCE 96-23, 95-60, 91-38, 90-1 or 84-14. In addition such transferee will be deemed to represent that neither the County, the Funding Trust, nor any of their affiliates, is a Party in Interest with respect to such Benefit Plan.

Due to the complexity of these rules and the penalties that may be imposed on Parties in Interest or Disqualified Persons involved in non-exempt prohibited transactions, it is particularly important that any ERISA Plan fiduciary considering whether to purchase Certificates on behalf of an ERISA Plan should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and the Code to such investment and the availability of any exemptions referred to above. Persons responsible for investing the assets of Tax-Favored Plans that are not ERISA Plans should seek similar counsel with respect to the prohibited transaction provisions of the Code. Moreover, each Benefit Plan fiduciary should take into account among other considerations:

- whether the fiduciary has the authority to make the investment;
- whether the investment constitutes a direct or indirect transaction with a Party in Interest;
- the diversification by type of the assets in the Benefit Plan's portfolio;
- the Benefit Plan's funding objectives;
- the tax effect of the investment; and
- whether under general fiduciary standards of investment procedure and diversification, an investment in securities is appropriate for the Benefit Plan, taking into account the overall investment policy of the Benefit Plan and the composition of the Benefit Plan's investment portfolio.

CONTINUING DISCLOSURE

In order to assist the underwriters of the Certificates in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities and Exchange Act of 1934 (the **Rule**), the County shall covenant pursuant to resolutions to be adopted by their governing boards to enter into an undertaking (the **Undertaking**) for the benefit of beneficial owners of the Certificates to provide certain financial information and operating data relating to the County to certain information repositories annually, and to provide notices of the occurrence of certain events enumerated in the Rule to certain information repositories or the Municipal Securities Rulemaking Board and to any state information depository. The details and terms of the Undertaking, as well as the information to be contained in the annual report or the notices of material events, are set forth in the Continuing Disclosure Undertaking to be executed and delivered by the County at the time the Certificates are delivered. Such Undertaking will be in substantially the form attached hereto as APPENDIX D. The County has never failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of materials events. A failure by the County to comply with the Undertaking will not constitute an event of default on the Certificates (although beneficial owners will have any available remedy at law or in equity). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Certificates in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Certificates and their market price.

MISCELLANEOUS

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

PATRICK M. DOHANY,
OAKLAND COUNTY TREASURER,
as agent for the Funding Trust in formation

**EXHIBIT 1
COUNTY OF OAKLAND
CONTRACTUAL OBLIGATIONS**

Date	Scheduled Payments	Interest Rate	Contract Charges	Total	Fiscal Year Total
10/01/07			\$8,556,771.88	\$8,556,771.88	
04/01/08	\$20,765,000.00	6.000%	17,113,543.75	37,878,543.75	\$46,435,315.63
10/01/08			16,490,593.75	16,490,593.75	
04/01/09	16,610,000.00	6.000%	16,490,593.75	33,100,593.75	49,591,187.50
10/01/09			15,992,293.75	15,992,293.75	
04/01/10	17,590,000.00	6.000%	15,992,293.75	33,582,293.75	49,574,587.50
10/01/10			15,464,593.75	15,464,593.75	
04/01/11	18,320,000.00	6.000%	15,464,593.75	33,784,593.75	49,249,187.50
10/01/11			14,914,993.75	14,914,993.75	
04/01/12	19,545,000.00	6.000%	14,914,993.75	34,459,993.75	49,374,987.50
10/01/12			14,328,643.75	14,328,643.75	
04/01/13	20,520,000.00	6.000%	14,328,643.75	34,848,643.75	49,177,287.50
10/01/13			13,713,043.75	13,713,043.75	
04/01/14	21,500,000.00	6.000%	13,713,043.75	35,213,043.75	48,926,087.50
10/01/14			13,068,043.75	13,068,043.75	
04/01/15	22,720,000.00	6.000%	13,068,043.75	35,788,043.75	48,856,087.50
10/01/15			12,386,443.75	12,386,443.75	
04/01/16	23,940,000.00	6.000%	12,386,443.75	36,326,443.75	48,712,887.50
10/01/16			11,668,243.75	11,668,243.75	
04/01/17	25,405,000.00	6.000%	11,668,243.75	37,073,243.75	48,741,487.50
10/01/17			10,906,093.75	10,906,093.75	
04/01/18	26,875,000.00	6.000%	10,906,093.75	37,781,093.75	48,687,187.50
10/01/18			10,099,843.75	10,099,843.75	
04/01/19	28,340,000.00	6.250%	10,099,843.75	38,439,843.75	48,539,687.50
10/01/19			9,214,218.75	9,214,218.75	
04/01/20	29,805,000.00	6.250%	9,214,218.75	39,019,218.75	48,233,437.50
10/01/20			8,282,812.50	8,282,812.50	
04/01/21	31,760,000.00	6.250%	8,282,812.50	40,042,812.50	48,325,625.00
10/01/21			7,290,312.50	7,290,312.50	
04/01/22	33,465,000.00	6.250%	7,290,312.50	40,755,312.50	48,045,625.00
10/01/22			6,244,531.25	6,244,531.25	
04/01/23	35,420,000.00	6.250%	6,244,531.25	41,664,531.25	47,909,062.50
10/01/23			5,137,656.25	5,137,656.25	
04/01/24	37,620,000.00	6.250%	5,137,656.25	42,757,656.25	47,895,312.50
10/01/24			3,962,031.25	3,962,031.25	
04/01/25	39,820,000.00	6.250%	3,962,031.25	43,782,031.25	47,744,062.50
10/01/25			2,717,656.25	2,717,656.25	
04/01/26	42,260,000.00	6.250%	2,717,656.25	44,977,656.25	47,695,312.50
10/01/26			1,397,031.25	1,397,031.25	
04/01/27	44,705,000.00	6.250%	1,397,031.25	46,102,031.25	47,499,062.50
<u>\$556,985,000.00</u>			<u>\$412,228,478.13</u>	<u>\$969,213,478.13</u>	<u>\$969,213,478.13</u>

Interest Start Date (Dated Date): 07/01/07

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EXHIBIT A

**GENERAL AND ECONOMIC
INFORMATION REGARDING THE COUNTY**

Introduction

Oakland County continues to be a great place to live, to work, to shop and to move your business to. The County is a special place to live where families can enjoy a quality of life that is second to none and where business can grow and prosper. Oakland County's tax base from 2001 to 2006 grew at annual pace of 5.9%, with only 3.7% of taxable valuation coming from the 10 largest taxpayers making the tax base extremely diversified.

Residential developments in the County include some of the finest home developments in the State. The median sales price of a single family home was \$247,333 in 2005. Falling interest rates have promoted strength in housing starts. In 2004, 6,434 housing units were developed, over 6,000 units were started and 20,449 permits were issued for pending development.

Oakland County ranks among the three preeminent labor markets areas in Michigan in terms of the pace of employment growth since 1990. A diversified and strong employment base has resulted from solid corporate investment. Private sector employment since 1990 was the highest of any metropolitan area in Michigan at 22.3 percent, whereas the growth rate for the state was only 11.7 percent.

Unemployment in the County averaged 5.5 percent in 2006, far below the State's average rate of 6.8 percent. With the onset of the recession both locally and nationally in 2001, and the employment reductions in the automotive industry of southeast Michigan jobless rates reversed themselves and rates have jumped. While Oakland County has seen an increase in unemployment since 2000, 2007 predicts job gains of over 36,000. Despite these economic problems Oakland County remains among the most prominent county economies in the nation, ranking number three for counties of the same size, with some of the most promising future prospects.

Oakland County has the highest level of personal income per capita of the major labor markets in Michigan. Oakland's per capita income was \$50,991 in 2004. In fact, Oakland County ranked third in per capita income in 2004 for counties with populations greater than one million.

Source: Oakland County Department of Planning and Economic Development

The County

The County is a public corporation created under the Constitution and Statutes of the State of Michigan, and has general governmental powers and authority. Under Act 206, the Treasurer of the County is the officer responsible for the collection of delinquent real property taxes returned to the County as uncollected on March 1 of any year. In addition, the County Treasurer is responsible for the application of the borrowing proceeds and the preservation of the security related to these Bonds. The County uses a modified accrual basis for accounting purposes.

Form of Government

The 25 member Board of Commissioners is the governing and legislative body of the County and is elected from districts for two (2) year terms. The County Executive is the chief administrative officer of the County and is elected at large for a four (4) year term.

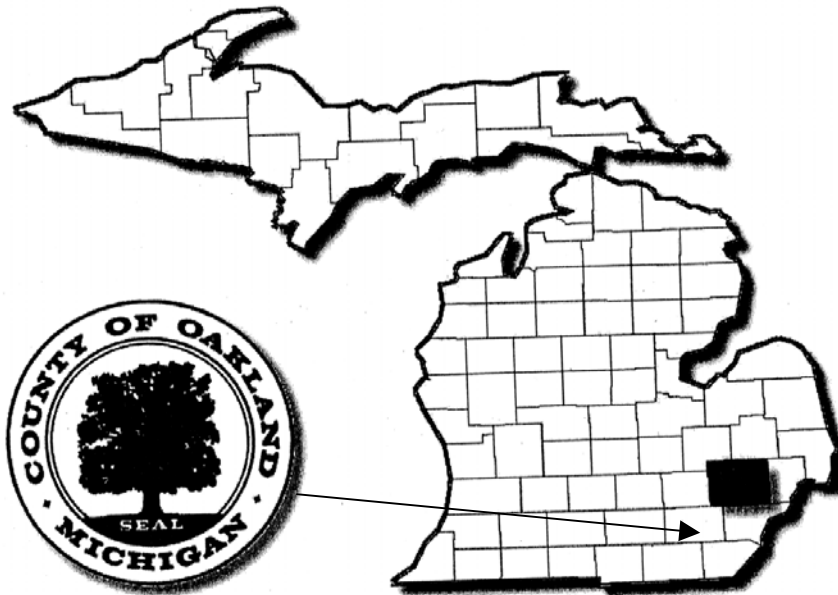
The County Executive is responsible for the overall supervision of all County departments, except those headed by other elected officials. The County Executive also has veto powers over any ordinance or resolution adopted by the Board of Commissioners including appropriating ordinances, which may be over ridden by a 2/3 vote of all members elected and serving on the County Board of Commissioners.

County Location, Transportation and Character

The County of Oakland is located in the southeast portion of Michigan's Lower Peninsula. The County covers an area of 910 square miles, which includes 30 cities, 10 villages and 21 townships. Within the county there are 5 rivers, 423 inland lakes, numerous small streams and a rolling landscape, which attracts many business and residents to Oakland County.

Oakland (County) International Airport is capable of accommodating jets as large as a 727 and is home base for over 700 corporate and general aviation aircraft. It is the second busiest airport in Michigan with approximately 400,000 aircraft flying in and out each year. In 1996 the airport opened a full time U.S. customs office and expanded the airport to international commerce. There are now over 1,200 international flights per year.

Detroit Metropolitan Airport, located 18 miles south of the County, offers direct and connecting flights daily to nearly everywhere in the world. As a regional hub for Northwest Airlines, the number of direct, non-stop flights to and from Metro has increased tremendously. The new Mid-Field Terminal opened in February, 2002 and added 97 new gates to the airport. Also in 2008 a new terminal to replace Smith Terminal is scheduled to be opened.



The Port of Detroit, located south of the County (in Wayne County), serves as Southeast Michigan's link to the Great Lakes, the St. Lawrence Seaway and the world. An international port of entry with full U.S. Custom service and a Free Trade Zone enhance the area's attractiveness to foreign manufacturers. Michigan/Detroit is ranked third in exports (based on dollar value) after Los Angeles and New York.

Roads and Highways - Oakland County enjoys an excellent system of roads and highways. The County is served by Interstate Highway(s) I-75, I-96, I-275 and I-696. In addition to the Interstate routes, an excellent system of state and county highways are maintained throughout the County.

Rail Service - The Grand Trunk Western Railroad furnishes most of Oakland County's rail needs. In addition, CSX Railroad also has a considerable amount of track in the western part of the County.

Residential - Residential development in the County includes some of the finest home developments in the State. The quality of homes (and average annual income) located in Birmingham and the Bloomfield Hills areas are among the highest in the Midwest. Homes in many other areas of the County are also of excellent quality. The estimated median housing value of a single family home was \$221,779 in 2003.

Commercial - Commercial development in the County equals or exceeds those in other areas of the state. Outstanding shopping facilities are provided in Troy, Birmingham and other cities in southeastern Oakland County. Regional shopping centers, located in Southfield, Troy, Auburn Hills and the Pontiac area are among Michigan's finest.

Agriculture - Agriculture has been declining steadily in recent years in terms of economic importance to the County. This trend is expected to continue as increasingly larger portions of farm property are converted into residential, commercial and industrial sites.

Retail Activity - Oakland County had total retail sales, in 2002, totaling \$22.5 billion. This exceeded the total retail sales of fourteen states and the District of Columbia.

Oakland County had a total Effective Buying Income (EBI), in 2003, of \$33.4 billion. This was higher than that of fourteen states and the District of Columbia.

Corporate - More than 230 Fortune 500 companies do business in Oakland County. In 2006, over 38% of the Fortune 500 global companies had business locations in Oakland County.

Oakland County continues to lead all Michigan counties in the number of business incorporating and forming in the state. Of the total new incorporations that took place in Michigan, Oakland County had 26 percent. Oakland County also has the state's largest number of business proprietorships and partnerships.

Hotels-Motels - Oakland County has 93 hotels and motels with 20 or more rooms. Several new hotel/motel properties are under construction and should be available in the very near future.

Source: Oakland County Department of Planning and Economic Development

Construction

Office Buildings - There was over 47 million square feet of office space available in 2004, of which more than 8 million was available to rent. The vacancy rate for the County was 19.2 percent. The City of Southfield, followed by the City of Troy and Farmington Hills, has the most rental space available.

Industrial & Research Parks - Oakland Technology Park, located in Auburn Hills, is one of the top five research parks in the nation in terms of size. Daimler Chrysler's \$1 billion R & D headquarters and \$1.4 billion corporate world headquarters is located on 500 acres just outside the Tech park. Electronic Data Systems, Comerica Bank, World Computer, ITT Automotive and other major firms are located in this Tech Park. Oakland County leads all Michigan counties with more than 240 business parks totaling more than 8,800 acres.

Source: U.S. Census Bureau and Dodge Local Construction Potentials for non-residential projects

Utilities

All of southern Oakland County buys water from the City of Detroit. When projects now underway are completed, the City of Detroit will treat all of southern Oakland County's sewage (other than that of the City of Pontiac). Major drainage systems have been and are being built in the County. Following is a list of the Utility Suppliers for Oakland County:

Electricity:

Supplier	Detroit Edison
Fuel	90% Coal, 10% Nuclear

Natural Gas:

Supplier	Consumers Energy
-----------------	-------------------------

Water:

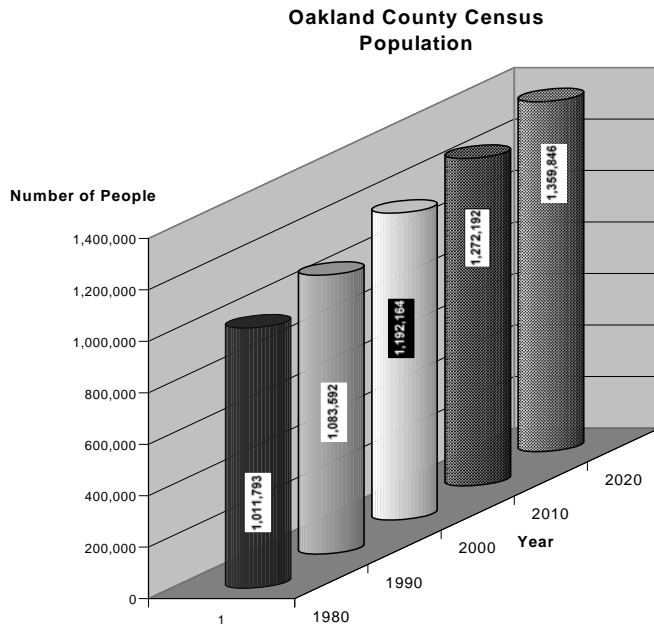
Supplier	Detroit Water and Sewer System
	Community and Private Wells
Source	Lake Huron
	Ground Water from Wells

Sewer:

Supplier	Detroit Water & Sewer System
	Community Water Treatment Facilities and Septic Fields

Population

Between 1990 and 2000 Oakland County's population grew by 18%. Between 2000 and 2020 it is estimated that the County's population will grow by 14%.



Source: U.S. Census and SEMCOG

Education

Fifteen institutions of higher learning with a total enrollment of over 54,000 are located in the County. The largest public degree-granting institutions headquartered in Oakland County are Oakland University, Oakland Community College and Lawrence Technological University. Several private and trade schools offer courses ranging from liberal arts and theological studies to vocational and occupational training.

Oakland University -The Schools of Management and Engineering work with industrial firms in developing personnel versed in manufacturing technologies and technology development processes, and management. The university's faculty consults with many industrial firms and facilitates on the transfer of technology between the University and the business community.

Oakland Community College - Approximately 24,000 students attend this multi-campus college specializing in technical and vocational education. The Computer Integrated Manufacturing curriculum is a partnership between the college and representatives of the major industrial firms in the County who assist in curriculum planning.

Lawrence Technological University - One of the Midwest's leading technical schools, Lawrence's engineering, architecture, business and industrial management and associate studies graduate 1,000 students yearly.

Other Educational Institutions - Central Michigan University, Wayne State University and Michigan State University have graduate studies and programs in the County. Wayne State University has opened a 100,000 square foot

continuing education center in Farmington Hills in 1995. This consolidates several satellite facilities in operation throughout the County. Walsh College concentrates on business and accounting education as does Baker College.

Within an hours drive are the main campuses of the University of Michigan, Wayne State University and Michigan State University. These are major centers of research. Each institution has institutes established for the purpose of providing technology research, development and transfer to the business sector for economic development. The Polymer Institute is located at the University of Detroit, less than two miles from the southern border of the County.

Job Growth

In 2005 Oakland County added about 5,100 service-providing jobs, more than offsetting its losses in goods-producing activities, and returned to overall job growth for the first calendar year since 2000. Over the next two years this same sector is expected to add around 7,000 jobs on average. Oakland County also expects an increase of about two-thirds of a percent per year growth in employment over the next two years, occurring mostly in the private education and the health sector as we begin to shift away from manufacturing toward services which will dominate for years to come.

Distribution of employment by industry sector in 2006 was as follows: 57.6% service, 17.7% trade, 10.1% manufacturing and 14.6% other sectors.

Jobs in the county fell by .5 percent in 2006 as compared to 2005. The county's economic base continues to diversify as the Emerging Sectors strategy is put into place. Since the program began in late 2004, Oakland County has seen more than 2,400 jobs created, more than 1,200 jobs retained, and five new banks establish operations in Oakland County, making it the financial center of Michigan with 30 major banks operating here.

Source: Oakland County Department of Planning and Economic Development

Industrial and High Technology

Business people believe that if you are a part of the automotive industry, you must have a presence in southeast Michigan, and preferably Oakland County. Certainly research and development organizations continue to select Oakland County. In fact, more than 46 percent of Michigan's R & D facilities are located in Oakland County. Much of this development has been driven by the need to meet Federal standards in automobiles. Employees in these firms are typically research engineers and their support staff.

Source: Oakland County Department of Planning and Economic Development

Foreign Investment

Over 650 businesses with a foreign parent company doing business in Michigan are located in Oakland County. Twenty eight percent of all foreign owned firms in the county are Japanese establishments and twenty two percent have German parent companies.

County Tax Rates (in mills) \$1.00/\$1,000 of SEV)

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Operating	4.19	4.19	4.19	4.19	4.19	4.19	4.19	4.19	4.19	4.3505
Parks &										
Recreation	<u>0.2415</u>	<u>0.2415</u>	<u>0.2422</u>	<u>0.2436</u>	<u>0.2453</u>	<u>0.2352</u>	<u>0.2376</u>	<u>0.2404</u>	<u>0.2429</u>	<u>0.2439</u>
Total	4.4315	4.4315	4.4322	4.4336	4.4353	4.4252	4.276	4.4304	4.4329	4.5944

In August, 1978, the voters of Oakland County approved, as part of County wide fixed millage, a maximum millage of \$5.26 per \$1,000, subject to Headlee Amendment reductions. The maximum authorized millage for 2000, after the Headlee reduction, is 4.3688mills. See "Tax Rate Limitation" section.

Source: Oakland County Treasurer

Tax Rate Limitation

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

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

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

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

The County voted in 1978 to fix millage rates pursuant to Section 6 of the 1963 Michigan Constitution and eliminate the Tax Allocation Board. The fixed rates are as follows (per \$1,000 of equalized valuation):

<u>Units of Government</u>	<u>Millage Rate</u>
Any School District	9.54
County of Oakland	5.26
Any Township	1.41
Oakland County Intermediate School District	.25
	16.46

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

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

County Operating Tax Collection Record

<u>Year of Levy</u>	<u>Collections to March 1 of Each Levy Year</u> <u>Tax Levy *</u>	<u>Collections Plus Delinquent Tax</u> <u>Funding Amount**</u>	<u>Percent</u>	<u>Percent</u>
2005	238,685,067	227,704,056	95.40	100.00%
2004	227,583,190	214,916,156	94.43	100.00%
2003	216,173,657	204,777,737	94.73	100.00%
2002	206,294,411	194,663,962	94.36	100.00%
2001	192,549,695	181,781,363	94.41	100.00%
2000	179,455,454	170,218,781	94.85	100.00%
1999	169,119,667	160,852,822	95.11	100.00%
1998	158,822,030	150,584,994	94.18	100.00%
1997	154,608,230	146,878,133	95.00	100.00%
1996	146,793,283	139,773,122	95.22	100.00%

1995	142,993,143	136,217,398	95.26	100.00%
1994	137,211,588	130,150,654	94.85	100.00%
1993	134,806,792	124,680,766	92.49	100.00%

Prior to 1997, the County's fiscal year began on January 1st and ended on December 31st. Starting in 1997, the County's Fiscal Year started on October 1st ended on September 30th. Taxes are due December 1, and become delinquent the following March 1. The County has issued General Obligation Limited Tax Notes and established a 100% Tax Payment Fund at the County level, and after March 1st, the County pays, from the 100% Tax Payment Fund, all delinquent *real* property taxes from all municipalities in the County. The fund does not cover personal property taxes. Delinquent personal property taxes are negligible, and therefore, 100% Tax Collections are reported above.

* Includes real and personal property taxes.

** Reflects only real property delinquency and assumes 100% collection of personal property taxes.

Source: Oakland County Treasurer

County Wide Tax Collection Record

Year of Levy	Tax Levy*	Collections to March 1 of Each Levy Year		Collections Plus Delinquent Tax Funding
		Amount **%	Percent	Percent
2005	2,431,651,204	2,320,949,348	95.45	100
2004	2,328,575,713	2,211,018,004	94.95	100
2003	2,146,982,204	2,041,180,799	95.07	100
2002	2,100,018,728	1,991,919,012	94.85	100
2001	1,975,880,508	1,876,042,662	94.95	100
2000	1,791,823,624	1,706,154,873	95.22	100
1999	1,691,970,818	1,616,138,944	95.52	100
1998	1,599,405,612	1,535,919,099	96.03	100
1997	1,500,568,037	1,432,890,384	95.49	100
1996	1,402,207,576	1,338,339,174	95.45	100
1995	1,330,686,812	1,268,165,357	95.30	100
1994	1,229,946,743	1,168,356,513	94.99	100
1993	1,658,797,207	1,591,758,616	94.46	100
1992	1,595,093,929	1,488,878,457	93.34	100

* Includes real and personal property taxes.

** Reflects only real property delinquency and assumes 100% collection of personal property taxes.

*** Includes TIF sharing.

Source: Oakland County Treasurer

Property Subject to Taxation

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

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

The State Constitution also mandates a system of equalization for assessments. Although the assessors for each local unit of government are responsible for actually assessing at 50% of true cash value, the final State equalized assessment against which local property tax rates are applied is derived through several steps. County equalization is brought about by adjustments of the various local unit assessment ratios to the same levels; thereafter, the State equalizes the various counties in relation to each other.

On March 15, 1994, the electors of the State approved an amendment to the Michigan Constitution, limiting the increase in taxable value of property in any year, commencing 1995, to 5% or the rate of inflation, whichever is less, until ownership of the property is transferred at which time the assessment reverts to 50% of the true cash value of the property, as equalized. The effect of this assessment cap will be that different parcels of property will be taxed on different percentages of their cash value. The legislation implementing this constitutional amendment adds a new measure of property value for property taxes levied after 1994, known as taxable value. For the year 1995, the taxable value of property is based on the state equalized value (SEV) of that property in 1994. For each year after 1994, increases in the taxable value of property are limited by the constitutional assessment cap or the percentage change in the SEV of such property from the prior year until the transfer of ownership of the property at which time the taxable value shall be the property's SEV.

Industrial Facilities Tax

The Michigan Plant Rehabilitation and Industrial Development District Act (Act 198, Public Acts of Michigan, 1974, as amended)("Act 198"), provides significant tax incentives to industry to renovate and expand aging plants and to build new plants in Michigan. Under the provisions of Act 198, qualifying cities, villages and townships may establish districts in which industrial firms are offered certain property tax incentives to encourage restoration or replacement of obsolete industrial facilities and to attract new plants to the area. The issuance of any exemption certificate must be approved by the State Treasurer. Firms situated in such districts pay an Industrial Facilities Tax in lieu of property taxes on plant and equipment for a period of up to 12 years. For rehabilitated plant and equipment, the assessed value is frozen at previous levels. New plant and equipment is taxed at one-half the current millage rate. It must be emphasized, however, that ad valorem property taxes on land and inventory are not reduced in any way since both land and inventory are specifically excluded under Act 198. For abatements granted prior to January 1, 1994, new plant and equipment is taxed at one half the current millage rate, except for mills levied for local and intermediate school operating purposes or under the State Education Tax Act, plus one-half of the number of mills levied for school operating purposes in 1993. For abatements granted after 1993, new plant and equipment is taxed at one-half of the total mills levied as ad valorem taxes by all taxing units, except mills levied under the State Education Tax Act. For abatements granted after 1993, the State Treasurer may also permit abatement of one-half of the mills levied under the State Education Act. Abatements under Act 198 have been granted to properties in the County with a total 2004 State equivalent value of \$1,539,328,206 for real and personal property. The total number of parcel with exemptions in 2004 under Act 198 within the County was 281.

Others

The Obsolete Properties Tax (Act 146, Public Acts of Michigan, 2000) provides partial property tax abatements to property owners on the value of improvements made to certain types of commercial and residential properties. Currently, the City of Pontiac is the only community in Oakland County to utilize this tax abatement.

The Alternative Energy Act (Act 549, Public Acts of Michigan, 2002) provides tax incentives to businesses who are used solely for the purpose of researching, developing, or manufacturing an alternative energy technology. The exemption from property taxes would only apply to taxes levied January 1, 2003 to December 31, 2012. Currently, the City of Rochester Hills is the only community in Oakland County that has established an alternative energy business.

The Taxation of Lessees or Users of Tax-exempt Property Act (Act 189, Public Acts of Michigan, 1953) states that if real property exempt for any reason from ad valorem property taxation is leased, loaned, or otherwise made available to and used by a private individual, association, or corporation in connection with a business conducted for profit, the lessee or user of the real property is subject to taxation in the same amount and to the same extent as though the lessee or user owned the real property. The total number of lessees or users in 2005 under Act 189 within the County was 7.

Source: Oakland County Treasurer

Largest Taxpayers

The 10 largest taxpayers in the County and their December 5, 2006 taxable valuations are:

<u>Taxpayer</u>	<u>Taxable Valuation</u>
General Motors Company	770,790,070
Detroit Edison Company	443,940,560
Daimler/Chrysler Corporation	441,229,170
Consumers Energy Company	142,801,380
BRE Southfield	110,172,230
Liberty Property	104,703,150
Ford Motor Company	82,644,920
Taubman Aubhls Assoc Ltd Prt	68,789,330
Frankel Forbes Cohen Assoc	64,549,870
Galleria Equities	54,441,620

Source: Oakland County Equalization Department

Major Employers

<u>Employer Name</u>	<u>Approximate Number of Employees</u>
General Motors Corp.	20,300
William Beaumont Hospital	14,606
Daimler Chrysler Corp.	10,370
LaSalle Bank Midwest Bank NA	7,947
Human Capital LLC	5,500
St. John Health/Providence Hospital and Medical Centers	5,458
Oakland County Government	5,229
Electronic Data Systems Corp.	4,400
BCBSM Foundation dba Blue Cross Blue Shield of Michigan	4,001
United States Postal Service	3,977
Trinity Health Michigan	3,674
Zieger Healthcare Corp. dba Botsford Healthcare Continuum	2,979
Kroger Co.	2,978
Employees Only Inc.	2,750
Delphi Corp.	2,700

Source: Oakland County Department of Planning and Economic Development

Labor Force

The 2006 number of private non-farm employees totaled more than 698,000. Unemployment was at an average of 5.5 percent for 2006 compared to 5.7 percent in 2005.

Source: Oakland County Department of Planning and Economic Development

Unemployment History

Annual Averages			
	Total Work Force	<u>Unemployed</u>	<u>Percent Unemployed</u>
2006	636,151	35,300	5.5
2005	641,432	36,332	5.7
2004	671,825	34,225	5.1
2003	669,875	34,525	5.2
2002	670,225	31,600	4.7
2001	688,050	26,625	3.9
2000	698,250	15,425	2.2

Source: Department of Labor and Economic Growth

State of Michigan Unemployment

	<u>Yearly Average</u>	Total Work Force	<u>Unemployed</u>	<u>Percent Unemployed</u>
2006		5,018,000	351,000	6.9
2005		5,097,000	344,000	6.7
2004		5,093,000	384,000	7.5
2003		5,085,000	365,000	7.2
2002		5,105,000	302,000	5.9
2001		5,241,000	262,000	5.0
2000		5,201,000	185,000	3.6
1999		4,942,000	194,000	3.8
1998		4,835,000	194,000	3.9
1997		4,986,000	210,000	4.2
1996		4,909,000	239,000	4.9

Source: Department of Labor and Economic Growth

Income

Per capita personal income was \$50,991 per capita income in 2004. In fact, in 2003 Oakland County ranked first in growth of per capita income, and fourth in per capita income for counties with populations greater than one million.

Per Capita Income

2004	50,991
2003	49,048
2002	47,310
2001	47,426
2000	47,079
1999	44,053
1998	42,478
1997	38,462
1996	37,099
1995	35,578
1994	33,678

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

Labor County Contracts

As of March 11, 2005 Oakland County had 4,440 positions of which 1,601 are represented by 9 certified bargaining units.

	<u>Number of Positions</u>	<u>Contract Expiration Date</u>
Sheriff's Department Employees	739	In Negotiations
Sheriff's Command Officers	102	In Negotiations
Children's Village Employees	122	9/30/2007
Family Court Employees	113	9/30/2007
Prosecutor's Investigators	7	9/30/2007
Oakland County Employees Union	382	Pending Board of Comm. approval
Public Health Nurses	113	In Negotiations (Wage and Benefits)
Board of Commissioners Committee Reporters	4	In Negotiations (Wage and Benefits)
Jail Clinic Health Nurses	19	9/30/2007
	<hr/> 1,601	

There are no current labor problems which might have a material effect upon Oakland County.

Source Oakland County Personnel Department.

Major Corporations

Oakland County is host to Major Corporate Headquarters and Major Regional Division Offices.

Here is a listing of those doing business in Oakland County:

Major Corporate Headquarters

IBM
Kelly Services
PHM Corp. (Pulte)
Federal-Mogul Corp.
Motorola
LaSalle Bank Midwest N.A.
Thorn Apple Valley Inc.
American Speedy Printing
Volkswagen of America
Ameritech Publishing
Lear Corporation
Stanley Door Systems
Handleman Co.
MLX Corp.
DaimlerChrysler AG
Textron Automotive Company

Major Regional Division Offices

BASF Corporation
Eaton
Xerox
Kodak
K-Mart
Borg-Warner
Lucas Industries
Allied-Signal Auto.
DuPont Auto Products
ITT Automotive
Texas Instruments
ThyssenKrupp Budd Co.
Apple Computer
Leaseway Transportation Corp
Uniroyal Goodrich Tire
Alexander Hamilton Life Insurance

Revenue Sharing from the State of Michigan

The County receives revenue sharing payments from the State of Michigan under the State Constitution and the State Revenue Sharing Act of 1971, as amended (the "Revenue Sharing Act"). The table appearing at the end of this section shows State revenue sharing distributions received by the County during the County's past five fiscal years, and the estimated receipts for the County's 2004-2005 fiscal year.

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

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

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

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

2004 Developments

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

Act Nos. 356 and 357, Public Acts of Michigan, 2004 signed into law on September 30, 2004 make a number of changes. The most important change is a movement of the county fixed or allocated millage from December 1 to July 1. This movement occurs transitionally beginning in 2004 and is complete in July of 2007. In addition, a special Revenue Sharing Reserve Fund ("RSRF") will be established and used to reduce the State's obligation to pay revenue sharing to counties.

The Revenue Sharing Reserve Fund can be drawn on by counties to replace the revenue sharing payments which they would have otherwise received.

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

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

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

The new tax levy schedule is as follows:

<u>Year</u>	<u>July Tax</u>	<u>December Tax</u>
2004	-	3/3
2005	1/3	2/3
2006	2/3	1/3
2007	3/3	-

[The percentages set forth above are applied to the full levy of the allocated or fixed millage of the county]

Revenue Sharing Reserve Fund ("RSRF")

As a part of the legislation, a Revenue Sharing Reserve Fund ("RSRF") is created by each county and into that fund a percentage of the RSRF must be deposited in accordance with a schedule. The amount of the RSRF is 100 percent of the actual December 2004 county fixed or allocated levy (without any extra voted taxes).

The percentage to be deposited in the reserve is as follows:

<u>Tax Levy Date</u>	<u>Percentage to go to Reserve</u>
December '04	1/3
December '05	1/3
July '06	1/3

The amount to go into the reserve and the basis for determining the reserve will not change at all over the period of transition.

Counties with a fiscal year ending December 31 will accrue the reserve fund amounts to the fiscal year ending in the year of the December levy. Interest will accrue in the fund.

Resumption of Actual Revenue Sharing Payments

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

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

Revenue Sharing is scheduled to resume in 2016 for Oakland County.

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

The following table sets forth the annual revenue sharing payments and other monies received by the County for the fiscal years ended September 30, 1999 through September 30, 2003.

<u>Fiscal Year Ending September 30</u>	<u>Revenue Sharing Payments</u>
2003	\$22,720,290
2002	25,447,856
2001	25,797,569
2000	23,386,203
1999	21,779,948

Pensions

The following data is taken from the latest actuarial report prepared by Gabriel, Roeder, Smith & Company as of September 30, 2006:

Oakland County Employees' Retirement System Present Financial Report

	General County	Command Officers	Sheriff's Deputies	Total
A. Present Value of Future Benefit Payments				
1. For Retirees and beneficiaries				
a. Pension and death benefits	\$273,112,806	\$22,663,406	\$25,575,855	\$321,352,067
b. Reserves	None	None	None	None
c. Total	273,112,806	22,663,406	25,575,855	321,352,067
2. For inactive members	15,824,795	0	435,339	16,260,134
3. For present active members	253,092,100	20,106,986	65,008,186	338,287,272
4. Total	542,029,701	42,770,392	91,099,380	675,899,473
B. Valuation Assets	616,185,327	38,908,966	91,601,331	746,695,624
C. Unfunded Value of Future Benefit Payments				
1. Total: (A.4) – (B)	(74,155,626)	3,861,426	(501,951)	(70,796,151)
2. Present value of future member contributions	2,035,930	805,671	4,058,359	6,899,960
3. Present value of future required employer contributions: (1) – (2)	(76,191,556)	3,055,755	(4,560,310)	(77,696,111)
D. Present value of future pays	275,909,379	16,113,414	81,937,667	373,960,460
E. Employer normal cost:				
1. For System benefits: (C.3)/(D)	(27.61)%	18.96%	(5.57)%	(20.78)%*

* As the Retirement System cannot contribute back to the County, the County contribution rate is 0% of covered pay for all three divisions combined.

Oakland County Retirees' Health Care Trust Present Financial Report

	General Union	General Non- Union	Command Officers	Deputies	Total
A. Accrued Liability					
1. For retirees and beneficiaries	\$0	\$285,144,005	\$16,688,227	\$27,788,944	\$329,621,176
2. For vested terminated members	0	48,818,880	0	2,063,143	50,882,023
3. For present active members					
a. Value of expected future benefit payments	\$48,422,381	347,743,725	25,716,895	134,953,355	556,836,356
b. Value of future normal costs	15,475,584	106,367,161	5,560,355	57,712,280	185,115,380
c. Active member liability: (a) – (b)	32,946,797	241,376,564	20,156,540	77,241,075	371,720,976
4. Total	32,946,797	575,339,449	36,844,767	107,093,162	752,224,175
B. Valuation Assets	10,738,921	187,530,365	13,777,057	53,508,444	265,554,787
C. Unfunded Accrued Liability: (A.4) – (B)	22,207,876	387,809,084	23,067,710	53,584,718	486,669,388
D. Funded Percent: (B)/(A.4)	32.6%	32.6%	37.4%	50.0%	35.3%

State Equalized Valuation (represents 50% of true cash value)

Assessment Year(1)	Real Property	Personal Property	Total	% Change In Total	Taxable Value
2006	72,291,329,373	4,148,396,210	76,439,725,583	5.56	62,133,415,235
2005	69,283,261,769	4,175,926,590	73,459,188,359	4.5	58,862,840,140
2004	65,813,024,378	4,483,972,263	70,296,996,641	4.79	55,986,490,872
2003	62,601,288,076	4,484,153,706	67,085,441,782	6.77	53,179,886,010
2002	58,197,370,454	4,632,159,968	62,829,530,422	9.33	50,688,809,599
2001	52,802,069,063	4,667,642,532	57,469,711,595	9.6	47,656,729,878
2000	47,946,109,270	4,491,256,560	52,437,365,830	7.96	44,370,573,909
1999	43,351,722,556	4,520,810,144	48,570,677,983	12.81	41,756,021,536
1998	38,968,362,590	4,088,471,704	43,056,834,294	10.61	39,011,931,708
1997	35,207,616,066	3,718,065,750	38,925,681,816	8.9	36,468,545,555
1996	32,312,811,773	3,432,142,210	35,744,953,983	7.62	34,293,152,087
1995	30,032,307,086	3,180,629,809	33,212,936,895	6.52	32,568,368,840
1994	28,280,520,470	2,289,739,160	31,180,259,630	3.63	
1993	27,349,484,194	2,737,964,110	30,087,448,304	6.92	
1992	25,472,661,563	2,668,097,200	28,140,758,763	1.81	

SEV does not include any value of tax exempt property (e.g., governmental facilities, churches, public schools, etc.) or property granted tax abatement under either Act 198, Michigan Public Acts, 1974, as amended, or Act 255, Michigan Public Acts, 1978, as amended. See "Taxing Procedures" herein. In accordance with Act 409, Public Acts of 1965, as amended, and Article IX, Section 3, of the Michigan Constitution of 1963, SEV represents 50% of true cash value.

(1) As of December 31st

Source: State of Michigan Tax Commission

Breakdown of State Equalized Valuation

	Tax Year							
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Residential	71.90	71.10	70.30	66.40	68.52	68.57	68.09	67.92
Commercial	16.6	16.8	16.9	17.0	16.89	16.77	16.9	16.46
Industrial	5.9	5.9	6.1	6.2	6.08	5.86	5.76	5.57
Personal Property	5.4	5.7	6.4	6.7	7.37	8.12	8.57	9.45
Agricultural	0.2	0.4	0.3	0.3	0.26	0.26	0.25	0.25
Developmental	<u>0.09</u>	<u>0.1</u>	<u>0.1</u>	<u>0.4</u>	<u>0.47</u>	<u>0.42</u>	<u>0.43</u>	<u>0.35</u>
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

*All numbers shown as percentages.

Source: Oakland County Equalization Department

County Wide Tax Delinquencies

<u>Levy Year</u>	<u>Real Property</u>	<u>Personal Property</u>
2005	97,865,501.75	9,893,351.63
2004	91,130,490.80	21,137,280.42
2003	80,232,958.66	19,453,518.12
2002	85,137,149.74	22,962,566.46
2001	79,926,145.56	19,911,701.16
2000	69,020,110.34	16,648,640.08
1999	65,336,152.76	10,495,720.93
1998	63,486,513.46	9,491,216.62
1997	59,255,925.55	8,421,726.83
1996	55,813,528.91	8,054,873.44
1995	55,609,717.94	6,911,737.12
1994	55,009,350.66	6,580,880.03
1993	83,420,642.25	8,547,680.93
1992	93,798,736.18	10,268,695.64
1991	101,322,370.50	9,510,999.00

Source: County Treasurer

Debt-History

The County of Oakland has no record of default.

Short-Term Financing

The County has issued short-term notes in order to establish the 100% Delinquent Tax Payment Fund. Notes issued in each of the years below have been in a face amount less than the actual real property tax delinquency. The County has pledged its full faith and credit and limited taxing power to the payment of principal and interest on notes issued since 1979. The County does not issue short-term obligations for cash flow purposes.

<u>Year</u>	<u>Notes</u>	<u>Amount</u>
<u>Issued</u>	<u>Issued</u>	<u>Outstanding</u>
2007	25,000,000	25,000,000
2006	25,000,000	0
2005	25,000,000	0
2004	25,000,000	0
2003	25,000,000	0
2002	25,000,000	0
2001	25,000,000	0
2000	25,000,000	0
1999	25,000,000	0
1998	25,000,000	0
1997	25,000,000	0
1996	25,000,000	0
1995	25,000,000	0
1994	60,000,000	0
1993	40,000,000	0
1992	80,000,000	0
1991	80,000,000	0
1990	50,000,000	0
1989	40,000,000	0

Leases Obligations

The County leases its Law Enforcement Complex, Medical Care Facility, Information Technology and a portion of the Court House Building from the Oakland County Building Authority. Since ownership of the property will ultimately transfer to the County from the Building Authority, the leases have been capitalized. All County Building Authority Debt is listed in the Debt Statement.

The County leases certain office and computer equipment and facilities. Total lease expense and future minimum annual payments are not significant.

Future Financing

The County will be moving ahead with its projects and has bond offerings planned for 2007 including the following two bond issues **both of which are scheduled to sell on July 18, 2007:**

\$5,500,000 Oakland County Building Authority, Building Authority Bonds, Series 2007

\$12,555,000 George W. Kun Drainage District Drain Refunding Bonds, Series 2007

Banking

The banking needs of the County are adequately handled by:

Bank of Michigan
Charter One Bank, NA
Citizen's Bank
Citizen's First Saving
Clarkston State Bank
Community Bank of Dearborn
Community Central Bank
Crestmark Bank
Fidelity Bank
First Place Bank
Firstbank – Mt. Pleasant
Flagstar Bank
Huntington Banks of Michigan-OH
Huron Valley State Bank
Independent Bank
Irwin Union Bank & Trust Company
JP Morgan Chase Bank
Keybank
Mercantile Bank
Michigan Heritage Bank
National City Bank of Michigan & IL
Oakland Commerce Bank
Oxford Bank
Peoples State Bank
The Private Bank
Republic Bank
State Bank
TCF Bank

Warren Bank
Wolverine Bank

County of Oakland
Net County Direct Debt - Unaudited
04/30/07

<u>Bonds & Notes with County Credit</u>	<u>Gross</u>	<u>Municipalities Share of Funds on Hand with County Treasurer</u>	<u>Self-Supporting or Portion Paid Directly by Benefited Municipalities</u>	<u>Net</u>	<u>County Share of Funds on Hand</u>	<u>Net County Debt</u>
Limited Tax-Untaxed						
General Obligation Building Authority	\$84,000,000	\$95 (d)	15,129,905 (a)	\$68,870,000	\$967	\$68,869,033
Building Authority Refunding	14,330,000	250 (d)	8,049,750 (a)	6,280,000	5 (d)	6,279,995
Lake Level	440,000	0	0	440,000	291,909 (d)	148,091
Sewer Disposal Bonds	4,600,000	158,307 (d)	4,441,693 (a)	0	0	0
Sewage Disposal Bonds Refunding	13,160,000	2,640,516 (d)	10,519,484 (a)	0	0	0
Water Supply Bonds	11,595,000	361,275 (d)	11,233,725 (a)	0	0	0
Water & Sewage Disposal	3,550,000	1,048 (d)	3,548,952 (a)	0	0	0
Water & Sewage Refunding	1,925,000	152,114 (d)	1,772,886 (a)	0	0	0
Water Supply-Refunding	1,820,000	0	1,820,000 (a)	0	0	0
Mich. Bond Auth.-Sewage Disp. Bonds	5,655,000	51,784 (d)	5,603,216 (a)	0	0	0
Total	\$141,075,000	\$3,365,389	\$62,119,611	\$75,590,000	\$292,882	\$75,297,118
Drain District						
Drain Notes	\$685,000	\$0	\$0	\$685,000	\$0	\$685,000
Drain Bonds	33,870,000	2,094,330 (d)	29,851,160 (a)	1,924,510	208,492 (d)	1,716,018
Drain Refunding	36,285,000	2,593,542 (d)	30,178,123 (a)	3,513,335	165,416 (d)	3,347,919
Michigan Bond Authority Drain	94,155,408	764,753 (d)	91,715,060 (a)	1,675,595	12,007 (d)	1,663,588
Total	\$164,995,408	\$5,452,625	\$151,744,343	\$7,798,440	\$385,915	\$7,412,525
Limited Tax - Taxable						
General Obligation Limited Taxable	\$25,000,000	\$0	\$0	\$25,000,000	\$25,000,000	\$0
	\$25,000,000	\$0	\$0	\$25,000,000	\$25,000,000	\$0
Bonds and Notes with No County Credit						
Michigan Transportation Fund	\$12,925,000	\$12,925,000	\$0	\$0	\$0	\$0
Total	\$12,925,000	\$12,925,000	\$0	\$0	\$0	\$0

Overlapping Debt of County

Cities, Villages and Townships	\$952,763,742 (e)
School Districts	2,886,367,905 (e)
Community College, Intermediate School Districts and Library	73,585,875 (e)
County Issued Bonds Paid by Local Municipalities	213,863,954 (b)
Net County Overlapping Debt	\$4,126,581,476
NET COUNTY DIRECT AND OVERLAPPING DEBT	\$4,209,291,120

(a) Total County Issued Bonds Paid by Local Municipalities

(b) It is expected that a sizeable portion of these amounts will be paid from benefit charges and earnings of the various systems. (This amount is arrived by the totals indicated by "a")

(c) Self-Supporting Obligations

(d) January 31, 2007 Trial Balance

(e) Amount as of January 31, 2007

Source: Oakland County Treasurer

**Oakland County
Schedule of Bonds
Maturities
County Credit and Limited
Tax
As of April 30, 2007
Principal Only**

Year	Building Authority	Building Authority Refunding	Sewer Disposal Bonds	Sewer Disposal Refunding	Water Supply Bonds	Water & Sewage Refunding	Water & Sewage Disposal	Water Supply Refunding	M.B.A. Sewer Disposal Bonds	Lake Levels
2007	3,465,000	1,275,000	50,000	2,625,000	250,000	310,000	0	250,000	0	0
2008	4,125,000	2,345,000	1,650,000	3,505,000	330,000	315,000	150,000	255,000	455,000	55,000
2009	4,255,000	1,405,000	1,000,000	3,160,000	340,000	305,000	150,000	265,000	470,000	55,000
2010	4,390,000	1,445,000	530,000	1,105,000	360,000	330,000	150,000	275,000	480,000	60,000
2011	3,975,000	50,000	145,000	915,000	375,000	340,000	150,000	280,000	490,000	60,000
2012	4,140,000	50,000	150,000	970,000	390,000	325,000	175,000	285,000	500,000	65,000
2013	4,300,000	385,000	150,000	590,000	405,000	0	175,000	210,000	515,000	65,000
2014	4,485,000	405,000	175,000	150,000	445,000	0	175,000	0	525,000	80,000
2015	4,700,000	420,000	190,000	140,000	460,000	0	175,000	0	535,000	0
2016	4,915,000	440,000	310,000	0	480,000	0	200,000	0	550,000	0
2017	5,105,000	455,000	250,000	0	500,000	0	200,000	0	560,000	0
2018	5,370,000	475,000	0	0	460,000	0	200,000	0	575,000	0
2019	5,585,000	500,000	0	0	435,000	0	200,000	0	0	0
2020	5,735,000	520,000	0	0	455,000	0	225,000	0	0	0
Beyond 2020	19,455,000	4,160,000	0	0	5,910,000	0	1,225,000	0	0	0
	84,000,000	14,330,000	4,600,000	13,160,000	11,595,000	1,925,000	3,550,000	1,820,000	5,655,000	440,000

Source: Oakland County Treasurer

**Oakland County
Schedule of Drain Bonds
Maturities
County Credit and Limited
Tax
As of April 30, 2007
Principal Only**

Year	Drain Bonds	Drain Notes	Drain Refunding	M.B.A. Drain Bonds
2007	165,000		1,995,000	460,000
2008	2,085,000	685,000	4,535,000	4,935,000
2009	2,150,000		4,615,000	5,060,000
2010	2,250,000		4,905,000	5,175,000
2011	2,370,000		4,970,000	5,300,000
2012	2,350,000		3,455,000	5,435,000
2013	2,445,000		3,495,000	5,560,000
2014	1,730,000		3,145,000	5,710,000
2015	1,690,000		2,570,000	5,740,000
2016	1,790,000		2,120,000	5,880,000
2017	1,775,000		480,000	5,570,000
2018	1,690,000		0	5,535,000
2019	1,725,000		0	5,670,000
2020	1,820,000		0	5,810,000
Beyond 2020	7,835,000		0	22,315,408
	33,870,000	685,000	36,285,000	94,155,408

Source: Oakland County Treasurer

**OAKLAND COUNTY
SCHEDULE OF BOND MATURITIES
WITH LIMITED COUNTY PLEDGE - TAXABLE
As of April 30, 2007**

Principal Only

Year	Delinquent Tax Notes		Total
2007	0		0
2008	25,000,000		25,000,000
2009	0		0
2010	0		0
2011	0		0
2012	0		0
	\$25,000,000		\$25,000,000

Source: Oakland County Treasurer

**Oakland County
Schedule of Bond Maturities
With No County Pledge
As of April 30, 2007**

Principal Only

Year	MTF Revenue Bonds		Total
2007	2,475,000		2,475,000
2008	2,475,000		2,475,000
2009	2,475,000		2,475,000
2010	1,500,000		1,500,000
2011	1,500,000		1,500,000
2012	500,000		500,000
2013	500,000		500,000
2014	500,000		500,000
2015	500,000		500,000
2016	500,000		500,000
	\$12,925,000		\$12,925,000

**OAKLAND COUNTY
PRINCIPAL & INTEREST REQUIREMENTS
As of April, 2007**

Year	Principal	Interest	Total
2007-2011	142,390,000.00	48,017,304.00	190,407,304.00
2012-2016	89,500,000.00	31,830,397.89	121,330,397.89
2017-2030	118,780,408.00	20,906,643.73	139,687,051.73
	\$350,670,408.00	\$100,754,345.62	\$451,424,753.62

Source: Oakland County Treasurer

**Oakland County
Statement of Legal Debt Margin
As of April 30, 2007**

Bonds and Notes with County Credit and Limited Tax	
GOLT Bldg. Authority	84,000,000.00
GOLT Bldg. Authority Refunding	14,330,000.00
GOLT Lake Level	440,000.00
GOLT Sewage	4,600,000.00
GOLT Sewage Refunding	13,160,000.00
GOLT Water	11,595,000.00
GOLT Water & Sewage Refunding	1,925,000.00
GOLT Water & Sewer	3,550,000.00
GOLT Water Refunding	2,305,000.00
Michigan Bond Authority Sewage Disposal	6,545,000.00
Total	141,075,000.00
Drain District	
Drain Notes	685,000.00
Drain Bonds	33,870,000.00
Drain Refunding	36,285,000.00
Michigan Bond Authority Drain	94,155,408.00
Total	164,995,408.00
Bonds and Notes with County Credit and Limited-Taxable	
GOLT Tax Notes	25,000,000.00
Total County Credit/Pledged Debt	331,070,408.00
Bonds and Notes with no County Credit	
Motor Vehicle Highway Fund Revenue Notes	12,925,000.00
	12,925,000.00
Statutory Limit - 10% of Currently Approved SEV	7,733,108,203.60
Total County Credit/Pledged Debt	331,070,408.00
Available Statutory Debt Limit	7,402,037,795.60

Source: Oakland County Treasurer

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EXHIBIT B

FINANCIAL INFORMATION REGARDING THE COUNTY OF OAKLAND

The following sections of the audited financial statements of the County of Oakland for the Fiscal Year ended September 30, 2006 have been extracted from the audit:

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County of Oakland
Statement of Net Assets
September 30, 2006

	Primary Government			
	Governmental Activities	Business- Type Activities	Totals	Component Units
Assets				
Current assets				
Pooled cash and investments	\$ 371,603,973	\$295,409,594	\$ 667,013,567	\$ 28,820,651
Cash and cash equivalents	-	-	-	30,011,528
Investments	-	-	-	18,974,938
Receivables (net of allowance for uncollectibles where applicable)				
Current property taxes	23,642,106	-	23,642,106	-
Delinquent property taxes	4,531,608	56,995,455	61,527,063	-
Special assessments	-	-	-	10,145,720
Due from other governmental units	21,174,240	23,267,126	44,441,366	612,482
Due from component units	415,107	28,346	443,453	-
Accrued interest receivable	1,553,567	7,365,083	8,918,650	529,174
Accounts receivable	4,439,053	19,103,755	23,542,808	21,426,906
Contracts receivable	28,242,792	-	28,242,792	-
Internal balances - footnote 19	6,947,282	(6,947,282)	-	-
Inventories and supplies	600,816	932,782	1,533,598	3,313,382
Prepayments and other assets	9,324,875	378,306	9,703,181	742,871
Total current assets	<u>472,475,419</u>	<u>396,533,165</u>	<u>869,008,584</u>	<u>114,577,652</u>
Non-current assets				
Contracts receivable	23,318,134	-	23,318,134	-
Special assessments receivable	49,224,198	-	49,224,198	174,650,000
Capital assets, net				
Land and other nondepreciable assets	86,797,380	95,318,584	182,115,964	295,991,292
Land improvements, net	4,336,796	9,928,137	14,264,933	475,921
Buildings and improvements, net	73,105,255	29,656,874	102,762,129	8,332,314
Equipment and vehicles, net	36,377,171	9,201,452	45,578,623	10,961,277
Infrastructure, net	12,443,051	90,095,364	102,538,415	711,361,827
Total capital assets, net	<u>213,059,653</u>	<u>234,200,411</u>	<u>447,260,064</u>	<u>1,027,122,631</u>
Total non-current assets	<u>285,601,985</u>	<u>234,200,411</u>	<u>519,802,396</u>	<u>1,201,772,631</u>
Total assets	<u>\$ 758,077,404</u>	<u>\$630,733,576</u>	<u>\$ 1,388,810,980</u>	<u>\$ 1,316,350,283</u>

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

County of Oakland
Statement of Net Assets (Continued)
September 30, 2006

	Primary Government			
	Governmental Activities	Business- Type Activities	Totals	Component Units
Liabilities				
Current liabilities				
Vouchers payable	\$ 12,922,354	\$ 4,005,861	\$ 16,928,215	\$ 12,336,167
Accrued payroll	12,164,964	133,344	12,298,308	-
Due to other governmental units	1,831,918	16,278,700	18,110,618	5,028,145
Due to primary government	-	-	-	443,453
Accrued interest payable	730,265	-	730,265	30,132
Other accrued liabilities	27,354,848	4,573,793	31,928,641	6,602,833
Accrued compensated absences	1,303,260	-	1,303,260	-
Unearned revenue	45,303,698	2,749,199	48,052,897	18,802,966
Claims and judgments	4,855,618	-	4,855,618	-
Contracts payable	132,368	-	132,368	-
Bonds and notes payable	12,745,000	25,000,000	37,745,000	13,040,000
Total current liabilities	119,344,293	52,740,897	172,085,190	56,283,696
Non-current liabilities				
Accrued compensated absences	11,729,340	-	11,729,340	-
Claims and judgments	20,335,930	-	20,335,930	-
Unearned revenue	6,199,198	-	6,199,198	2,200,833
Bonds and notes payable	136,340,000	-	136,340,000	168,019,167
Other long-term liabilities	-	-	-	5,367,245
Total noncurrent liabilities	174,604,468	-	174,604,468	175,587,245
Total liabilities	293,948,761	52,740,897	346,689,658	231,870,941
Net assets				
Investment in capital assets, net of related debt	144,694,653	225,880,411	370,575,064	846,063,464
Restricted for				
Capital projects	21,005,972	729,844	21,735,816	13,755,128
Debt service	234,089	-	234,089	173,955,107
Community water and sewer	-	10,000,651	10,000,651	-
Unrestricted	298,193,929	341,381,773	639,575,702	50,705,643
Total net assets	\$ 464,128,643	\$ 577,992,679	\$ 1,042,121,322	\$ 1,084,479,342

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

County of Oakland
Statement of Activities
Year Ended September 30, 2006

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and Contributions	Grants and Contributions
Functions/Programs				
Primary government				
Governmental activities				
General government, administrative	\$ 39,448,194	\$ 14,285,484	\$ 1,121,105	\$ -
Public safety	180,827,863	49,434,892	22,825,519	1,254,486
Justice administration	90,373,934	30,576,767	1,634,191	-
Citizen services	88,508,774	9,113,293	19,070,669	-
Public works	40,467,118	20,878,079	86,254	7,404,889
Recreation and leisure	2,779,800	98,935	31,700	-
Commerce and community development	36,748,872	20,009,846	20,584,131	-
Unallocated depreciation	1,129,853	-	-	-
Interest on debt	6,624,240	-	-	-
Total governmental activities	486,908,648	144,397,296	65,353,569	8,659,375
Business-type activities				
Airports	5,676,193	5,300,440	-	3,390,266
Community safety support	12,539,437	11,202,550	-	864,928
Community tax financing	1,340,229	12,442,217	-	-
Community water and sewer	40,118,287	41,514,810	-	8,428,755
Jail commissary	1,334,057	1,377,018	-	-
Recreation and leisure	20,665,548	8,953,868	24,411	7,955
Sewage disposal systems	90,093,986	83,641,440	-	864,895
Skilled nursing care	8,981,260	7,078,913	18,055	-
Total business-type activities	180,748,997	171,511,256	42,466	13,556,799
Total primary government	\$ 667,657,645	\$ 315,908,552	\$ 65,396,035	\$ 22,216,174
Component units				
Drainage districts	\$ 12,253,972	\$ 1,713,861	\$ 546,082	\$ 18,583,596
Road commission	93,970,052	14,030,950	64,216,692	38,241,414
Total component units	\$ 106,224,024	\$ 15,744,811	\$ 64,762,774	\$ 56,825,010
General revenues				
Taxes				
Property taxes				
State-shared revenue (unrestricted)				
Unrestricted investment earnings				
Other revenues				
Extraordinary item - gain on insurance recovery				
Transfers in (out)				
Total general revenues, extraordinary item and transfers				
Change in net assets				
Net assets				
Beginning				
Ending				

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

County of Oakland
Statement of Activities (Continued)
Year Ended September 30, 2006

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			
Governmental Activities	Business- Type Activities	Totals	Component Units
\$ (24,041,605)	\$ -	\$ (24,041,605)	\$ -
(107,312,966)	-	(107,312,966)	-
(58,162,976)	-	(58,162,976)	-
(60,324,812)	-	(60,324,812)	-
(12,097,896)	-	(12,097,896)	-
(2,649,165)	-	(2,649,165)	-
3,845,105	-	3,845,105	-
(1,129,853)	-	(1,129,853)	-
(6,624,240)	-	(6,624,240)	-
(268,498,408)	-	(268,498,408)	-
-	3,014,513	3,014,513	-
-	(471,959)	(471,959)	-
-	11,101,988	11,101,988	-
-	9,825,278	9,825,278	-
-	42,961	42,961	-
-	(11,679,314)	(11,679,314)	-
-	(5,587,651)	(5,587,651)	-
-	(1,884,292)	(1,884,292)	-
-	4,361,524	4,361,524	-
(268,498,408)	4,361,524	(264,136,884)	-
-	-	-	8,589,567
-	-	-	22,519,004
-	-	-	31,108,571
324,933,152	14,071,266	339,004,418	-
9,959,900	-	9,959,900	-
14,325,859	13,792,861	28,118,720	3,987,831
733,352	-	733,352	-
-	-	-	54,336
10,154,587	(10,154,587)	-	-
360,106,850	17,709,540	377,816,390	4,042,167
91,608,442	22,071,064	113,679,506	35,150,738
372,520,201	555,921,615	928,441,816	1,049,328,604
\$ 464,128,643	\$ 577,992,679	\$ 1,042,121,322	\$ 1,084,479,342

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

Governmental Fund Financial Statements

Major Funds

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

Public Health – This fund is used to account for revenue reserved for the purpose of providing health protection, maintenance, and improvement for the residents of Oakland County.

Revenue-Sharing Reserve Fund – This fund was created in 2005 under State of Michigan Public Act 357 of 2004 to serve as a substitute to county revenue-sharing payments. This fund provides a funding mechanism to shift county property tax levies from winter to summer over a three-year period.

Water and Sewer Refunding Debt Act 202 – This fund is used to account for the accumulation of resources, mainly special assessments, for the payment of bonded debt issued for the refinancing of debt obligations for construction of various water and sewer systems (currently 10 issues).

The Water and Sewer Debt Act 342 Fund – This fund was established to account for the accumulation of resources, mainly special assessments, for the payment of bonded debt issued for the construction of water and sewer systems under Public Act 342 of 1939 (currently 12 issues).

Non-Major Funds

Non-major governmental funds are presented, by fund type, in the following sections:

Special Revenue funds

Debt Service funds

Capital Projects funds

County of Oakland
Balance Sheet
Governmental Funds
September 30, 2006

	Major Funds		
	General	Public Health	Revenue Sharing Reserve
Assets			
Current assets			
Pooled cash and investments	\$ 109,010,986	\$ 434,047	\$ 73,423,049
Receivables (net of allowance for uncollectibles where applicable)			
Current property taxes	23,642,106	-	-
Delinquent property taxes	4,531,608	-	-
Due from other governmental units	3,034,798	291,674	-
Due from component units	68,305	-	-
Accrued interest receivable	953,119	-	7,751
Accounts receivable	2,604,366	354,342	-
Contracts receivable	28,203,992	-	-
Due from other funds	16,098,257	31,436	35,861,063
Prepayments and other assets	951,791	109	-
Total current assets	<u>189,099,328</u>	<u>1,111,608</u>	<u>109,291,863</u>
Advances	-	-	-
Special assessments receivable	-	-	-
Contracts receivable	-	-	-
Total assets	<u>\$ 189,099,328</u>	<u>\$ 1,111,608</u>	<u>\$ 109,291,863</u>
Liabilities and Fund Balances			
Current liabilities			
Vouchers payable	\$ 6,953,417	\$ 120,443	\$ -
Accrued payroll	12,054,918	-	-
Due to other governmental units	947,556	122,445	-
Due to other funds	44,358,716	418,259	-
Deferred revenue	31,373,317	-	-
Deferred revenue - property taxes	14,501,882	-	-
Other accrued liabilities	4,829,048	348,920	-
Total current liabilities	<u>115,018,854</u>	<u>1,010,067</u>	<u>-</u>
Deferred revenue	-	-	-
Advances	-	-	-
Total liabilities	<u>115,018,854</u>	<u>1,010,067</u>	<u>-</u>
Fund balances			
Reserved			
Long-term receivables	-	-	-
Prepayments	951,791	-	-
Programs	269,790	-	-
Debt service	-	-	-
Unreserved, designated for, reported in:			
Encumbrances	291,107	101,541	-
General fund	71,801,336	-	-
Special revenue funds	-	-	109,291,863
Capital projects funds	-	-	-
Unreserved, undesignated reported in:			
General fund	766,450	-	-
Capital projects funds	-	-	-
Special revenue funds	-	-	-
Total fund balances	<u>74,080,474</u>	<u>101,541</u>	<u>109,291,863</u>
Total liabilities and fund balances	<u>\$ 189,099,328</u>	<u>\$ 1,111,608</u>	<u>\$ 109,291,863</u>

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

County of Oakland
Balance Sheet (Continued)
Governmental Funds
September 30, 2006

	Major Funds			Totals
	Water and Sewer Refunding Debt Act 202	Water and Sewer Debt Act 342	Non-Major Funds	September 30, 2006
Assets				
Current assets				
Pooled cash and investments	\$ 2,602,215	\$ 527,837	\$ 76,108,452	\$ 262,106,586
Receivables (net of allowance for uncollectibles where applicable)				
Current property taxes	-	-	-	23,642,106
Delinquent property taxes	-	-	-	4,531,608
Due from other governmental units	936,035	134,924	16,684,422	21,081,853
Due from component units	-	-	222,978	291,283
Accrued interest receivable	975	665	308,415	1,270,925
Accounts receivable	-	-	1,123,895	4,082,603
Contracts receivable	-	-	32,666	28,236,658
Due from other funds	85,597	-	5,818,321	57,894,674
Prepayments and other assets	-	-	3,550,073	4,501,973
Total current assets	<u>3,624,822</u>	<u>663,426</u>	<u>103,849,222</u>	<u>407,640,269</u>
Advances	-	-	1,602,823	1,602,823
Special assessments receivable	21,990,000	26,740,000	494,198	49,224,198
Contracts receivable	-	-	23,312,000	23,312,000
Total assets	<u>\$ 25,614,822</u>	<u>\$ 27,403,426</u>	<u>\$ 129,258,243</u>	<u>\$ 481,779,290</u>
Liabilities and Fund Balances				
Current liabilities				
Vouchers payable	\$ -	\$ -	\$ 3,517,786	\$ 10,591,646
Accrued payroll	-	-	-	12,054,918
Due to other governmental units	81,462	-	345,057	1,496,520
Due to other funds	-	85,597	14,307,208	59,169,780
Deferred revenue	-	-	9,398,773	40,772,090
Deferred revenue - property taxes	-	-	-	14,501,882
Other accrued liabilities	3,408,519	510,641	12,172,584	21,269,712
Total current liabilities	<u>3,489,981</u>	<u>596,238</u>	<u>39,741,408</u>	<u>159,856,548</u>
Deferred revenue	21,990,000	26,740,000	23,674,198	72,404,198
Advances payable	-	-	1,602,823	1,602,823
Total liabilities	<u>25,479,981</u>	<u>27,336,238</u>	<u>65,018,429</u>	<u>233,863,569</u>
Fund balances				
Reserved				
Long-term receivables	-	-	1,734,823	1,734,823
Prepayments	-	-	-	951,791
Programs	-	-	21,005,972	21,275,762
Debt service	134,841	67,188	32,060	234,089
Unreserved, designated for, reported in:				
Encumbrances	-	-	42,539	435,187
General fund	-	-	-	71,801,336
Special revenue funds	-	-	31,363,942	140,655,805
Capital projects funds	-	-	4,662,919	4,662,919
Unreserved, undesignated reported in:				
General fund	-	-	-	766,450
Capital projects funds	-	-	5,618,828	5,618,828
Special revenue funds	-	-	(221,269)	(221,269)
Total fund balances	<u>134,841</u>	<u>67,188</u>	<u>64,239,814</u>	<u>247,915,721</u>
Total liabilities and fund balances	<u>\$ 25,614,822</u>	<u>\$ 27,403,426</u>	<u>\$ 129,258,243</u>	<u>\$ 481,779,290</u>

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

County of Oakland
Reconciliation of the Balance Sheet – Governmental Funds
to the Statement of Net Assets
September 30, 2006

Total fund balances for governmental funds		\$ 247,915,721
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Land, not being depreciated	\$ 7,542,088	
Construction in progress, not being depreciated	75,873,107	
Land improvements, net of \$3,876,102 depreciation	4,336,796	
Buildings and improvements, net of \$61,250,475 depreciation	72,345,823	
Equipment and vehicles, net of \$6,168,394 depreciation	7,031,830	
Infrastructure, net of \$5,203,115 depreciation	12,158,103	
		179,287,747
Other long-term assets are not available to pay for current period expenditures and therefore are not reported in the funds.		
Capital lease receivable		8,320,000
Internal service funds are used by management to charge the cost of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		102,245,166
Delinquent real property taxes were deferred in the governmental funds because they were not available to pay for current year expenditures.		9,970,274
Deferred revenue on unearned lease receivable is not reported in the funds.		(6,195,000)
Long-term receivables such as special assessments and contracts receivable are expected to be collected over several years and are deferred in the governmental funds and are not available to pay for current year expenditures.		72,400,000
Long-term bonded debt is not due and payable in the current period and therefore is not reported in the funds. Unamortized premiums, loss on refundings, and interest payable are not reported in the funds. However, these amounts are included in the Statement of Net Assets. This is the net effect of these balances on the statement.		
Bonds and notes payable	(149,085,000)	
Accrued interest payable	(730,265)	
		(149,815,265)
Net assets of governmental activities		<u>\$ 464,128,643</u>

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

County of Oakland
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2006

	Major Funds		
	General	Public Health	Revenue Sharing Reserve
Revenues			
Taxes	\$ 318,383,151	\$ -	\$ -
Special assessments	-	-	-
Federal grants	190,647	125,232	-
State grants	166,485	4,491,735	-
Other intergovernmental revenues	12,910,149	-	-
Charges for services	84,116,374	2,583,635	-
Contributions	671	-	-
Investment income	6,529,153	-	1,014,575
Indirect cost recovery	9,007,715	-	-
Other	1,555,593	5,180	-
Total revenues	<u>432,859,938</u>	<u>7,205,782</u>	<u>1,014,575</u>
Expenditures			
Current operations			
County executive	62,114,029	32,444,877	-
Clerk/register of deeds	10,881,679	-	-
Treasurer	3,703,504	-	-
Justice administration	58,074,967	-	-
Law enforcement	139,954,802	-	-
Legislative	5,319,760	-	-
Drain commissioner	5,456,605	-	-
Non-departmental	17,507,381	-	-
Total current operations	<u>303,012,727</u>	<u>32,444,877</u>	<u>-</u>
Capital outlay	-	-	-
Intergovernmental	-	-	-
Debt service			
Principal payments	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>303,012,727</u>	<u>32,444,877</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>129,847,211</u>	<u>(25,239,095)</u>	<u>1,014,575</u>
Other financing sources (uses)			
Transfers in	29,769,014	25,236,620	75,861,063
Transfers out	(150,980,424)	-	(22,727,838)
Payment to bond escrow agent	-	-	-
Issuance of bonds	-	-	-
Discount on bonds sold	-	-	-
Total other financing sources (uses)	<u>(121,211,410)</u>	<u>25,236,620</u>	<u>53,133,225</u>
Net change in fund balances	<u>8,635,801</u>	<u>(2,475)</u>	<u>54,147,800</u>
Fund balances			
October 1, 2005	<u>65,444,673</u>	<u>104,016</u>	<u>55,144,063</u>
September 30, 2006	<u>\$ 74,080,474</u>	<u>\$ 101,541</u>	<u>\$ 109,291,863</u>

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

County of Oakland
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Governmental Funds
Year Ended September 30, 2006

	Major Funds			
	Water and Sewer Refunding Debt Act 202	Water and Sewer Debt Act 342	Non-Major Funds	Totals September 30, 2006
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ 318,383,151
Special assessments	6,028,836	2,420,537	2,883,611	11,332,984
Federal grants	-	-	42,578,832	42,894,711
State grants	-	-	18,917,391	23,575,611
Other intergovernmental revenues	-	-	2,324,258	15,234,407
Charges for services	3,275	6,063	21,236,585	107,945,932
Contributions	-	-	101,995	102,666
Investment income	21,126	31,831	2,713,720	10,310,405
Indirect cost recovery	-	-	-	9,007,715
Other	-	-	193,353	1,754,126
Total revenues	6,053,237	2,458,431	90,949,745	540,541,708
Expenditures				
Current operations				
County executive	-	-	72,028,085	166,586,991
Clerk/register of deeds	-	-	1,016,231	11,897,910
Treasurer	-	-	2,418,952	6,122,456
Justice administration	-	-	25,636,954	83,711,921
Law enforcement	-	-	7,148,752	147,103,554
Legislative	-	-	11,368,314	16,688,074
Drain commissioner	-	-	973,758	6,430,363
Non-departmental	-	-	-	17,507,381
Total current operations	-	-	120,591,046	456,048,650
Capital outlay			32,271,856	32,271,856
Intergovernmental	-	43,179	11,950,980	11,994,159
Debt service				
Principal payments	4,945,000	1,370,000	4,875,000	11,190,000
Interest and fiscal charges	1,086,886	1,073,286	3,721,892	5,882,064
Total expenditures	6,031,886	2,486,465	173,410,774	517,386,729
Excess (deficiency) of revenues over (under) expenditures	21,351	(28,034)	(82,461,029)	23,154,979
Other financing sources (uses)				
Transfers in	-	-	55,060,779	185,927,476
Transfers out	-	-	(9,027,230)	(182,735,492)
Payments to bond escrow agent	-	-	(9,009,368)	(9,009,368)
Issuance of bonds	-	-	34,160,000	34,160,000
Discount on bonds sold	-	-	(360,882)	(360,882)
Total other financing sources (uses)	-	-	70,823,299	27,981,734
Net change in fund balances	21,351	(28,034)	(11,637,730)	51,136,713
Fund balances				
October 1, 2005	113,490	95,222	75,877,544	196,779,008
September 30, 2006	\$ 134,841	\$ 67,188	\$ 64,239,814	\$ 247,915,721

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

County of Oakland

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities Year Ended September 30, 2006

Net change in fund balance - total governmental funds \$ 51,136,713

Governmental funds report capital outlay as expenditures.

However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Equipment and vehicles	\$ 879,344
Construction in progress	20,334,112
Depreciation expense	<u>(5,081,357)</u>

16,132,099

Payment received on capital lease from a business-type fund provide current financial resources and therefore revenue to governmental funds. The payment received reduces a capital lease receivable in the Statement of Net Assets.

(475,000)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.

9,495,273

Delinquent real property taxes reported in the Statement of Activities did not provide current year financial resources in the governmental funds.

Prior years deferral	(3,420,273)
Current year deferral	<u>9,970,274</u>

6,550,001

Revenue from special assessments and contracts receivable reported in the Statement of Activities in previous years did not provide current financial resources in the governmental funds until the current year.

(6,475,000)

Current year special assessments and contracts receivable reported in the Statement of Activities did not provide current year financial resources in the governmental funds.

37,790,000

Bond proceeds provide current financial resources to governmental funds by issuing debt which increases long-term bonded debt in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term bonded debt in the Statement of Net Assets. This is the amount proceeds exceed repayments.

Bond proceeds	(34,160,000)
Bond refunding	820,000
Repayment of bond principal	11,190,000
Accrued interest	<u>(395,644)</u>

(22,545,644)

Change in net assets of governmental activities

\$ 91,608,442

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

Proprietary Fund Financial Statements

Major Funds

County Airports – This fund was established to account for operations of the County’s Oakland County International, Oakland/Troy, and Oakland/Southwest airports. Revenues are primarily derived from leases, hangar rentals, landing fees, and other rental or service charges.

Delinquent Tax Revolving – This fund is used to account for money advanced by the County to cities, townships, villages and County funds for unpaid property taxes, and the subsequent collections of delinquencies from taxpayers.

Parks and Recreation – This fund is used to account for revenue earmarked for the operation of the County parks (currently 11). Principal revenues are from a voter-approved millage and user charges.

Water and Sewer Trust – This fund is used to account for monies received from those County residents whose water and sewer systems are maintained for their townships or municipalities by Oakland County.

Non-Major Funds

Non-major proprietary funds are presented, by fund type, in the following sections:

Internal Service funds

Enterprise funds

County of Oakland
Statement of Net Assets
Proprietary Funds
September 30, 2006

	Business-Type Activities - Enterprise Funds			
	Major			
	County Airports	Delinquent Tax Revolving	Parks and Recreation	Water and Sewer Trust
Assets				
Current assets				
Pooled cash and investments	\$ 13,593,338	\$ 164,324,801	\$ 18,503,596	\$ 23,034,405
Delinquent property taxes	-	56,995,455	-	-
Due from other governmental units	71,722	1,826,274	34,650	1,130,251
Due from component units	-	-	-	937
Accrued interest receivable	54,865	6,841,549	91,326	55,672
Accounts receivable (net of allowance for uncollectibles where applicable)	2,268,901	-	282,494	14,321,432
Due from other funds	-	-	-	1,660,619
Current portion of contracts receivable	-	-	-	-
Current portion of advances receivable	-	450,383	-	-
Inventories and supplies	-	-	36,171	145,522
Prepayments and other assets	81,753	-	17,471	1,333
Total current assets	16,070,579	230,438,462	18,965,708	40,350,171
Noncurrent assets				
Contracts receivable	-	-	-	-
Advances	-	1,455,362	-	-
Capital assets, net				
Land and other nondepreciable assets	37,918,249	-	20,890,411	-
Land improvements, net	9,928,137	-	-	-
Building and improvements, net	8,361,182	-	18,228,520	-
Equipment and vehicles, net	103,475	-	1,241,162	98,172
Infrastructure, net	63,420	-	24,908,697	28,595,233
Total noncurrent assets	56,374,463	1,455,362	65,268,790	28,693,405
Total assets	72,445,042	231,893,824	84,234,498	69,043,576
Liabilities				
Current liabilities				
Vouchers payable	31,517	1,030,840	346,714	2,181,700
Accrued payroll	-	-	33,243	47,426
Due to other governmental units	42,932	224,499	-	877,565
Due to other funds	-	-	10,869	3,853,882
Deferred revenue	1,874,185	-	172,395	-
Capital lease obligation-current portion	240,000	-	500,000	-
Notes payable	-	25,000,000	-	-
Current portion of compensated absences	-	-	-	-
Current portion of claims and judgments	-	-	-	-
Current portion of contracts payable	-	-	-	-
Current portion of advances payable	-	-	-	-
Other accrued liabilities	475,023	280,094	133,947	2,659,740
Total current liabilities	2,663,657	26,535,433	1,197,168	9,620,313
Noncurrent liabilities				
Capital lease obligations	5,955,000	-	1,625,000	-
Accrued compensated absences	-	-	-	-
Claims and judgments	-	-	-	-
Advances	-	-	-	-
Total noncurrent liabilities	5,955,000	-	1,625,000	-
Total liabilities	8,618,657	26,535,433	2,822,168	9,620,313
Net assets				
Invested in capital assets, net of related debt	50,179,463	-	63,143,790	28,693,405
Restricted for programs	729,844	-	-	10,000,651
Unrestricted	12,917,078	205,358,391	18,268,540	20,729,207
Total net assets	\$ 63,826,385	\$ 205,358,391	\$ 81,412,330	\$ 59,423,263

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

County of Oakland
Statement of Net Assets (Continued)
Proprietary Funds
September 30, 2006

	Business-Type Activities - Enterprise Funds		Governmental Activities - Internal Service Funds
	Non-Major Funds	Totals September 30, 2006	
Assets			
Current assets			
Pooled cash and investments	\$ 75,953,454	\$ 295,409,594	\$ 109,497,387
Delinquent property taxes	-	56,995,455	-
Due from other governmental units	20,204,229	23,267,126	92,387
Due from component units	27,409	28,346	123,824
Accrued interest receivable	321,671	7,365,083	282,642
Accounts receivable (net of allowance for uncollectibles where applicable)	2,230,928	19,103,755	356,450
Due from other funds	2,962,026	4,622,645	3,141,443
Current portion of contracts receivable	-	-	6,134
Current portion of advances receivable	-	450,383	-
Inventories and supplies	751,089	932,782	600,816
Prepayments and other assets	277,749	378,306	4,822,902
Total current assets	102,728,555	408,553,475	118,923,985
Noncurrent assets			
Contracts receivable	-	-	6,134
Advances	-	1,455,362	-
Capital assets, net			
Land and other nondepreciable assets	36,509,924	95,318,584	3,382,185
Land improvements, net	-	9,928,137	-
Building and improvements, net	3,067,172	29,656,874	759,432
Equipment and vehicles, net	7,758,643	9,201,452	29,345,341
Infrastructure, net	36,528,014	90,095,364	284,948
Total noncurrent assets	83,863,753	235,655,773	33,778,040
Total assets	186,592,308	644,209,248	152,702,025
Liabilities			
Current liabilities			
Vouchers payable	415,090	4,005,861	2,330,708
Accrued payroll	52,675	133,344	110,046
Due to other governmental units	15,133,704	16,278,700	335,398
Due to other funds	1,290,921	5,155,672	1,333,310
Deferred revenue	702,619	2,749,199	-
Capital lease obligation-current portion	-	740,000	-
Notes payable	-	25,000,000	-
Current portion of compensated absences	-	-	1,303,260
Current portion of claims and judgments	-	-	4,855,618
Current portion of contracts payable	-	-	132,368
Current portion of advances payable	-	-	450,383
Other accrued liabilities	1,024,989	4,573,793	6,085,136
Total current liabilities	18,619,998	58,636,569	16,936,227
Noncurrent liabilities			
Capital lease obligations	-	7,580,000	-
Accrued compensated absences	-	-	11,729,340
Claims and judgments	-	-	20,335,930
Advances	-	-	1,455,362
Total noncurrent liabilities	-	7,580,000	33,520,632
Total liabilities	18,619,998	66,216,569	50,456,859
Net assets			
Invested in capital assets, net of related debt	83,863,753	225,880,411	33,771,906
Restricted for programs	-	10,730,495	-
Unrestricted	84,108,557	341,381,773	68,473,260
Total net assets	\$ 167,972,310	\$ 577,992,679	\$ 102,245,166

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

County of Oakland
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year Ended September 30, 2006

	Business-Type Activities - Enterprise Funds			
	Major			
	County Airports	Delinquent Tax Revolving	Parks and Recreation	Water and Sewer Trust
Operating revenues				
Charges for services	\$ 5,300,425	\$ 12,394,198	\$ 8,745,171	\$ 41,459,728
Other	15	48,019	16,171	55,082
Total operating revenues	<u>5,300,440</u>	<u>12,442,217</u>	<u>8,761,342</u>	<u>41,514,810</u>
Operating expenses				
Salaries	1,086,531	46,353	7,878,391	6,466,870
Fringe benefits	543,067	18,040	2,752,173	2,815,987
Contractual services	1,801,854	128,336	4,681,930	25,276,552
Commodities	144,446	-	937,567	1,812,328
Depreciation	1,585,928	-	3,134,960	595,950
Internal services	267,007	-	1,043,693	2,405,707
Intergovernmental	-	-	-	744,893
Total operating expenses	<u>5,428,833</u>	<u>192,729</u>	<u>20,428,714</u>	<u>40,118,287</u>
Operating income (loss)	<u>(128,393)</u>	<u>12,249,488</u>	<u>(11,667,372)</u>	<u>1,396,523</u>
Nonoperating revenues (expenses)				
Property taxes	-	-	14,071,266	-
Contributions	-	-	24,411	-
Interest revenue	664,814	7,972,541	871,505	937,582
Interest expense and paying agent fees	(247,360)	(1,147,500)	(93,755)	-
Gain (loss) on sale of property and equipment	-	-	37,300	-
Total nonoperating revenues	<u>417,454</u>	<u>6,825,041</u>	<u>14,910,727</u>	<u>937,582</u>
Income (loss) before transfers and contributions	<u>289,061</u>	<u>19,074,529</u>	<u>3,243,355</u>	<u>2,334,105</u>
Transfers and contributions				
Capital contributions	3,390,266	-	7,955	8,428,755
Transfers in	-	243,461	-	-
Transfers out	(2,020,000)	(13,049,293)	-	-
Total transfers and contributions	<u>1,370,266</u>	<u>(12,805,832)</u>	<u>7,955</u>	<u>8,428,755</u>
Change in net assets	<u>1,659,327</u>	<u>6,268,697</u>	<u>3,251,310</u>	<u>10,762,860</u>
Net assets				
October 1, 2005	<u>62,167,058</u>	<u>199,089,694</u>	<u>78,161,020</u>	<u>48,660,403</u>
September 30, 2006	<u>\$ 63,826,385</u>	<u>\$ 205,358,391</u>	<u>\$ 81,412,330</u>	<u>\$ 59,423,263</u>

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

County of Oakland
Statement of Revenues, Expenses and Changes in Fund Net Assets (Continued)
Proprietary Funds
Year Ended September 30, 2006

	Business-Type Activities - Enterprise Funds		Governmental Activities - Internal Service Funds
	Non-Major Funds	Totals September 30, 2006	
Operating revenues			
Charges for services	\$ 102,916,310	\$ 170,815,832	\$ 190,537,663
Other	538,837	658,124	488,119
Total operating revenues	103,455,147	171,473,956	191,025,782
Operating expenses			
Salaries	7,596,516	23,074,661	20,504,430
Fringe benefits	3,620,136	9,749,403	10,035,233
Contractual services	89,050,301	120,938,973	146,719,390
Commodities	2,340,538	5,234,879	7,927,522
Depreciation	7,585,659	12,902,497	7,857,834
Internal services	2,898,669	6,615,076	5,836,821
Intergovernmental	-	744,893	-
Total operating expenses	113,091,819	179,260,382	198,881,230
Operating income (loss)	(9,636,672)	(7,786,426)	(7,855,448)
Nonoperating revenues (expenses)			
Property taxes	-	14,071,266	-
Contributions	18,055	42,466	-
Interest revenue	3,346,419	13,792,861	4,015,454
Interest expense and paying agent fees	-	(1,488,615)	(90,461)
Gain on sale of property and equipment	-	37,300	(49,150)
Total nonoperating revenues	3,364,474	26,455,278	3,875,843
Income (loss) before transfers and contributions	(6,272,198)	18,668,852	(3,979,605)
Transfers and contributions			
Capital contributions	1,729,823	13,556,799	6,512,275
Transfers in	4,676,245	4,919,706	7,784,900
Transfers out	(5,000)	(15,074,293)	(822,297)
Total transfers and contributions	6,401,068	3,402,212	13,474,878
Change in net assets	128,870	22,071,064	9,495,273
Net assets			
October 1, 2005	167,843,440	555,921,615	92,749,893
September 30, 2006	\$ 167,972,310	\$ 577,992,679	\$ 102,245,166

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

County of Oakland
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2006

	Business-Type Activities - Enterprise Funds			
	Major			
	County Airports	Delinquent Tax Revolving	Parks and Recreation	Water and Sewer Trust
Cash flows from operating activities				
Cash received from users	\$ 5,137,162	\$ 560,752	\$ 8,690,071	\$ 38,884,362
Cash paid to suppliers	(2,751,178)	(146,376)	(9,345,448)	(29,923,715)
Cash paid to employees	(1,086,531)	(46,353)	(7,845,148)	(6,419,444)
Net cash provided by (used in) operating activities	1,299,453	368,023	(8,500,525)	2,541,203
Cash flows from noncapital financing activities				
Transfers from other funds	-	243,461	-	-
Transfers to other funds	(2,020,000)	(13,049,293)	-	-
Amounts received on contracts	-	-	-	-
Interest received on contracts	-	-	-	-
Contributions	-	-	24,411	-
Issuance of short-term borrowings	-	25,000,000	-	-
Repayments received on advances	-	744,255	-	-
Property taxes	-	-	14,071,266	-
Interest paid on short-term borrowings	-	(1,147,500)	-	-
Payments on short-term borrowings	-	(25,000,000)	-	-
Net cash provided by (used in) noncapital financing activities	(2,020,000)	(13,209,077)	14,095,677	-
Cash flows from capital and related financing activities				
Advances received	-	-	-	-
Transfers from other funds	-	-	-	-
Capital contributions	1,370,266	-	7,955	-
Proceeds from sale of capital assets	-	-	37,300	-
Acquisition of capital assets	(1,730,787)	-	(4,495,168)	-
Payments on capital lease obligation	(235,000)	-	(475,000)	-
Interest and fees paid on capital lease obligation	(247,360)	-	(93,755)	-
Amount paid on advances and equipment contracts	-	-	-	-
Interest paid on advances and equipment contracts	-	-	-	-
Net cash used in capital and related financing activities	(842,881)	-	(5,018,668)	-
Cash flows from investing activities				
Interest on investments	667,801	7,294,754	852,557	939,888
Net cash provided by investing activities	667,801	7,294,754	852,557	939,888
Net increase (decrease) in cash and cash equivalents	(895,627)	(5,546,300)	1,429,041	3,481,091
Pooled cash and investments				
October 1, 2005	14,488,965	169,871,101	17,074,555	19,553,314
September 30, 2006	\$ 13,593,338	\$ 164,324,801	\$ 18,503,596	\$ 23,034,405

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

County of Oakland
Statement of Cash Flows (Continued)
Proprietary Funds
Year Ended September 30, 2006

	Business-Type Activities Enterprise Funds		Governmental Activities - Internal Service Funds
	Non-Major Funds	Totals September 30, 2006	
Cash flows from operating activities			
Cash received from users	\$ 101,495,203	\$ 154,767,550	\$ 195,226,483
Cash paid to suppliers	(98,039,764)	(140,206,481)	(169,706,653)
Cash paid to employees	(7,543,841)	(22,941,317)	(20,407,010)
Net cash provided by (used in) operating activities	(4,088,402)	(8,380,248)	5,112,820
Cash flows from noncapital financing activities			
Transfers from other funds	4,661,845	4,905,306	4,824,566
Transfers to other funds	(5,000)	(15,074,293)	(822,297)
Amounts received on contracts	-	-	6,134
Interest received on contracts	-	-	712
Contributions	18,055	42,466	-
Issuance of short-term borrowings	-	25,000,000	-
Repayments received on advances	-	744,255	-
Property taxes	-	14,071,266	-
Interest paid on short-term borrowings	-	(1,147,500)	-
Payments on short-term borrowings	-	(25,000,000)	-
Net cash provided by (used in) noncapital financing activities	4,674,900	3,541,500	4,009,115
Cash flows from capital and related financing activities			
Advances received	-	-	193,245
Transfers from other funds	14,400	14,400	2,960,334
Capital contributions	864,895	2,243,116	-
Proceeds from sale of capital assets	-	37,300	276,712
Acquisition of capital assets	(5,068,349)	(11,294,304)	(5,396,069)
Payments on capital lease obligation	-	(710,000)	-
Interest and fees paid on capital lease obligation	-	(341,115)	-
Amount paid on advances and equipment contracts	-	-	(437,500)
Interest paid on advances and equipment contracts	-	-	(90,461)
Net cash used in capital and related financing activities	(4,189,054)	(10,050,603)	(2,493,739)
Cash flows from investing activities			
Interest on investments	3,357,190	13,112,190	4,058,051
Net cash provided by investing activities	3,357,190	13,112,190	4,058,051
Net increase (decrease) in cash and cash equivalents	(245,366)	(1,777,161)	10,686,247
Pooled cash and investments			
October 1, 2005	76,198,820	297,186,755	98,811,140
September 30, 2006	\$ 75,953,454	\$ 295,409,594	\$ 109,497,387

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

County of Oakland
Statement of Cash Flows (Continued)
Proprietary Funds
Year Ended September 30, 2006

	Business-Type Activities - Enterprise Funds			
	Major			
	County Airports	Delinquent Tax Revolving	Parks and Recreation	Water and Sewer Trust
Operating income (loss)	\$ (128,393)	\$ 12,249,488	\$ (11,667,372)	\$ 1,396,523
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation expense	1,585,928	-	3,134,960	595,950
(Increase) decrease in delinquent property taxes receivable	-	(11,318,874)	-	-
(Increase) decrease in due from other governmental units	-	(661,179)	(34,650)	(772,039)
(Increase) decrease in due from component units	-	-	-	(207)
(Increase) decrease in accounts receivable	293,177	188	134,000	(912,701)
(Increase) decrease in due from other funds	-	-	29,633	(945,501)
(Increase) decrease in inventories and supplies	-	-	(10,016)	88,162
(Increase) decrease in prepayments and other assets	(9,168)	-	331	(1,333)
Increase (decrease) in vouchers payable	31,517	1,030,840	346,714	2,181,378
Increase (decrease) in accrued payroll	-	-	33,243	47,426
Increase (decrease) in due to other govern- mental units	-	213,844	-	121,210
Increase (decrease) in due to other funds	-	(1,007,901)	(89,101)	608,830
Increase (decrease) in deferred revenue	(456,455)	-	(200,254)	-
Increase (decrease) in current portion of compensated absences	-	-	-	-
Increase (decrease) in current portion of claims and judgments	-	-	-	-
Increase (decrease) in other accrued liabilities	(17,153)	(138,383)	(178,013)	133,505
Increase (decrease) in accrued compensated absences	-	-	-	-
Increase (decrease) in claims and judgments	-	-	-	-
Net cash provided by (used in) operating activities	<u>\$ 1,299,453</u>	<u>\$ 368,023</u>	<u>\$ (8,500,525)</u>	<u>\$ 2,541,203</u>

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

County of Oakland
Statement of Cash Flows (Continued)
Proprietary Funds
Year Ended September 30, 2006

	Business-Type Activities - Enterprise Funds		Governmental Activities - Internal Service Funds
	Non-Major Funds	Totals September 30, 2006	
Operating income (loss)	\$ (9,636,672)	\$ (7,786,426)	\$ (7,855,448)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation expense	7,585,659	12,902,497	7,857,834
(Increase) decrease in delinquent property taxes receivable	-	(11,318,874)	-
(Increase) decrease in due from other governmental units	(2,879,789)	(4,347,657)	23,331
(Increase) decrease in due from component units	81,217	81,010	(76,301)
(Increase) decrease in accounts receivable	(103,633)	(588,969)	194,043
(Increase) decrease in due from other funds	652,530	(263,338)	4,059,628
(Increase) decrease in inventories and supplies	(94,858)	(16,712)	(1,475)
(Increase) decrease in prepayments and other assets	454,476	444,306	695,566
Increase (decrease) in vouchers payable	415,090	4,005,539	1,269,239
Increase (decrease) in accrued payroll	52,675	133,344	97,420
Increase (decrease) in due to other govern- mental units	812,669	1,147,723	16,621
Increase (decrease) in due to other funds	(1,218,098)	(1,706,270)	(3,559,485)
Increase (decrease) in deferred revenue	289,731	(366,978)	-
Increase (decrease) in current portion of compensated absences	-	-	49,157
Increase (decrease) in current portion of claims and judgments	-	-	(24,519)
Increase (decrease) in other accrued liabilities	(499,399)	(699,443)	3,151,181
Increase (decrease) in accrued compensated absences	-	-	442,414
Increase (decrease) in claims and judgments	-	-	(1,226,386)
Net cash provided by (used in) operating activities	<u>\$ (4,088,402)</u>	<u>\$ (8,380,248)</u>	<u>\$ 5,112,820</u>

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

County of Oakland
Statement of Cash Flows (Continued)
Proprietary Funds
Year Ended September 30, 2006

Noncash transactions

Enterprise Funds

Major funds:

Noncash and capital related financing activities included \$2,020,000 of capital assets contributed, recording of Accounts Receivable and Deferred Revenue of \$1,874,004 in the County Airports fund, and \$16,000 of capital assets used as trade-in on acquisition in the Parks and Recreation fund.

Nonmajor funds:

Noncash and capital related financing activities included \$864,928 of capital assets contributed in the CLEMIS fund; purchase of capital assets of \$6,350 included in Other accrued liabilities; and write-off of \$17,058 in fully depreciated capital assets in the Radio Communications fund.

Internal Service Funds

Noncash capital and related financing included \$6,512,275 of capital assets contributed, and write-off of \$325,862 of capital assets (software) in the Information Technology Fund.

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

Fiduciary Fund Financial Statements

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

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

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

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

Pension (and Other Postemployment Benefits) Trust funds

Investment Trust funds

Agency funds

County of Oakland
Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2006

	Pension (and Other Post- employment Benefits) Trust Funds	Investment Trust Funds	Agency Funds
Assets			
Cash and cash equivalents	\$ 51,670,628	\$ 5,632,697	\$ 647,989
Pooled cash and investments	-	-	266,363,414
Investments, at fair value			
Common stock	684,465,897	-	-
Government securities	144,204,105	-	-
Corporate bonds and asset-backed securities	189,943,356	-	-
Money markets	17,397,138	-	-
Real estate	47,977	-	-
Other	6,902,553	-	-
Total investments	<u>1,042,961,026</u>	<u>-</u>	<u>-</u>
Receivables - interest and dividends	4,577,951	5,123	177,434
Receivables - other	16,143	-	-
Prepaid expenses	118,868	-	-
Total assets	<u>1,099,344,616</u>	<u>5,637,820</u>	<u>267,188,837</u>
Liabilities			
Vouchers payable	138,514	-	103,808,934
Due to other governmental units	-	-	145,876,515
Other accrued liabilities	1,871,825	-	17,503,388
Total liabilities	<u>2,010,339</u>	<u>-</u>	<u>267,188,837</u>
Net assets			
Held in Trust for Pension and other Postemployment healthcare benefits, and pool participants	<u>\$ 1,097,334,277</u>	<u>\$ 5,637,820</u>	<u>\$ -</u>

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

County of Oakland
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended September 30, 2006

	Pension (and Other Post- employment Benefits) Trust Funds	Investment Trust Funds
Additions		
Contributions		
Employer	\$ 37,488,000	\$ -
Pool participants	-	3,750,000
Plan members	1,087,851	-
Total contributions	38,575,851	3,750,000
Investment income	75,540,567	302,947
Total additions	114,116,418	4,052,947
Deductions		
Benefits	50,167,868	-
Administrative expenses	2,731,409	-
Distribution to pool participants	-	9,973,023
Total deductions	52,899,277	9,973,023
Net increase	61,217,141	(5,920,076)
Net assets held in trust for pension and other postemployment healthcare benefits, and pool participants		
October 1, 2005	1,036,117,136	11,557,896
September 30, 2006	\$ 1,097,334,277	\$ 5,637,820

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

Combining Component Unit Financial Statements

Component Units

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

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

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

County of Oakland
Combining Statement of Net Assets
Component Units
September 30, 2006

	Drainage Districts	Road Commission	Total Component Units
Assets			
Current assets			
Pooled cash and investments	\$ 28,820,651	\$ -	\$ 28,820,651
Cash and cash equivalents	-	30,011,528	30,011,528
Investments	-	18,974,938	18,974,938
Receivables (net of allowance for uncollectibles where applicable)			
Special assessments	-	10,145,720	10,145,720
Due from other governmental units	612,482	-	612,482
Accrued interest receivable	118,565	410,609	529,174
Accounts receivable	-	21,426,906	21,426,906
Inventories and supplies	-	3,313,382	3,313,382
Prepayments and other assets	-	742,871	742,871
Total current assets	<u>29,551,698</u>	<u>85,025,954</u>	<u>114,577,652</u>
Capital assets, net			
Land and other nondepreciable assets	156,045,142	139,946,150	295,991,292
Land improvements, net	-	475,921	475,921
Buildings and improvements, net	-	8,332,314	8,332,314
Equipment and vehicles, net	-	10,961,277	10,961,277
Infrastructure, net	264,984,709	446,377,118	711,361,827
Total capital assets, net	<u>421,029,851</u>	<u>606,092,780</u>	<u>1,027,122,631</u>
Special assessments receivable	<u>174,650,000</u>	-	<u>174,650,000</u>
Total assets	<u>625,231,549</u>	<u>691,118,734</u>	<u>1,316,350,283</u>
Liabilities			
Current liabilities			
Vouchers payable	3,031,528	9,304,639	12,336,167
Due to other governmental units	5,028,145	-	5,028,145
Due to primary government	326,954	116,499	443,453
Deferred revenue and advances	-	18,802,966	18,802,966
Accrued interest payable	30,132	-	30,132
Current portion of long-term debt	11,065,000	1,975,000	13,040,000
Other accrued liabilities	2,268,738	4,334,095	6,602,833
Total current liabilities	<u>21,750,497</u>	<u>34,533,199</u>	<u>56,283,696</u>
Deferred revenue	2,200,833	-	2,200,833
Bonds and notes payable	162,069,167	5,950,000	168,019,167
Other long-term liabilities	-	5,367,245	5,367,245
Total liabilities	<u>186,020,497</u>	<u>45,850,444</u>	<u>231,870,941</u>
Net assets			
Invested in capital assets, net of related debt	247,895,684	598,167,780	846,063,464
Restricted for			
Capital projects	13,755,128	-	13,755,128
Debt service	173,955,107	-	173,955,107
Unrestricted	<u>3,605,133</u>	<u>47,100,510</u>	<u>50,705,643</u>
Total net assets	<u>\$ 439,211,052</u>	<u>\$ 645,268,290</u>	<u>\$ 1,084,479,342</u>

The accompanying notes are an integral part of the financial statements

County of Oakland
Statement of Activities
Component Units
Year Ended September 30, 2006

		Program Revenues					
		Charges for	Operating	Capital			
	Expenses	Services	Grants and	Grants and	Drainage	Road	Total
			Contributions	Contributions	Districts	Commission	Component
							Units
Functions/Programs							
Drainage Districts	\$ 12,253,972	\$ 1,713,861	\$ 546,082	\$ 18,583,596	\$ 8,589,567	\$ -	\$ 8,589,567
Road Commission	93,970,052	14,030,950	64,216,692	38,241,414	-	22,519,004	22,519,004
Total component units	<u>\$ 106,224,024</u>	<u>\$ 15,744,811</u>	<u>\$ 64,762,774</u>	<u>\$ 56,825,010</u>	<u>8,589,567</u>	<u>22,519,004</u>	<u>31,108,571</u>
General Revenues							
Unrestricted investment earnings					1,175,663	2,812,168	3,987,831
Extraordinary item - Gain on insurance recovery					-	54,336	54,336
Change in net assets					<u>9,765,230</u>	<u>25,385,508</u>	<u>35,150,738</u>
Net assets							
Beginning					429,445,822	619,882,782	1,049,328,604
Ending					<u>\$ 439,211,052</u>	<u>\$ 645,268,290</u>	<u>\$ 1,084,479,342</u>

The accompanying notes are an integral part of the financial statements

County of Oakland

Notes to Basic Financial Statements

September 30, 2006

1. Summary of Significant Accounting Policies

The basic financial statements of Oakland County (the County) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). The more significant of the County's accounting policies are described below.

The Financial Reporting Entity

As defined by generally accepted accounting principles established by GASB, the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either (a) the ability to impose will by the primary government, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

The accompanying financial statements present Oakland County (the Primary Government) and its component units. The County's Parks and Recreation Commission is not legally separate from the County, nor does it possess separate corporate powers. As such, the financial data of the County's Parks and Recreation Commission have been included with the financial data of the Primary Government. The financial data of the component units are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Unit

A blended component unit is a legally separate entity from the County, but is so intertwined with the County that it is, in substance, the same as the County. It is reported as part of the County and blended into the appropriate funds.

- ***Oakland County Building Authority (the Authority)*** – A five-person authority is appointed by the Oakland County Board of Commissioners, and its activity is dependent upon Board actions. The purpose of the Authority is to finance, through tax-exempt bonds, the construction of public buildings for use by the County, with the bonds secured by lease agreements with the County and retired through lease payments from the County. The Oakland County Building Authority is reported as if it were part of the primary government because its sole purpose is to finance the construction of the County's public buildings. The Authority's activity is reported in various Debt Service funds (designated by the caption "Building Authority"), and the Building Improvement Fund, a capital projects fund.

Separate financial statements for the Authority are not published.

County of Oakland

Notes to Basic Financial Statements

September 30, 2006

Discretely Presented Component Unit

A discretely presented component unit is an entity that is legally separate from the County but for which the County is financially accountable, or its relationship with the County is such that exclusion would cause the County's financial statements to be misleading or incomplete. These component units are reported in separate columns to emphasize that they are legally separate from the County.

- **Road Commission for Oakland County (Road Commission)** – The Road Commission is governed by three appointees of the County Board of Commissioners who are not County Board members. The Road Commission is responsible for the construction and maintenance of the County's system of roads and bridges, and is principally funded by State-collected vehicle fuel and registration taxes under Public Act 51. The County has budgetary control and appropriation authority over its activities; however, such has not been exercised. The Road Commission's primary activities, which are as of and for the year ended September 30, 2006, is reported discretely as a governmental fund type - Special Revenue fund. The Road Commission Retirement System, which is as of and for the year ended December 31, 2005, is not reported in the financial statements of Oakland County.
- Complete financial statements of the Road Commission, which includes the Road Commission Retirement System and its separately issued statements, can be obtained from its administrative offices as follows:

Road Commission for Oakland County
31001 Lahser Road
Beverly Hills, Michigan 48025

- **Drainage Districts** – This component unit consists of approximately 197 individual districts created for the purpose of alleviating drainage problems. This involves the construction, maintenance, and financing necessary to account for the cost of the drainage district. The individual districts, each a separate legal entity with power to assess the benefiting communities, is governed by the Drain Board for Oakland County, the Oakland County Drain Commissioner, the Chairman of the Oakland County Board of Commissioners, and the Chairperson of the Finance Committee of the Board of Commissioners. Assessments are made against the applicable municipalities within each district, including the Road Commission for Oakland County and the State of Michigan for road drainage. All activities of the various drainage districts are administered by the Oakland County Drain Commissioner. However, the drainage districts are not subject to the County's appropriation process. Because of the relationship between the component unit and the primary government, it would be misleading to exclude the Drainage Districts Component Unit from the financial statements of Oakland County.
- The financial activities of the Drainage Districts as of and for the year ended September 30, 2006 are reported discretely as a governmental fund type. There are no separately issued financial statements of this component unit, although financial information for the specific drainage districts may be obtained from:

Oakland County Drain Commissioner
#1 Public Works Drive
Waterford, Michigan 48328

County of Oakland

Notes to Basic Financial Statements

September 30, 2006

Basic (Government-Wide) and Fund Financial Statements – GASB Statement #34

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that net assets be classified for accounting and reporting purposes into the following three categories:

- **Invested in capital assets, net of related debt** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction or improvement of those assets.
- **Restricted net assets** result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors and the like, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net assets** consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often are designated to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be removed or modified.

The basic financial statements include both government-wide (based on the County as a whole) and fund financial statements. While the previous financial reporting model emphasized fund types (the total of all funds of a particular type), in the new financial reporting model the focus is on either the County as a whole, or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reflects the degree to which direct expenses that are clearly identifiable with a given functional category (General Government, Public Safety, Justice Administration, Citizen Services, Public Works, Recreation and Leisure, and Commerce and Community Development) are offset by program revenues. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or category, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular functional category. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. Property taxes and certain intergovernmental revenues are reported instead as general revenues, which are used to cover the net cost of the various functional categories of the County.

The County policy is to eliminate internal activity from the Statement of Activities. This policy dictates the elimination of indirect expenses, but not direct expenses. The exception to this general rule is activities between funds reported as governmental activities and funds reported as business-type activities (i.e., billings for services or products by Internal Service Funds to Enterprise Funds).

County of Oakland

Notes to Basic Financial Statements

September 30, 2006

The County does not currently employ an indirect cost allocation system. Rather, an administrative service fee is charged by the General Fund to the other operating funds to address General Fund services such as finance, personnel, purchasing, legal, administration, etc. This is treated like a reimbursement, eliminating revenues and expenses on the Statement of Activities.

This government-wide focus is more on the sustainability of the County as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The fund financial statements are, in substance, very similar to the financial statements presented in the previous financial reporting model. Emphasis here is on the major funds in either the governmental or business-type categories. Non-major funds (by category) are summarized into a single column.

The governmental funds statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustments necessary to reconcile the fund-based financial statements into the full accrual governmental column of the government-wide presentation.

Internal service funds of a government (which traditionally provide services primarily to other funds of the government) are presented, in summary form, as part of the proprietary fund financial statements. Since the principal users of the internal services are the County's governmental activities, financial statements of internal service funds are consolidated into the governmental column when presented at the government-wide level. The costs of these services are allocated to the appropriate functional activity. When appropriate, surplus or deficits in the internal service funds are allocated back to the various users within the entity-wide Statement of Activities.

The County's fiduciary funds (which have been redefined and narrowed in scope) are presented in the fund financial statements by type. Since, by definition, these assets are being held for the benefit of third parties (pension participants and others) and cannot be used to finance activities or obligations of the government, these funds are not incorporated into the government-wide statements.

The focus of the entity-wide financial statements under the new reporting model is to present the County as a whole. The focus of the Fund Financial Statements is on the major individual funds of the governmental and business-type categories, as well as the fiduciary funds (by category), and the component units. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

Basis of Presentation – Fund Accounting

Funds are used to report the County's financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

County of Oakland

Notes to Basic Financial Statements

September 30, 2006

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. Revenues are primarily derived from property taxes, state and federal distributions, and charges for services.

The Public Health Fund accounts for revenues reserved for the provision of health protection, maintenance, and improvement for the residents of Oakland County.

The Revenue Sharing Reserve Fund accounts for the State mandated transfers of equal amounts for a three-year period of the property tax shift from a winter levy to a summer levy to replace county revenue-sharing payments. These transfers from the General Fund will amount to the property tax levy for fiscal year 2004.

The Water and Sewer Refunding Debt Act 202 Fund accounts for the accumulation of resources, mainly special assessments against benefiting municipalities, for the payment of bonded debt issued for the refinancing of debt obligations for construction of various water and sewer systems in Oakland County.

The Water and Sewer Refunding Debt Act 342 Fund accounts for the accumulation of resources, mainly special assessments against benefiting municipalities, for the payment of bonded debt issued for construction of various water and sewer systems in Oakland County.

The County reports the following major enterprise funds:

The County Airports Fund was created to account for operations of the County's airports.

The Delinquent Tax Revolving Fund accounts for money advanced to the County and other local units of government for unpaid property taxes, and the subsequent collection of delinquencies.

The Parks and Recreation Fund accounts for the operation of the County's parks.

The Water and Sewer Trust Fund accounts for collection of resources for operation of various water and sewer systems maintained by the County rather than the respective municipalities.

Additionally, the County reports the following fund types:

Governmental Fund Types

Special Revenue Funds are used to ensure that specified resources (other than expendable trusts and funds for major capital improvements) are used as required by legal, regulatory, and/or administrative provisions. Included within the Special Revenue Funds are programs for care of children, drain maintenance, and certain grant operations involving public health, employment training, community development, environmental infrastructure programs and other grants.

Debt Service Funds account for the financing resources and payment of current principal and interest on debt. Debt Service Funds account for servicing of general long-term debt of various building authority debt issues, and debt associated with local water and sewer obligations upon which there are County guarantees.

Capital Projects Funds account for the acquisition, construction, and renovation of major capital facilities other than those financed by proprietary funds.

County of Oakland

Notes to Basic Financial Statements

September 30, 2006

Proprietary Fund Types

Internal Service Funds account for goods and services provided to departments, funds, and governmental units on a cost-reimbursement basis. Included within the Internal Service Funds are certain fringe benefits provided to County employees which include health, workers' compensation, unemployment compensation, information technology, various equipment revolving funds, and central service-type operations.

Enterprise Funds, business-type activities, report operations for services to the general public, financed primarily by user charges intended to recover the cost of services provided, and include three airports, a medical care facility, four sewage disposal systems, parks and others.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The exception to this general rule is activities between funds reported as governmental activities and funds reported as business-type activities.

Amounts reported as program revenues include 1) charges for customers for goods supplied or services provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources, as well as taxes, are reported as general revenues rather than as program revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Fund Types

Fiduciary Funds consist of Pension (and other post-employment benefits) Trust, Investment Trust, and Agency funds, which account for assets held by the County in a trustee capacity or as an agent for others.

Basis of Accounting

- **Primary government** - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets, except for certain miscellaneous receivables and special assessments, and current liabilities are included on the balance sheet. Governmental funds are used to account for all or most of the County's general activities, including the collection and disbursement of earmarked resources and the servicing of long-term debt.

County of Oakland
Notes to Basic Financial Statements
September 30, 2006

- Proprietary, Pension Trust and Investment Trust Funds are accounted for on a flow-of-economic-resources measurement focus. All assets and liabilities are included on the Statement of Net Assets with the balance classified as net assets. Proprietary funds account for activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration.
- The financial statements have been prepared in conformity with generally accepted accounting principles. Governmental funds use the modified accrual basis of accounting, which recognizes revenues in the accounting period in which they become susceptible to accrual, generally when they become both measurable and available. Property taxes are levied on December 1 and July 1 of each year (see note 4) and are recognized as revenues in the fiscal year during which they are levied, and interest associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Other revenues are considered to be available when anticipated to be collected within 60 days of the end of the fiscal period. Expenditures are recorded when the related fund liability is incurred, except debt service expenditures, which are recorded when paid.
- Proprietary, Pension Trust and Investment Trust Funds use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Agency funds, which report only a statement of fiduciary net assets, use the accrual basis of accounting.

Discretely Presented Component Units

The Road Commission uses the current financial resources measurement focus for its governmental fund-type activities. The governmental fund type is used to account for all of the Road Commission's activities, including the collection and disbursement of earmarked resources and the servicing of long-term debt. Revenues and expenditures are recorded under the modified accrual basis of accounting, and, as such, revenue is recorded when measurable and available, and earned. Project-related revenue is recognized as related costs are incurred, except for interest on long-term debt, which is recorded when paid.

The Drainage Districts use the current financial resources measurement focus for its activities. The governmental fund type is used to account for all of the Drainage Districts' activities, including the financing of the cost of construction and maintenance of Drainage Districts and servicing of long-term debt. Revenues and expenditures are recorded under the modified accrual basis of accounting, and as such, revenue is recorded when measurable and available, and earned. Project-related revenue is recognized as related costs are incurred, except for debt service expenditures, which are recorded when paid.

County of Oakland

Notes to Basic Financial Statements

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Budgets

Budgets and budgetary accounting are on the modified accrual basis, which is consistent with generally accepted accounting principles in that property tax revenue is recognized when made available by Board resolution. The budget was legally adopted by the Board of Commissioners prior to September 30, 2005 and presented in a separate document. Appropriation budgets were adopted for the General Fund and the following Special Revenue funds: Public Health, Juvenile Maintenance, and Social Welfare-Foster Care. Appropriations lapse at the end of the year. Project-length financial plans are budgeted for the remainder of the Special Revenue funds and for all Debt Service and Capital Projects funds. Budget and actual comparisons for such funds are not reported in the financial statements because annual budgets are not prepared.

Encumbrances are recorded at the time that purchase orders and contracts are issued. The encumbrances are liquidated when the goods or services are received. Unliquidated encumbrances at the end of the year are set aside as designated within fund balance. In the succeeding year, the encumbrances are re-appropriated by the Board of Commissioners to cover the unliquidated encumbrances included in fund equity.

Pooled Cash and Investments

The County maintains a cash and investment pool for all funds except the pension trust funds and two agency funds (Jail Inmate Trust and District Court Trust), and the investment trust fund, which is in a separate pool, in order to maximize investment earnings. Investments of the pool are not segregated by fund but each contributing fund's balance is treated as equity in the pool. For funds not in the pool, cash equivalents are considered to be demand deposits and short-term investments with an original maturity date of three months or less from the date of acquisition.

Cash overdrafts occurring in funds participating in pooled cash accounts at September 30, 2006 have been reclassified as a "due to other funds," and a corresponding "due from other funds" was established in the General Fund. Similarly, negative accrued interest receivable caused by negative cash balances are also reclassified at year end as inter-fund liabilities.

The County's investments are stated at fair value, which is determined by using quoted market rates, if the investment is traded on a recognized stock exchange. There are no derivative instruments or products in the County's non-pension investment portfolio at September 30, 2006.

Pooled investment income is allocated to all funds based on the respective share of their average daily balances. Interest charges for funds with negative balances are reported as negative interest income.

Inter-fund Receivables/Payable

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term receivables and payables resulting from such transactions are classified as "due from other funds" or "due to other funds" on the balance sheet.

Non-current portions of long-term inter-fund loan receivables are reported as advances and are offset equally by a reservation of fund balance.

Inventories

Inventories in proprietary funds, except for the Facilities Maintenance and Operations fund, an Internal Service fund, are stated at cost or market using the first-in, first-out method. Inventories in the Facilities Maintenance and Operations fund are stated at cost or market using the average-cost basis.

County of Oakland

Notes to Basic Financial Statements

September 30, 2006

Prepayments

Payments made for services that will benefit periods beyond September 30, 2006 are recorded as prepayments.

Capital Assets

Capital assets, which include land, buildings, equipment and infrastructure assets (e.g., roads, drains, and similar items), are reported in the government-wide statements and applicable proprietary fund financial statements. Capital assets that are used for governmental activities are only capitalized in the government-wide statements and fully expended in the government funds. The County established capitalization thresholds for capital assets of \$5,000. Capital assets are stated at cost or, if donated, at estimated fair market value at the time of donation. In some instances, capital asset historical costs were not available; therefore, the costs of these assets at the dates of acquisitions have been estimated. Expenditures materially extending the life of capital assets are capitalized. Interest incurred during construction is only capitalized in proprietary funds. Capital assets are depreciated over their useful lives, using the straight-line depreciation method. Infrastructure ("public domain") assets, including roads, bridges, sanitary sewers, drains, curbs, and gutters, are capitalized.

The County's estimated useful lives of the major classes of property and equipment follow:

Class	Years
Land improvements	10-15
Buildings and improvements	35-45
Equipment and vehicles	3-10
Sewage disposal systems	40-50
Infrastructure	10-75

Capital assets used in the general operation of the Road Commission are depreciated under various methods, including straight-line and sum-of-the-years-digits.

Compensated Absences

Compensated absences (vested sick and annual leave) of the Primary Government that are allowed to accumulate are charged to operations in the Fringe Benefit fund (an Internal Service fund) as the benefits accrue. Compensated absences for the Road Commission are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only for employee terminations as of year end.

No liability is recorded for non-vesting accumulating rights to receive sick pay benefits for the Primary Government and Component Units.

Fund Equity

Reserves represent portions of fund equity not available for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Deferred Revenue

Deferred revenue is reported on the County's combined balance sheet. Amounts are classified as deferred when they do not meet the available criteria, such as grants received before the expenditure is incurred.

County of Oakland
Notes to Basic Financial Statements
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Property taxes levied are used to finance the expenditures of the current fiscal period (October 1, 2005 through September 30, 2006) and are reported as revenues in the financial statements. Amounts not collected within 60 days of the end of the fiscal year are considered unavailable for the current period, and are reported as deferred revenue.

Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements, September 30, 2006. These estimates and assumptions also affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

2. Legal Compliance - Budgets

The Board of Commissioners has established the legal level of control by control groups, as outlined in the County's General Appropriations Act. This act states that expenditures shall not exceed the total appropriations for personnel expenditures (salaries, overtime, and fringes), operating expenditures, and internal support expenditures (Internal Service fund charges), respectively, by department. Budgets are adopted and presented on the GAAP basis of accounting.

The Board of Commissioners is authorized to make amendments to the various budgets as deemed necessary. Current year supplemental budgetary appropriations were not material. Funds which receive an appropriation and can therefore be defined as those with an appropriated, annual, legally adopted budget are the General Fund and the following Special Revenue funds: Public Health, Revenue Sharing Reserve, Juvenile Maintenance, and Social Welfare-Foster Care. The budgetary comparison for the General Fund, the Public Health fund and Revenue Sharing Reserve fund (major special revenue funds), are presented in the Required Supplementary Information. The Juvenile Maintenance and Social Welfare Foster Care funds are presented in the Special Revenue Funds section.

Transfers within and between budgeted funds and departments may be made by the Fiscal Officer (Director of Management and Budget Department) in the following instances:

- (a) Transfers may be made from the non-departmental overtime reserve account and fringe benefit adjustment account to the appropriate departmental budget as specific overtime requests are reviewed and approved by the Fiscal Officer. Additionally, overtime appropriations may be transferred between divisions within a department at the request of the department head, if authorized by the Fiscal Officer or designee.
- (b) Transfers may be made from the non-departmental appropriation reserve accounts for maintenance department charges and miscellaneous capital outlay to the appropriate departmental budgets as specific requests for these items are reviewed and approved by the Fiscal Officer.
- (c) Transfers may be made from the non-departmental appropriation reserve accounts, emergency salaries, and summer help as specific requests for these items are reviewed and approved by the Director of the Human Resources Department.

County of Oakland
Notes to Basic Financial Statements
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At year end, the Board of Commissioners adopts a resolution which authorizes and closes amounts exceeding the original appropriation against the balances in other appropriations and closes the remaining balance to the General Fund's "Undesignated Fund Balance."

During the year, the County incurred expenditures over certain appropriations which are presented at the legal level of control as follows:

	Appropriation	Expenditures	Excess Expenditures
General Fund			
County Executive			
Facilities Management			
Operating expenditures	\$ 128,600	\$ 133,174	\$ 4,574
Treasurer			
Internal support expenditures	913,324	983,874	70,550
Justice Administration			
District Courts			
Operating expenditures	2,530,324	2,655,825	125,501
Probate Court			
Internal support expenditures	767,199	893,581	126,382
Law Enforcement			
Sheriff			
Personnel expenditures	91,490,514	95,943,426	4,452,912
Internal support expenditures	16,833,910	17,092,509	258,599
Drain Commissioner			
Internal support expenditures	1,376,792	1,526,992	150,200
Non-departmental			
Internal support expenditures	2,771,676	2,821,378	49,702
Special Revenue Funds			
Public Health			
County Executive			
Human Services			
Operating expenditures	4,916,581	5,112,756	196,175
Juvenile Maintenance Fund			
County Executive			
Human Services			
Personnel expenditures	12,305,775	12,316,374	10,599
Operating expenditures	10,814,109	11,090,945	276,836
Internal support expenditures	2,496,556	2,541,096	44,540
Justice Administration			
Circuit Court			
Internal support expenditures	3,514	4,427	913
Non-departmental			
Operating expenditures	-	176,268	176,268

These excess expenditures were closed against other appropriation balances in accordance with the County's policy and approved by a Board of Commissioners resolution in fiscal year 2007.

County of Oakland

Notes to Basic Financial Statements

September 30, 2006

3. Deposits and Investments

The County has deposits and investments which are maintained for both its primary government, component unit and fiduciary fund type.

For the primary government, the County manages its investments in a pool format which is used by all County funds. Share value is maintained at \$1, with interest rates floating daily. Investment income is allocated back to County funds based on their share of the pool which is based on their average daily cash balance.

For its pool, the County only uses federal and state-chartered banks and savings institutions, which are members of the FDIC, and have a location in the state of Michigan. All deposits and investments for the pool are held in the County's name and tax ID number.

During fiscal year 2005, the Board of Commissioners allowed the County Treasurer to offer the County's investment pool to local units of government, within the County, as a Local Government Investment Pool (LGIP). Contracted participants are treated just like County funds and receive a share of earnings based on their average daily cash balance. The LGIP is not subject to regulatory oversight, is not registered with the SEC and does not issue a separate report. The LGIP is managed as a 2(a)7 fund with its net asset value maintained at \$1. Fair value of the position in the pool is the same as the value of the pool shares. The LGIP has not provided or obtained any legally binding guarantees during the period to support the value of the shares. Investments are valued monthly.

Deposits

It is County policy to review and verify a bank's creditworthiness through a system of ratio analysis and from information provided by several third-party sources. In addition, the County places concentration limits on banks based on creditworthiness resulting from both the ratio analysis and third-party information.

Custodial Credit Risk – Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the County's deposits may not be returned. As an indication of the level of deposit custodial credit risk assumed by the County, deposits are categorized as follows:

- Category 1: Insured or collateralized with securities held by the County or its agent in the County's name
- Category 2: Collateralized with securities held by the counter-party's trust department or agent in the County's name
- Category 3: Uninsured and uncollateralized

As of September 30, 2006, the book value of the County's deposits was \$448,700,000 with a corresponding bank balance of \$448,700,000. Insured deposits were \$2,200,000, and the remaining \$446,500,000 was uninsured, uncollateralized, and in the County's name.

The Drainage District's component units cash, deposit and investments are maintained in pooled accounts of the County; therefore, their amount of insurance would be allocated to the Drainage District's deposits based on their prorated share of the investment portfolio.

County of Oakland
Notes to Basic Financial Statements
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The County's Investment Policy allows for the use of bank deposits including certificates of deposit. The only limitation placed on bank deposits is that they cannot exceed 60% of the total investment portfolio. In addition, the County's investment policy allows for no more than 15% be invested with any single financial institution.

At September 30, 2006, the Road Commission component unit had \$45,407,229 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The book balance for these deposits has been reported on the Statement of Net Assets as cash and cash equivalents of \$30,011,528 and investments of \$13,230,000.

Investments - Internal Investment Pool

Investments, except those of the Retirement Systems and Deferred Compensation Plan, are administered by the Treasurer under guidelines established by Act 20 of the Michigan Public Acts of 1943, as amended and the Investment policy as adopted by the County's Board of Commissioners. The County's Investment Policy is more restrictive than state law and allows for the following instruments:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of Michigan financial institutions.
3. Commercial paper rated at the time of purchase at the *highest* classification established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
4. Repurchase agreements consisting of instruments in subdivision 1. The PSA Master Repurchase Agreement prototype agreement shall be employed with appropriate supplemental provisions regarding security delivery, security substitutions, and governing law. A signed Repurchase agreement must be on file before entering into a repurchase transaction.
5. Bankers' acceptances of United States banks.
6. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
7. Obligations described in subdivisions 1 through 6 if purchased through an inter-local agreement under the Urban Cooperation Act of 1967.
8. Investment pools organized under the Surplus Funds Investment Pool Act, PA 367 of 1982.
9. Investment pools organized under the Local Government Investment Pool Act, PA 121 of 1985.
10. Mutual funds registered under the Investment Company Act of 1940 with authority to only purchase investment vehicles that are legal for direct investment by a Michigan public corporation. Investment is limited to mutual funds that maintain a net asset value of \$1.00 per share.

County of Oakland
Notes to Basic Financial Statements
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As of September 30, 2006, the County had the following deposit and investment types in its internal investment pool.

Deposit and Investment Type	Weighted Average Market Value	Maturity (days)
Certificates of Deposit (1)	\$448,700,000	84
Money Market Investment Pools	132,892,747	1
Commercial Paper	215,669,878	11
U.S. Agencies	295,800,165	144
Total Market Value of Internal Investment Pool	\$1,093,062,789	
Weighted Average Maturity of Internal Investment Pool (in days)		78

- (1) The certificates of deposit are non-negotiable and therefore are not considered investments. They are presented here to give a clear picture of the investment pools' overall weighed average maturity.

Credit Risk – The County has \$295,800,165 invested in U.S. Agencies which are rated AAA by Standard & Poor's and Aaa by Moody's. State law limits investments in commercial paper to the top two ratings issued by a nationally recognized statistical rating organization (NRSROs). It is the County's policy to further limit its investments in commercial paper to only the top rating as issued by NRSROs. As of September 30, 2006, the County had \$29,878,869 invested in A1+ (S&P), P1 (Moody's) commercial paper, \$155,880,047 A1(S&P), P1 (Moody's) commercial paper and \$29,910,961 invested in F1 (Fitch), P1 (Moody's) commercial paper. Four of the money market investment pools used by the County, with a fair value of \$118,871,426, at September 30, 2006, carry an AAA (Standard & Poor's) and an Aaa (Moody's) rating. Three other money market investment pools used by the County, with a fair value of \$14,021,321, at September 30, 2006, are Not Rated. The County's investment policy is silent on the use of rated versus unrated money market funds. In addition, there is no rating requirement for those money market funds that are rated.

Custodial Credit Risk – Investments is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments that are in the possession of another side party. The County's Investment Policy requires that all investment transactions (including collateral for repurchase agreements) be conducted on a delivery-versus-payment (DVP) basis. Securities shall be held by a third party custodian, as designated by the County Treasurer, and shall be evidenced by a safekeeping receipt. As of September 30, 2006, \$644,362,789 in investments was held in third party safekeeping in the County's name.

The County also invests in money market funds that have their securities safe kept with a third party selected by the counterparty. However, the pool's securities are held in trust for the participants of the fund and are not available to the counterparty if the counterparty should happen to fail. We believe this arrangement satisfies the County's investment policy safe-keeping requirement.

County of Oakland
Notes to Basic Financial Statements
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Concentration of Credit Risk – Investments - On September 30, 2006, the County had investments of 5% or more, of the total portfolio, with the following U.S. Agency issuers: Fannie Mae 11.36%, Federal Home Loan Bank 11.3% and Freddie Mac 6.46%. No other issuer of investments exceeded 5%. The County's investment policy allows for no more than 15% be invested with any single financial institution.

Interest Rate Risk – To limit its exposure to fair value losses from raising interest rates, the County's Investment Policy limits the County's internal investment pool from purchasing investments that have a final maturity that is no more than three years from the date of purchase. As of September 30, 2006, the internal investment pool had a weighted average maturity of 78 days and the longest investment maturity in the portfolio was 731 days (2.003 years).

Investments – Pension Trust Funds (Retirement System)

The Pension Trust Funds (Retirement System) investments are made in accordance with Act 55 of the Michigan Public Acts of 1982, as amended, and are limited to no more than 65 percent in common stock. In addition, no investments, loans, or leases are with parties related to the pension plan.

Pension investments are made through the use of Investment Advisors which are selected and retained by the various Retirement Boards. The advisors serve at the leisure of the various boards as provided by investment agreements. At September 30, 2006, the Primary Government's Pension Trust fund had 14 investment advisors. Investments are held in street name by safekeeping agents under formal trust agreements and/or in the Retirement Systems' name.

As of September 30, 2006, the County had the following investment types in its Retirement System:

Investment Type	Fair Value	Percentage	Average Duration
Government Bonds	\$127,216,197	11.5%	4.43 years
Mortgage/Asset-Backed Fixed Income	69,725,894	6.3	17.23
Municipal Bonds	5,948,960	.5	4.12
Corporate Bonds	110,950,246	10.1	7.07
CMO/REMIC Investments	19,766,168	1.8	31.75
Common Stock	494,855,222	44.9	N/A
International Common Stock	78,477,272	7.1	N/A
Investment Companies-Mutual Funds	107,531,783	9.8	N/A
Money Market Funds (1)	71,346,397	6.5	.0027
Certificates of Deposit (2)	10,000,000	.9	.18
Commercial Paper	6,902,553	.6	.18
Real Estate	62,408	.0	N/A
Total	\$1,102,783,100	100.0%	

(1) Money Market Funds are included in cash and cash equivalents and investment on the Statement of Fiduciary Net Assets

(2) The certificates of deposit are non-negotiable and therefore are not considered investments. They are presented here to give a clear picture of the investment pools overall weigh average maturity.

County of Oakland
Notes to Basic Financial Statements
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Credit Risk The Board's adopted Statement of Investment Goals and Objectives (SIGO) states that no Non-convertible bonds and convertible securities are authorized for purchase. In addition, no more than 10% of the total value of the portfolio may be held in non-investment grade bonds as rated by Moody's and/or Standard & Poor's. Ninety percent of the total value of the portfolio must have a quality rating of A or better by Moody's and Standard & Poor's. Any security held in the portfolio that drops below investment grade as rated by Moody's or Standard & Poor's shall be sold immediately. As of September 30, 2006, debt obligation investments held in the retirement system had the following ratings:

<u>Fair Value</u>	<u>Percentage</u>	<u>Rating (S&P)</u>
\$218,363,595	65.46%	Aaa
15,337,854	4.60	Aa3
6,694,294	2.01	Aa2
6,802,592	2.04	Aa1
6,511,675	1.95	A3
14,395,596	4.32	A2
28,406,395	8.51	A1
5,908,085	1.77	Baa3
14,854,705	4.45	Baa2
7,171,533	2.15	Baa1
<u>9,161,142</u>	<u>2.75</u>	Not Rated
\$ 333,607,465	100.00%	

Custodial Credit Risk is the risk that, in the event of the failure of the counterparty, the Retirement System would not be able to recover the value of its investments that are in the possession of another side party. The Retirement System's Statement of Investment Goals and Objectives (SIGO) require that all investment transactions shall be conducted through a custodian that will act as the system's third party. Securities shall be held by the custodian, as designated by the Retirement Boards, and shall be evidenced by a custodial report. As of September 30, 2006, \$1,085,880,547 in investments was held in third-party safekeeping in the County's name.

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

For equities, holdings of all securities of an industry group should not exceed 25% of the portfolio at cost. ADRs should not exceed a maximum of 10% of the portfolio at cost and shall be further limited to Canadian securities and non-U.S. domiciled corporations issuing U.S. securities. As of September 30, 2006, the system did not exceed any of the Board's adopted limits.

Interest Rate Risk The Board's adopted Statement of Investment Goals and Objectives (SIGO) places no limitation on the system's fixed income managers on the length to maturity for fixed income investments. As the schedule indicates above, the system's fixed income investments had average durations of between 4.43 years and 17.23 years which is reasonable given the long-term nature of the system. Having reasonable durations will reduce the retirement system's risk exposure to raising interest rates.

County of Oakland

Notes to Basic Financial Statements

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Security Lending Transactions Under the provisions of State statutes, the Oakland County Employees' Retirement System lends U.S. government securities, corporate bonds, and common stock to brokers and/or dealers in exchange for collateral that will be returned for the same securities in the future. The County's custodial bank (agent) manages the securities lending program and receives cash and securities, including banker's acceptances, commercial paper, mutual funds, and repurchase agreements, as collateral. The custodial bank does not have the ability to pledge or sell collateral securities unless the borrower defaults. Borrowers are required to deliver collateral for each loan equal to not less than 102 percent of the market value of the loaned securities.

The County did not impose any restrictions during the year ended September 30, 2006 on the amount of loans that the agent made on its behalf. There were also no failures by any borrowers to return loaned securities or pay distribution thereon. Furthermore, there were no losses during the period resulting from a default of the borrowers or the custodial banks.

The County and the borrower maintain the right to terminate all securities lending transactions on demand. Because the loans can be terminated at will, their duration does not generally match the duration of the investments. On September 30, 2006, the County had no credit risk exposure to borrowers. The collateral held and the market value of securities on loan for the County as of September 30, 2006 were \$162,748,005 and \$158,823,632, respectively.

Collateralized Mortgage Obligations In the County's Retirement System investment portfolio are Collateralized Mortgage Obligations (CMOs) with a market value of \$19,766,168 as of September 30, 2006. Investments include U.S. government-issued asset-backed certificates and corporate-issued asset-backed certificates. CMOs have maturity dates through the year 2048 and are backed by investments in various assets, including mortgages.

Interest Rate Risk - Collateralized Mortgage Obligations The market value of such investments can be affected by, among other factors, changes in interest rates, including the effect of prepayments, marketability, and default rates on assets underlying the securities. At September 30, 2006, the Retirement system's investment in CMOs were in the Interest Only (IO) Class. Rapid prepayments on the CMO related mortgages, especially those with relatively high interest rates, would reduce the yields on the Interest Only Class and could even result in the failure of investors in that Class to recover their investments. As prepayments increase in falling interest rate environments, IOs have a negative duration, which means that its price typically rises when interest rates rise. At September 30, 2006, the County's CMO portfolio had an average days-to-maturity of 11,588 days.

Variable Rate Coupon Notes and Bonds In the County's Retirement System investment portfolio are Variable Rate coupon instruments with a market value of \$16,986,326 as of September 30, 2006. Such investments include U.S. government-issued securities and corporate-issued securities. The variable rate securities have maturities through the year 2046 and are backed by investments in various assets, including mortgages.

Interest Rate Risk – Variable Rate Coupon Notes and Bonds The market value of these investments can be affected by, among other factors, changes in interest rates which affect their marketability. At September 30, 2006, the Retirement System was holding variable rate instruments that are reset against the LIBOR (London Inter Bank Offering Rate) with a plus factor. The coupons had short reset points ranging from every quarter to every month. The shorter the reset point the less sensitive the investment is to interest rate changes.

County of Oakland
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4. Receivables

Property Taxes

Taxes are levied on December 1 on the taxable value of real and personal property as established the preceding December 31. Taxes become a lien on the property on December 1 and are due and payable on that date through February 28 of the following year. Taxes become delinquent and are subject to penalty on March 1. Michigan Public Act 357 of 2004 required a gradual shift of county property tax levies from winter to summer as a substitute to county revenue sharing from the state. This caused an accelerated levy of one-third of the millage rate times the 2005 taxable values on July 1. The levy dated December 1, 2005 for fiscal year 2006 was at two-thirds of the levy rate, then a levy dated July 1, 2006 at two-thirds of the levy rate times 2006 taxable values; then one-third of the levy rate billed on the levy of December 1, 2006 for fiscal year 2007. The entire County Operating Tax will be levied on July 1 each year beginning in 2007. Taxable value is determined by using such factors as State equalized, assessed, and capped values, along with a value change multiplier. Equalized values for the 2005 levy totaled \$73,459,188,359, with taxable values of \$58,862,840,140 and equalized values for the summer 2006 levy totaled \$76,439,725,583 with taxable values of \$62,133,415,235. The operating tax rate for the 2005 winter levy, collected in 2006, and the 2006 summer levy was 2.800 mills each, for a total of 5.6 mills. There is an additional 0.2416 mills voted for Parks and Recreation (winter levy only). As a side note, the date for delinquencies did not change with the shift in levy dates; therefore, while the levies are accelerated, the collections are not necessarily so.

Delinquent Taxes

The Treasurer purchases, at face amount, real property tax receivables that are delinquent on March 1. These receivables (\$56,995,455) at September 30, 2006 are pledged for the repayment of notes, the proceeds of which were used to liquidate the amounts of delinquent real property taxes due to the County and other governmental agencies. Subsequent collections of delinquent taxes, which include interest, penalties, fees, and investment earnings, amounting to \$20,366,739 in 2006, are used to service the notes payable.

5. Allowances for Uncollectible Receivables

At September 30, 2006, the allowances for uncollectible receivables were as follows:

General Fund	\$ 362,842
Enterprise funds	
County Airports	34,116
Medical Care Facility	728,616
Radio Communications	53,493
Total	<u>\$ 1,179,067</u>

County of Oakland
Notes to Basic Financial Statements
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6. Investment Income – Pension Trust Funds

The following is a breakdown of the investment income for the primary government for the year ended September 30, 2006:

	Employees' Retirement	VEBA Trust
Interest and dividends	\$ 24,512,390	\$ 9,476,114
Unrealized/ Realized gain on sale of investments (net)	28,898,007	12,654,056
Total	<u>\$ 53,410,397</u>	<u>\$ 22,130,170</u>

7. Capital Assets

An analysis of property and equipment as reported in the Statement of Net Assets, and related accumulated depreciation, at September 30, 2006, for governmental activities follows:

	Balance October 1, 2005	Additions	Disposals	Balance September 30, 2006
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 7,672,088	\$ -	\$ -	\$ 7,672,088
Construction in progress	67,389,395	21,605,546	(9,869,649)	79,125,292
Total capital assets not being depreciated	<u>75,061,483</u>	<u>21,605,546</u>	<u>(9,869,649)</u>	<u>86,797,380</u>
Capital assets, being depreciated				
Land improvements	8,094,959	117,939	-	8,212,898
Buildings and improvements	128,388,975	7,026,343	-	135,415,318
Equipment and vehicles	88,928,406	14,599,732	(8,076,976)	95,451,162
Infrastructure	20,530,901	-	-	20,530,901
Total capital assets being depreciated	<u>245,943,241</u>	<u>21,744,014</u>	<u>(8,076,976)</u>	<u>259,610,279</u>
Less: Accumulated depreciation				
Land improvements	3,444,833	431,269	-	3,876,102
Buildings and improvements	58,983,342	3,326,721	-	62,310,063
Equipment and vehicles	57,585,981	8,881,013	(7,393,003)	59,073,991
Infrastructure	7,787,662	300,188	-	8,087,850
Total accumulated depreciation	<u>127,801,818</u>	<u>12,939,191</u>	<u>(7,393,003)</u>	<u>133,348,006</u>
Total capital assets being depreciated, net	<u>118,141,423</u>	<u>8,804,823</u>	<u>(683,973)</u>	<u>126,262,273</u>
Governmental activities capital assets, net	<u>\$ 193,202,906</u>	<u>\$ 30,410,369</u>	<u>\$ (10,553,622)</u>	<u>\$ 213,059,653</u>
Depreciation expense was charged to functions as follows:				
Public safety		\$ 2,239,961		
Justice administration		702,465		
Citizens services		351,484		
Public infrastructure		630,981		
Commerce and Community Development		26,613		
Unallocated depreciation		1,129,853		
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets		<u>7,857,834</u>		
Total depreciation expense - governmental activities		<u>\$ 12,939,191</u>		

County of Oakland
Notes to Basic Financial Statements
September 30, 2006

A summary of business-type property and equipment at September 30, 2006 follows:

	Balance October 1, 2005	Additions	Disposals	Balance September 30, 2006
Business-type Activities				
Capital assets, not being depreciated				
Land	\$ 45,656,278	\$ 3,473,769	\$ -	\$ 49,130,047
Construction in progress	50,916,664	13,621,164	(18,349,291)	46,188,537
Other	12,000	-	-	12,000
Total capital assets not being depreciated	<u>96,584,942</u>	<u>17,094,933</u>	<u>(18,349,291)</u>	<u>95,330,584</u>
Capital assets, being depreciated				
Land improvements	23,944,142	-	(34,687)	23,909,455
Buildings and improvements	41,868,125	5,392,313	-	47,260,438
Equipment and vehicles	37,703,937	9,011,989	(125,215)	46,590,711
Infrastructure	218,277,660	9,306,226	-	227,583,886
Total capital assets being depreciated	<u>321,793,864</u>	<u>23,710,528</u>	<u>(159,902)</u>	<u>345,344,490</u>
Less: Accumulated depreciation				
Land improvements	12,796,263	1,185,055	-	13,981,318
Buildings and improvements	16,503,816	1,099,748	-	17,603,564
Equipment and vehicles	32,190,921	5,335,553	(125,215)	37,401,259
Infrastructure	132,206,381	5,282,141	-	137,488,522
Total accumulated depreciation	<u>193,697,381</u>	<u>12,902,497</u>	<u>(125,215)</u>	<u>206,474,663</u>
Total capital assets being depreciated, net	<u>128,096,483</u>	<u>10,808,031</u>	<u>(34,687)</u>	<u>138,869,827</u>
Business-type activities capital assets, net	<u>\$ 224,681,425</u>	<u>\$ 27,902,964</u>	<u>\$ (18,383,978)</u>	<u>\$ 234,200,411</u>
Depreciation expense was charged to functions as follows:				
Airports		\$ 1,585,928		
Community safety support		4,663,526		
Community water and sewer		595,950		
Recreation and leisure		3,134,960		
Sewage disposal systems		2,835,617		
Skilled nursing care		86,516		
Total depreciation expense - business-type activities		<u>\$ 12,902,497</u>		

County of Oakland
Notes to Basic Financial Statements
September 30, 2006

An analysis of property and equipment, and related accumulated depreciation where applicable, at September 30, 2006, for component units follows:

	Balance October 1, 2005	Additions	Disposals	Balance September 30, 2006
Component Units				
Drainage Districts				
Capital assets not being depreciated				
Construction in progress	\$ 143,549,688	\$ 13,026,285	\$ (530,831)	\$ 156,045,142
Capital assets being depreciated				
Infrastructure	324,471,134	530,831	-	325,001,965
Less: Accumulated depreciation				
Infrastructure	56,767,236	3,250,020	-	60,017,256
Total capital assets being depreciated, net	267,703,898	(2,719,189)	-	264,984,709
Governmental activity capital assets, net	<u>\$ 411,253,586</u>	<u>\$ 10,307,096</u>	<u>\$ (530,831)</u>	<u>\$ 421,029,851</u>
Road Commission				
Capital assets not being depreciated				
Land and other	\$ 123,326,301	\$ 15,485,762	\$ -	\$ 138,812,063
Construction in progress	51,760	1,082,327	-	1,134,087
Total capital assets not being depreciated	123,378,061	16,568,089	-	139,946,150
Capital assets being depreciated				
Buildings and storage bins	15,723,821	828,625	(15,617)	16,536,829
Road equipment	48,193,602	2,672,820	(5,297,435)	45,568,987
Other equipment	5,767,587	312,335	(231,952)	5,847,970
Infrastructure	701,765,292	46,916,447	-	748,681,739
Brine wells and gravel pits	1,364,232	-	-	1,364,232
Total capital assets being depreciated	772,814,534	50,730,227	(5,545,004)	817,999,757
Less: Accumulated depreciation				
Buildings and storage bins	7,642,575	577,557	(15,617)	8,204,515
Road equipment	37,447,560	4,425,789	(5,275,806)	36,597,543
Other equipment	3,609,606	446,338	(197,807)	3,858,137
Infrastructure	272,557,761	29,746,860	-	302,304,621
Brine wells and gravel pits	767,942	120,369	-	888,311
Total accumulated depreciation	322,025,444	35,316,913	(5,489,230)	351,853,127
Total capital assets being depreciated, net	450,789,090	15,413,314	(55,774)	466,146,630
Governmental activity capital assets, net	<u>\$ 574,167,151</u>	<u>\$ 31,981,403</u>	<u>\$ (55,774)</u>	<u>\$ 606,092,780</u>

County of Oakland
Notes to Basic Financial Statements
September 30, 2006

8. Long-term Debt

The County issues bonds authorized by various State acts. Each act provides specific covenants for specific purposes.

Primary Government									
	Interest rate	October 1, 2005	Additions	Reductions	September 30, 2006	Amounts due within one year	Amounts due thereafter	General obligation	With governmental commitment
Bonds with limited taxing authority									
Building authority - Act 31	2.50%-5.60%	\$ 77,305,000	\$ 11,500,000	\$ (4,305,000)	\$ 84,500,000	\$ 3,965,000	\$ 80,535,000	\$ 69,370,000	\$ 15,130,000
Building authority refunding	4.37%-4.75%	8,545,000	8,160,000	(1,340,000)	15,365,000	2,310,000	13,055,000	7,315,000	8,050,000
Lake levels - Act 451	2.25%-3.40%	540,000	-	(50,000)	490,000	50,000	440,000	-	490,000
Sewage disposal - Act 342	3.50%-8.50%	5,720,000	-	(735,000)	4,985,000	385,000	4,600,000	-	4,985,000
Water and sewer - Act 342	4.00%-4.50%	-	3,800,000	(100,000)	3,700,000	150,000	3,550,000	-	3,700,000
Water supply - Act 342	4.40%-7.00%	1,345,000	10,700,000	(95,000)	11,950,000	350,000	11,600,000	-	11,950,000
Water and sewer refunding - Act 202	2.00%-3.50%	2,490,000	-	(280,000)	2,210,000	285,000	1,925,000	-	2,210,000
Water supply refunding - Act 202	4.40%-4.70%	2,305,000	-	(240,000)	2,065,000	245,000	1,820,000	-	2,065,000
Sewage disposal refunding- Act 202	3.00%-5.20%	22,140,000	-	(4,425,000)	17,715,000	4,555,000	13,160,000	-	17,715,000
Michigan Bond Authority - Sewage Disposal Bonds	2.25%	6,545,000	-	(440,000)	6,105,000	450,000	5,655,000	-	6,105,000
Total bonds - governmental activities		<u>\$ 126,935,000</u>	<u>\$ 34,160,000</u>	<u>\$ (12,010,000)</u>	<u>\$ 149,085,000</u>	<u>\$ 12,745,000</u>	<u>\$ 136,340,000</u>	<u>\$ 76,685,000</u>	<u>\$ 72,400,000</u>
Tax notes - limited taxing authority - business-type activities	1.625%	<u>\$ 25,000,000</u>	<u>\$ 25,000,000</u>	<u>\$ (25,000,000)</u>	<u>\$ 25,000,000</u>	<u>\$ 25,000,000</u>	<u>\$ -</u>	<u>\$ 25,000,000</u>	<u>\$ -</u>
Component units									
Drainage Districts									
Bonds with limited taxing authority									
Drain bonds - Act 40	3.60%-8.00%	\$ 29,960,000	\$ 8,210,000	\$ (2,150,000)	\$ 36,020,000	\$ 2,225,000	\$ 33,795,000	\$ 1,912,313	\$ 34,107,687
Drain Notes - Act 40	2.90%	685,000	-	-	685,000	-	685,000	685,000	-
Drain refunding - Act 202	3.75%-6.70%	42,270,000	-	(3,795,000)	38,475,000	4,025,000	34,450,000	3,631,206	34,843,794
Michigan Bond Authority - Drain Bonds	2.00%-2.50%	99,653,722	2,940,445	(4,640,000)	97,954,167	4,815,000	93,139,167	1,729,211	96,224,956
Total Drainage Districts		<u>\$ 172,568,722</u>	<u>\$ 11,150,445</u>	<u>\$ (10,585,000)</u>	<u>\$ 173,134,167</u>	<u>\$ 11,065,000</u>	<u>\$ 162,069,167</u>	<u>\$ 7,957,730</u>	<u>\$ 165,176,437</u>
Total County Debt		<u>\$ 324,503,722</u>	<u>\$ 70,310,445</u>	<u>\$ (47,595,000)</u>	<u>\$ 347,219,167</u>	<u>\$ 48,810,000</u>	<u>\$ 298,409,167</u>	<u>\$ 109,642,730</u>	<u>\$ 237,576,437</u>

County of Oakland
Notes to Basic Financial Statements
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Road Commission	Interest rate	October 1, 2005	Additions	Reductions	September 30, 2006	Amounts due within one year	Amounts due thereafter	General obligation	With governmental commitment
Compensated absences	--	\$ 3,273,638	\$ -	\$ (56,393)	\$ 3,217,245	\$ -	\$ 3,217,245	\$ -	\$ 3,217,245
Self-insured losses	--	2,600,000	-	(450,000)	2,150,000	-	2,150,000	-	2,150,000
Michigan Transportation Fund revenue notes	3.50%-4.75%	9,900,000	-	(1,975,000)	7,925,000	-	7,925,000	-	7,925,000
Total Road Commission		<u>\$ 15,773,638</u>	<u>\$ -</u>	<u>\$ (2,481,393)</u>	<u>\$ 13,292,245</u>	<u>\$ -</u>	<u>\$ 13,292,245</u>	<u>\$ -</u>	<u>\$ 13,292,245</u>
Total reporting entity		<u>\$ 340,277,360</u>	<u>\$ 70,310,445</u>	<u>\$ (50,076,393)</u>	<u>\$ 360,511,412</u>	<u>\$ 48,810,000</u>	<u>\$ 311,701,412</u>	<u>\$ 109,642,730</u>	<u>\$ 250,868,682</u>

The annual requirements to pay principal and interest on debt outstanding at September 30, 2006 (excluding the liabilities for compensated absences and uninsured losses for the Road Commission component unit) were:

	Bonds with limited taxing authority		Notes with limited taxing authority		Total primary government	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 12,745,000	\$ 6,447,607	\$ 25,000,000	\$ 668,750	\$ 37,745,000	\$ 7,116,357
2008	13,040,000	5,810,932	-	-	13,040,000	5,810,932
2009	11,685,000	5,296,453	-	-	11,685,000	5,296,453
2010	10,525,000	4,824,079	-	-	10,525,000	4,824,079
2011	6,980,000	4,438,927	-	-	6,980,000	4,438,927
2012-2016	35,305,000	17,922,599	-	-	35,305,000	17,922,599
2017-2021	35,095,000	10,434,201	-	-	35,095,000	10,434,201
2022-2026	20,490,000	3,072,966	-	-	20,490,000	3,072,966
2027-2031	3,220,000	336,500	-	-	3,220,000	336,500
Totals	<u>\$ 149,085,000</u>	<u>\$ 58,584,264</u>	<u>\$ 25,000,000</u>	<u>\$ 668,750</u>	<u>\$ 174,085,000</u>	<u>\$ 59,253,014</u>
	Drainage Districts		Road Commission		Total reporting entity	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 11,065,000	\$ 5,515,131	\$ 1,975,000	\$ 328,512	\$ 50,785,000	\$ 12,960,000
2008	12,235,000	5,214,377	1,975,000	246,650	27,250,000	11,271,959
2009	11,815,000	4,780,568	1,975,000	163,813	25,475,000	10,240,834
2010	12,325,000	4,387,117	1,000,000	80,000	23,850,000	9,291,196
2011	12,640,000	3,966,831	1,000,000	40,000	20,620,000	8,445,758
2012-2016	53,200,000	13,927,499	-	-	88,505,000	31,850,098
2017-2021	37,754,167	6,342,217	-	-	72,849,167	16,776,418
2022-2026	22,100,000	1,065,408	-	-	42,590,000	4,138,374
2027-2031	-	-	-	-	3,220,000	336,500
Totals	<u>\$ 173,134,167</u>	<u>\$ 45,199,148</u>	<u>\$ 7,925,000</u>	<u>\$ 858,975</u>	<u>\$ 355,144,167</u>	<u>\$ 105,311,137</u>

County of Oakland

Notes to Basic Financial Statements

September 30, 2006

The County has pledged its full faith and credit on debt totaling \$347,219,167. By statute, general obligation debt is limited to 10 percent of the state equalized value. As of September 30, 2006, the debt limit was \$7,643,972,558. The County is obligated if payments received on assessments or contracts levied against benefiting municipalities are insufficient to meet principal and interest requirements of this debt when due, and is shown in the preceding table as debt "with governmental commitment."

The aforementioned bonds are to be repaid as summarized in the following paragraphs.

Building Authority – Act 31

Act 31, Michigan Public Acts of 1948, provides for an authority to issue bonds to build and equip various public buildings, which are then leased to the County. Proceeds from these leases are used to repay the bonds. The collection of lease payments and retirement of debt is reflected in the respective Debt Service fund. At September 30, 2006, there were eight issues outstanding, totaling \$84,500,000, maturing in the years 2007-2026, which represents debt originally issued in the years 1999-2006 totaling \$97,760,000.

Sewage Disposal, Water and Sewer, and Water Supply Bonds – Act 342

Act 342, Michigan Public Acts of 1939 provides for a contract between the County and local municipalities which defines a schedule of annual payments to be made by the municipality to meet principal and interest obligations. Such contractual payments may be funded by revenues produced by utility or tax revenues. The County is obligated upon the default of the local municipality, and therefore, such obligation is shown as "with governmental commitment." Assessments are shown in their entirety with the corresponding deferred revenue in the Debt Service funds for each act. At September 30, 2006, there were 11 issues outstanding, totaling \$20,635,000, maturing in the years 2007-2030. This represents debt originally issued in the amount of \$43,660,000 issued in the years 1986-2005.

Refunding Bonds

Michigan Public Act 202 of 1943 and Act 34 of 2001 provides for the refunding of bonds based on covenants contained in the act. The bonds will be repaid from assessments levied against the benefiting municipalities for water and sewer debt, or leases for Building Authority debt. At September 30, 2006, there were 13 issues outstanding, totaling \$37,355,000, maturing in the years 2007-2027. This represents debt originally issued in the years 1994-2006 totaling \$69,525,000.

Michigan Bond Authority Sewage Disposal Bonds

In October 1996, the County authorized the issuance of bonds from the Michigan Municipal Bond Authority Revolving Loan fund for up to \$9,350,000 for the White Lake Township Sewage Disposal System project; the entire amount was received as of the end of fiscal year 1999. The amount outstanding for this issue at September 30, 2006 was \$6,105,000, which matures in the years 2007-2018.

Lake Levels – Act 146

Act 451 of Michigan Public Acts of 1994 permits the issuance of debt for providing lake level control. Bonds are to be repaid through special assessments levied against benefiting property owners. In October 2004, the County authorized the issuance of bonds in the amount of \$575,000 for the Watkins Lake Level. The amount outstanding at September 30, 2006 was \$490,000, which matures in the years 2007-2014.

County of Oakland
Notes to Basic Financial Statements
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Tax Notes – Section 87B of Act 206

By agreement with various taxing authorities, the County purchases (at face value) real property taxes which are returned delinquent each March 1. The assets of the Delinquent Tax Revolving fund (an Enterprise fund), including receivables in the amount of \$231,893,824 at September 30, 2006, are pledged as collateral for payment of the tax notes. The proceeds of these notes were used to liquidate the amounts due the County's General Fund and other governmental agencies for purchase of their delinquent real property tax receivables and to provide an amount for note repayment. The amount outstanding at September 30, 2006 was \$25,000,000. Subsequent collections on delinquent taxes receivable, plus interest penalties and collection fees thereon, and investment earnings are used to service the debt.

Drain Bonds and Notes – Act 40 (Component Unit)

Act 40 provides for the creation of a Drain Board, which has the power to assess state, county, and local levels of government for principal and interest payments. Such assessments are to be funded from General Fund revenues of the respective municipality. The County portion of the assessment is identified as a general obligation. Further, the County is obligated if assessments levied against benefiting municipalities are insufficient to meet principal and interest requirements when due. Such obligations are shown as "with governmental commitment." At September 30, 2006, there were 18 issues outstanding, totaling \$36,020,000, maturing in the years 2007-2026. This represents original debt issued for \$49,330,000 in the years 1993-2006. In May 2005, a Drain Note was issued by a financial institution in the amount of \$685,000, which will mature in the year 2008, for purchase of property within the Franklin Sub-Watershed Drainage District. A long-term liability is reported in the financial statements for the Drainage District Component Unit. Funds for repayment of this note will be provided through the sale of the property once drain improvements have been completed.

Drain Refunding Bonds – Act 202 (Component Unit)

Act 202 provides for the refunding of bonds based on covenants contained in the act. The County initiates the refunding of various drain bonds issued under Act 40 on behalf of the drainage districts component unit. Bonds will be repaid from assessments levied against the benefiting municipalities. At September 30, 2006, there were 16 issues outstanding, totaling \$38,475,000, maturing in the years 2007-2017. This represents debt originally issued in the years 1997-2005 in the amount of \$52,500,000.

Michigan Bond Authority Drain Bonds (Component Unit)

The County authorized issuance of bonds in the amount of \$9,365,000 in 1994 to the Michigan Municipal Bond Authority Revolving Loan fund for the Combined Sewer Overflow Project. In October 2000, the County additionally authorized the issuance of bonds for up to \$17,880,000 for the George W. Kuhn Drainage District, with the entire amount from the State Revolving Loan Fund being received by 2005. Further, in 2001 the County authorized an additional \$82,200,000 for the George W. Kuhn Drainage District Segment II, with successive authorizations of \$1,620,000 in 2005 and \$3,170,000 in 2006. Through September 30, 2006 the drainage district received \$84,789,167 from the State Revolving Loan Fund for Segment II. At September 30, 2006, there were eight issues outstanding, totaling \$97,954,167, maturing in the years 2007-2024. Subsequent to September 30, 2006, the George W. Kuhn Drainage District received \$561,241 in additional proceeds from the State Revolving Loan Fund.

County of Oakland
Notes to Basic Financial Statements
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Advance Refunding of General Obligation Limited Tax Bonds

Additionally, in May 2005, the County advance refunded a portion of a general obligation limited tax bond issue with a general obligation limited tax refunding drain bond issue of behalf of the Drainage Districts component unit, pursuant to authorization contained in Act 202, Public Acts of Michigan of 1943. The County issued \$3,730,000 of refunding bonds to provide resources placed in trust for the purpose of generating resources for the payment of future debt service payments of the refunded debt. Accordingly, the trust account assets and liability for the refunding bonds are not included in the Drainage Districts component unit, or the County's financial statements. At September 30, 2006, there is an in-substance defeasance of \$3,500,000 for the Robert A. Reid Drainage District, Series 1997 drain bonds maturing in the years 2008-2017 inclusively.

In June 2006, the County advance refunded a portion of a general obligation limited tax bond issue with surplus construction funds transferred to the debt service fund. These funds were placed in trust for the purpose of generating resources for the repayment of the refunded debt. Accordingly, the trust account assets and liability for the refunded bonds are not included in the County's financial statements. At September 30, 2006 there is an in-substance defeasance of \$820,000 of Building Authority Bonds Series 2002A (Rochester Hills - Sheriff Substation), maturing in the years 2020 through 2022 inclusively. The advance refunding was undertaken to reduce the debt service payments over the next 16 years by \$572,107, and to obtain an economic (present value) gain of \$17,162.

Changes in Other Long-term Liabilities

Long-term liabilities activity, as reported in the Fringe Benefit Fund and Building Liability Insurance Fund, Internal Service funds, for the fiscal year ended September 30, 2006 was as follows:

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Governmental activities					
Accrued compensated absences	\$ 12,541,029	\$ 1,745,674	\$ (1,254,103)	\$ 13,032,600	\$ 1,303,260
Claims and judgments					
Accrued unreported health costs	2,916,000	973,000	(1,016,000)	2,873,000	957,667
Accrued workers' compensation	12,857,798	1,603,678	(2,059,503)	12,401,973	1,194,736
Building and liability insurance	10,668,655	398,756	(1,150,836)	9,916,575	2,703,215
Governmental activity long-term liabilities	<u>\$ 38,983,482</u>	<u>\$ 4,721,108</u>	<u>\$ (5,480,442)</u>	<u>\$ 38,224,148</u>	<u>\$ 6,158,878</u>

County of Oakland
Notes to Basic Financial Statements
September 30, 2006

9. Interfund Balances

Interfund receivables and payables at September 30, 2006 were:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	
General Fund	Public Health	\$ 418,259
	Nonmajor governmental	13,785,579
	Water and Sewer Trust	56
	Nonmajor enterprise	648,322
	Internal Service	1,246,041
	Total	<u>16,098,257</u>
Public Health	Nonmajor enterprise	234
	Internal Service	31,202
	Total	<u>31,436</u>
Revenue Sharing Reserve	General	<u>35,861,063</u>
Water and Sewer Refunding Debt Act 202	Water and Sewer Debt Act 342	<u>85,597</u>
Nonmajor governmental	General	5,428,305
	Nonmajor governmental	351,801
	Nonmajor enterprise	19,091
	Internal Service	19,124
	Total	<u>5,818,321</u>
Water and Sewer Trust	Nonmajor governmental	157,105
	Water and Sewer Trust	897,550
	Nonmajor enterprise	605,964
		<u>1,660,619</u>
Nonmajor enterprise	General	12,218
	Nonmajor governmental	7,997
	Water and Sewer Trust	2,940,768
	Nonmajor enterprise	85
	Internal Service	958
	Total	<u>2,962,026</u>
Internal service	General	3,057,130
	Nonmajor governmental	4,726
	Parks and Recreation	10,869
	Water and Sewer Trust	15,508
	Nonmajor enterprise	17,225
	Internal Service	35,985
	Total	<u>3,141,443</u>
	Total	<u>\$ 65,658,762</u>

County of Oakland
Notes to Basic Financial Statements
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These balances result from the time difference between the dates that services are provided or transfers are authorized, transactions are recorded in the accounting system, and payments between funds are made.

Receivables and payables between funds of the Primary Government and the Component Units at September 30, 2006 were:

Primary Government	Component Unit	
Due from Component Unit	Due to Primary Government	
General Fund	Drainage Districts	<u>\$ 68,305</u>
Nonmajor governmental	Drainage Districts	<u>222,979</u>
Water and Sewer Trust	Drainage Districts	<u>937</u>
Nonmajor enterprise	Drainage Districts	<u>27,409</u>
Internal Service	Drainage Districts	7,324
	Road Commission	116,499
		<u>123,823</u>
	Total	<u>\$ 443,453</u>

Advances to/from other funds (including current and long-term portions) at September 30, 2006 were:

Receivable Fund	Payable Fund	
Nonmajor governmental	Nonmajor governmental	<u>\$ 1,602,823</u>
Delinquent Tax Revolving	Internal Service	<u>1,905,745</u>
	Total	<u>\$ 3,508,568</u>

County of Oakland
Notes to Basic Financial Statements
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Interfund transfers between the funds within the Primary Government recorded in the accompanying financial statements as operating transfers in/out for the year ended September 30, 2006 were:

Transfers In	Transfers Out	Amount
General Fund	Revenue Sharing Reserve	\$ 22,043,440
	Nonmajor governmental	20,607
	Delinquent Tax Revolving	<u>7,704,967</u>
		<u>29,769,014</u>
Public Health	General Fund	<u>25,236,620</u>
Revenue Sharing Reserve	General Fund	<u>75,861,063</u>
Nonmajor governmental	General Fund	40,674,132
	Revenue Sharing Reserve	684,398
	Nonmajor governmental	5,920,843
	County Airports	2,020,000
	Delinquent Tax Revolving	5,344,326
	Internal Service	<u>417,080</u>
		<u>55,060,779</u>
Delinquent Tax Revolving	Nonmajor governmental	243,461
Nonmajor enterprise	General Fund	4,662,877
	Nonmajor governmental	<u>13,368</u>
		<u>4,676,245</u>
Internal Service	General Fund	4,545,732
	Nonmajor governmental	2,828,951
	Nonmajor enterprise	5,000
	Internal Service	<u>405,217</u>
		<u>7,784,900</u>
	Total transfers	<u>\$ 198,632,082</u>

The transfers to and from the various funds are made to account for budgetary authorizations and/or providing funding for operations as needed.

County of Oakland
Notes to Basic Financial Statements
September 30, 2006

10. Fund Equities

At September 30, 2006, a deficit existed in the following funds:

Special Revenue Funds	
Pollution Control Grants	\$ 189,775
Multi-Organizational Grants	2,559
Law Enforcement Grants	27,943
Judicial Grants	992
Capital Projects Fund	
Lake Levels Act 146	41,834
Internal Service Fund	
Drain Equipment	906,353
Sheriff Aviation	688,034

The negative unreserved fund balances in the grant funds listed above reflects the fact that these grant funds operate on a reimbursement basis; e.g., the County pays the original expenses and is reimbursed by the grantor agency after submission of the proper support documentation. Typically, reimbursement for year-end expenditures lags by two to three months. Once reimbursement is obtained, the negative unreserved fund balance will be eliminated. Should the reimbursement not be sufficient to cover the expense, the County has match funds budgeted which will be transferred to cover any remaining deficit.

The deficit in the Lake Levels Act 146 fund reflects two accounting issues. The first involves the commencement of a new lake level construction project in FY2004. The Watkins Lake Level Control Structure and Augmentation Well project is funded by a bond issue in the amount of \$575,000 received in FY2005. The construction costs exceeded the bond funding for this project which resulted in a negative unreserved fund balance of \$39,582 as of September 30, 2006. This will be eliminated by a special assessment to benefiting property holders, to be collected over the next two to three years. The second issue is expenditures for the Waumegah Lake Level Dam project, which is funded by an advance from the Long-term Revolving fund. A multi-year assessment roll has been authorized and upon collection will be used to pay back the Revolving fund and thus eliminate the deficit, which at September 30, 2006 was \$2,252.

The negative unrestricted net assets in the Drain Equipment fund are primarily due to the recent change over the past several years to replace department-owned vehicles with leased vehicles from the Motor Pool Fund. The replacement of Drain department-owned vehicles requires a transfer from the Drain Equipment Fund to the Motor Pool Fund at the time of purchase and the number of owned vehicle replacements has been fairly significant over the past several years. Also, the lease charges from the Motor Pool Fund were more than anticipated (budgeted) for the fiscal year ended September 30, 2006. All vehicle rates, as well as other equipment rates, are under review and are being updated accordingly to cover annual operations and future replacement. It is anticipated the negative unrestricted net assets will be eliminated within the next two to three fiscal years based on the rate adjustments planned for fiscal year 2007 and the decrease in the number of Drain Equipment owned vehicles requiring one-time transfers to the Motor Pool Fund for replacement.

County of Oakland
Notes to Basic Financial Statements
September 30, 2006

The negative unrestricted net assets in the Sheriff Aviation fund reflects two separate interfund advances (FY2001 and FY2002) from the Delinquent Tax Revolving fund to purchase two helicopters. The negative unrestricted net assets will be eliminated as the advances are repaid to the Delinquent Tax Revolving fund, which should be completed by FY2011.

Reserved, designated, and undesignated fund balances and net assets at September 30, 2006, including the Road Commission and Drainage Districts component units, were as follows:

	Reserved	Unreserved	
		Designated	Undesignated
Primary Government			
General Fund			
Encumbrances	\$ -	\$ 291,107	\$ -
Prepays	951,791	-	-
Future operating requirements	-	49,055,336	-
Capital outlay	-	18,846,000	-
Other programs	269,790	3,900,000	-
Uncommitted	-	-	766,450
	<u>\$ 1,221,581</u>	<u>\$ 72,092,443</u>	<u>\$ 766,450</u>
Special Revenue Funds			
Encumbrances	\$ -	\$ 144,080	\$ -
Specific programs	-	140,655,805	(221,269)
	<u>\$ -</u>	<u>\$ 140,799,885</u>	<u>\$ (221,269)</u>
Debt Service Funds			
Debt service - general obligations	\$ 234,089	\$ -	\$ -
Capital Projects Funds			
Long-term receivables	\$ 1,734,823	\$ -	\$ -
Work projects	21,005,972	4,662,919	-
Uncommitted	-	-	5,618,828
	<u>\$ 22,740,795</u>	<u>\$ 4,662,919</u>	<u>\$ 5,618,828</u>

County of Oakland
Notes to Basic Financial Statements
September 30, 2006

Component Units	Reserved	Unreserved	
		Designated	Undesignated
Road Commission			
Governmental Fund			
Construction and maintenance	\$ 11,220,617	\$ 24,935,681	\$ -
Subsequent year's budget	-	763,164	-
Other postemployment benefits	-	-	-
Long-term portion of provision for uninsured losses	-	2,150,000	-
Compensated absences	-	3,217,245	-
	<u>\$ 11,220,617</u>	<u>\$ 31,066,090</u>	<u>\$ -</u>
Drainage Districts			
Governmental Fund			
Construction and maintenance	\$ 17,360,261	\$ -	\$ -
Debt Service	820,940	-	-
	<u>\$ 18,181,201</u>	<u>\$ -</u>	<u>\$ -</u>

The Road Commission component unit restated its fund balance for the Subdivision Improvement fund as of September 30, 2005. The net effect of this restatement is an increase in fund balance of \$1,104,359 to reflect special assessment revenue from collections received within 60 days of September 30, 2005.

County of Oakland
Notes to Basic Financial Statements
September 30, 2006

11. Employee Benefits

Primary Government

The County provides various benefits to its employees. Expenditures in 2006 for these benefits totaled the following: medical insurance, \$32,238,926; dental insurance, \$3,150,300; optical insurance, \$302,577; annual and sick leave, \$1,370,672; disability, \$2,542,629; tuition reimbursement, \$320,810; Social Security, \$16,891,638 workers' compensation, \$1,612,899; and unemployment claims, \$461,228.

Road Commission

The Road Commission provides medical, dental, and optical insurance to its employees. Expenditures in 2006 for these benefits approximated \$9,575,965. Workers' compensation expense in 2006 approximated \$1,206,680.

12. Defined Benefit Pension Plans

Plan Description

The County has a single-employer defined benefit pension plan, covering substantially all full-time employees. The plan provides retirement, disability, and death benefits to plan members and their beneficiaries.

Since the County does not issue a stand-alone report for its County PERS, following are condensed financial statements for the period as of and including September 30, 2006:

Statement of Net Assets

Cash and investments	\$ 779,046,898
Other assets	3,230,397
Total assets	<u>782,277,295</u>
Liabilities	<u>567,909</u>
Net assets	<u>\$ 781,709,386</u>

Statement of Changes in Net Assets

Additions:	
Contributions	\$ 1,016,212
Investment income	53,410,397
Total additions	<u>54,426,609</u>
Deductions:	
Benefit payments	29,695,450
Other expenses	2,727,909
Total deductions	<u>32,423,359</u>
Change in net assets	22,003,250
Net assets held in trust, beginning of year	<u>759,706,136</u>
Net assets held in trust, end of year	<u>\$ 781,709,386</u>

County of Oakland

Notes to Basic Financial Statements

September 30, 2006

Basis of Accounting

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

Method Used to Value Investments

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

Funding Policy/Contributions

The County policy is to fund normal costs of the Plan by contributions which are based on actuarially determined rates, expressed as percentages of annual covered payroll, and which are sufficient to accumulate assets to pay benefits when due. The current year and prior-period rates for the County plan were 0.0 percent and 0.0 percent, respectively, of annual covered payroll, which was determined through actuarial valuation performed at September 30, 2004 and September 30, 2003, respectively. There were no contributions from County funds for the years 2000 through 2006.

Sheriff's deputies contribute at a rate of 3 percent of their annual pay for the first 14 years of service and 5 percent thereafter. Command officers contribute 5 percent. General County Option A members who have elected improved benefits contribute 1 percent of their pay after 14 years of service. Contributions received from these employees for the year ended September 30, 2006 and September 30, 2005 amounted to \$1,016,212 and \$1,052,875, respectively.

The contribution requirements of plan members and the County are established and may be amended by the Board of Commissioners in accordance with County policies, union contracts, and plan provisions. All administrative costs of the plan are financed directly by Oakland County.

Benefits

Members of both plans may retire at age 55 (except Sheriff's deputies, who may retire with 25 years of service regardless of age) with 25 years of service or at age 60 with eight years of service. Members vest after eight years of service.

Eligible employees under the County plan are provided benefits based on 2%, 2.2% for years in excess of 14 years (Sheriff's deputies, 2.2% for the first 14 years of service, and 2.5% for thereafter, command officers 2.5%) of the final average compensation times the number of years of credited service. Maximum County retirement is 75% of final average compensation, defined as the average of the highest five consecutive years during the last ten years.

Duty disability benefits provided by the County are computed as a regular retirement, with additional service credited until attainment of age 60, less an amount offset by workers' compensation payments, with a maximum payment of 75% of final average compensation. Non-duty disability benefits after ten years of service are computed as a regular retirement. Death benefits are provided to beneficiaries after ten years of service, based on years of service.

County of Oakland

Notes to Basic Financial Statements

September 30, 2006

Classes of Employees

The County PERS covers the majority of full-time employees of the County hired prior to July 1, 1994. The Plans' membership consists of the following at September 30, 2005, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	1,593
Terminated plan members entitled to, but not yet receiving benefits	256
Active plan members	988
Total	<u>2,837</u>

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

During fiscal year 2003, the County offered a retirement incentive for qualifying employees to retire, and 186 active employees elected to retire. This incentive amounted to \$6.4 million and was paid from the Oakland County Employees' Retirement Fund.

Annual Pension Cost

In 1998, the County contributed \$6,421,492, which exceeded the required contribution of \$4,414,888 (due to an adjustment in 1997 when the fiscal year change caused a nine-month "stub" year) which was a contribution of 145.45%. As a result, the County had a negative net pension obligation (asset) of \$2,006,604. The required County contribution for the year ended September 30, 1999 based on the September 30, 1997 actuarial evaluation was \$1,215,589, and for the year ended September 30, 2000 based on the September 30, 1998 actuarial evaluation was \$365,699 recorded as 0% of covered payroll, which was not paid due to the prior period overpayment. The plan consists of three divisions: General County, Command Officers and Sheriff's Deputies, with actuarial assumptions applied to each separately, and in cases where a required contribution is determined for a group, a "transfer" is made between groups to meet any obligation therefore, the recommended contribution is \$0 and 0% since fiscal year 2001. The contribution amount was determined using the aggregate actuarial cost method, whereby the excess of the actuarial present value of projected benefits of the plan members as a group over the actuarial value of assets is allocated on a level basis over the earnings of the members between the valuation date and assumed retirement. The aggregate actuarial cost method does not produce an accrued liability or separately amortize an unfunded actuarial liability. The pension liability (asset) for the Plan at adoption was \$0 and was determined in accordance with GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, which was adopted on January 1, 1997. As of the latest available actuarial report dated September 30, 2005, the Retirement System is considered 108% funded.

A recalculation of the negative pension obligation based on actual investment earnings indicates a balance of (\$890,339) as of September 30, 2002. In fiscal year 2003, the County offered the aforementioned retirement incentive to County employees at a cost of \$6.4 million, which was paid from the County's Retirement fund. Since in actuarial terms, the Retirement System cannot contribute back to the County, the outflow of funds from the PERS was determined to be first a use of the negative pension obligation amount. Therefore, as of the end of fiscal year 2003, the negative pension obligation is reported at \$0.

County of Oakland
Notes to Basic Financial Statements
September 30, 2006

Fund Balance Reserved for Employees' Pension Benefits

Fund balances reserved for employees' pension benefits include legally required reserves. Fund balance as of September 30, 2006 consists of the following reserves:

Annuity reserve	\$ 7,735,352
Pension reserve	488,968,906
Pension accumulated reserve	<u>285,005,128</u>
Total fund balance	<u>\$ 781,709,386</u>

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

Required supplementary information, which includes a Schedule of Employer Contributions, significant actuarial assumptions, and a Schedule of Funding Progress for the County, is presented immediately following the notes.

13. Defined Contribution Plans

The County maintains a defined contribution plan, Oakland Performance Retirement System (OPRS), which qualifies under Internal Revenue Code Section 401(a). Employees in the County PERS were first afforded the opportunity to transfer to the OPRS through December 31, 1995, retroactive to January 1, 1995. Employees who elected to transfer to the OPRS had their individually actuarially determined earned retirement benefits in the County PERS, determined as of January 1, 1995, plus accrued interest at the rate of 7.5% from January 1, 1995 until the date of election to transfer, transferred into the OPRS. The County reopened the opportunity for transfer from the County PERS to the OPRS again in 1997, 1998, and 2000. As a result, there was a total of 1,230 employees, which amounted to \$107,395,133 transferred to the OPRS through 2000. In 1999, establishment of the Community Mental Health Authority resulted in the transfer of 247 employees out of the County OPRS.

The OPRS maintains a schedule of vesting, with the participants becoming fully vested upon completion of six years of continuous service. Employees transferring from the County PERS were allowed a permanent selection of employee contributions of 0% or 3% of their salary, with the employer matching the contribution respectively with 6% or 9% for general employees, or 7% or 10% for employees in certain bargaining units. For employees hired on or after July 1, 1994, the employer contributes 5% of the employee's salary. Effective December 1999, employees were offered an opportunity to increase contribution with county match of 2% for new hire and 1% for all others. In December 2000, the employee and county match were increased 1%. All employees are able to contribute up to 10% of their salary on a voluntary after-tax basis. All contributions are remitted to a third-party plan administrator.

Total membership in the OPRS as of September 30, 2006 was 2,790, which includes 712 employees who elected to transfer from the PERS in 1995 through 2000 and 2,078 current employees hired since July 1, 1994.

County of Oakland
Notes to Basic Financial Statements
September 30, 2006

The County's payroll for employees covered by the OPRS for the year ended September 30, 2006 was \$147,724,132, and the County's total payroll was \$221,787,340. The required contributions, which matched those actually made, were \$5,994,609 by employees and \$13,603,212 by the County, representing 4.1% and 9.2% of covered payroll, respectively.

The contribution requirements of plan members and the County are established and may be amended by the Board of Commissioners in accordance with County policies, union contracts, and plan provisions.

14. Postemployment Benefits

The Oakland VEBA Trust (the Trust) provides medical care benefit insurance coverage to retired employees or survivors of deceased employees who were hired on or before September 20, 1985, or hired on or after September 21, 1985 and had 15 years of service (for family coverage) or 8 to 14 years of service (for retired members only).

For employees whose employment ends prior to retirement, the Trust provides benefits to those with 15 to 19 years of service (for members only) or 20 years of service (for family coverage).

In 2006, the County provided 1,762 retirees medical insurance and reimbursed them for Medicare premiums under the Trust. In 2006, the County disbursed \$20,472,418 for this purpose.

Postemployment benefits are established and may be amended by the Board of Commissioners in accordance with County policies, union contracts, and plan provisions. The County established a "Retirement Health Savings Plan" beginning January 1, 2006, whereby employees hired on or after this date will no longer receive a defined health insurance benefit, but will receive a cash payment upon retirement from which they can purchase their own health insurance.

Contributions are determined by independent consulting actuaries using the "individual entry age" actuarial cost method. Actuarial valuations for the County are as of September 30, 2005. The County's Trust has an estimated unfunded liability that was determined as part of an actuarial valuation as of September 30, 2005, the most recent date for which actuarial data are available, and is as follows:

Retirees and beneficiaries	\$ 329,621,176
Vested terminated employees who will be eligible when they collect retirement (age 60 in most cases) and their beneficiaries	50,882,023
Active employees and beneficiaries	<u>371,720,976</u>
Total	<u>752,224,175</u>
Net assets available for benefits, at fair value	<u>265,554,787</u>
Unfunded accrued liability	<u>\$ 486,669,388</u>

Unfunded actuarial accrued liabilities are being amortized as a fixed percentage of payroll over a period of 30 years.

County of Oakland
Notes to Basic Financial Statements
September 30, 2006

The consulting actuary determines contribution requirements and actuarial present values for benefits by applying actuarial assumptions to the benefit provisions of the Trust and the following assumptions regarding future experiences: a long-term rate of investment return of 7.5%, future rate of increase in health care costs of 11%, and a salary inflation rate of 5.25%. They also use varied rates of mortality among employees, retirees, and beneficiaries. The County's contribution rate is 17.56% of payroll. In 2006, the County contributed \$37,488,000 and earned \$22,130,170 of interest income, with retirees contributing \$71,639 toward the cost of hospitalization riders. Additionally, during 2004 a change was made in actuarial assumptions used in the calculation of retiree hospitalization, which will increase the County's required contribution to retiree health care in future years. Therefore, in 2004 the County transferred approximately \$50.9 million from the General Fund unreserved fund balance to the VEBA Trust fund, thus reducing the amount of unfunded actuarial liability, and generating additional investment income for future funding.

Since the County does not issue stand-alone financial reports for the VEBA Trust, following are condensed financial statements as of and including September 30, 2006:

Statement of Net Assets

Cash and investments	\$ 315,584,756
Other assets	<u>1,482,565</u>
Total assets	<u>317,067,321</u>
Liabilities	<u>1,442,430</u>
Net assets	<u>\$ 315,624,891</u>

Statement of Changes in Net Assets

Additions:	
Contributions	\$ 37,559,639
Investment income	<u>22,130,170</u>
Total additions	<u>59,689,809</u>
Deductions:	
Benefit payments	20,472,418
Other expenses	<u>3,500</u>
Total deductions	<u>20,475,918</u>
Change in net assets	39,213,891
Net assets held in trust, beginning of year	<u>276,411,000</u>
Net assets held in trust, end of year	<u>\$ 315,624,891</u>

The Road Commission provides health care benefits to all full-time employees and life insurance benefits to duty disability employees upon retirement, pursuant to agreements with various collective bargaining units or other action of the Oakland County Board of Road Commissioners. Currently, approximately 540 retirees and their spouses are eligible. The Road Commission includes retirees and their spouses in its health care plan, with no contribution required by the participant in most circumstances. Expenditures for post-employment benefits are on a "pay as you go" basis and, accordingly, are recognized as the life insurance premiums and medical costs become due. Approximately \$3,972,000 was charged to operations during the year ended September 30, 2006.

County of Oakland
Notes to Basic Financial Statements
September 30, 2006

15. Deferred Compensation Plan

In fiscal year 1998, both the County and the Road Commission adopted GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. During fiscal year 1999, as required by the statement, the County and Road Commission each placed all Deferred Compensation Plan assets with a trustee, relinquishing all fiduciary accountability for the assets. Accordingly, the related assets and liabilities of the plan are not reported in the County and Road Commission financial statements.

16. Risk Management

The County is exposed to various risks of loss related to property, employee injuries, general liability claims, and torts, as well as medical benefits provided to employees. The County has purchased property insurance for: its building and contents in the amount of \$250,000,000 loss limit (rated values: building and contents in the amount of \$435,656,554, builder's risk in the amount of \$3,146,783), electronic data processing equipment in the amount of \$40,903,733, boats and motors in the amount of \$503,000, ATV/snowmobiles in the amount of \$66,000, helicopter physical damage in the amount of \$3,442,003, and automobile catastrophe physical damage in the amount of \$2,000,000. Liability insurance has been purchased for: airport operations in the amount of \$50,000,000, helicopter operations in the amount of \$100,000,000, and automobile fleet operations in the amount of \$5,000,000, fiduciary liability in the amount of \$25,000,000, employee bonds in the amount of \$3,000,000, travel accident in the amount of \$100,000 per person/\$500,000 aggregate, N.E.T. law enforcement liability in the amount of \$5,000,000, workers' compensation statutory coverage in excess of \$500,000 each occurrence self-insured retention and employers liability in the amount of \$1,000,000. The County is uninsured for all other risks except as noted.

The Road Commission has similar risks and is uninsured for these claims within certain limits. General liability claims are covered \$1,000,000 per occurrence and \$4,000,000 in aggregate with a maximum coverage of \$15,000,000. Workers' compensation claims are covered with \$350,000 per occurrence with no aggregate coverage.

The County and Road Commission estimate the liability for all the above-mentioned claims that have been incurred through September 30, 2006, including both claims that have been reported, as well as those that have not yet been reported, and estimates of both future payments of losses and related claim adjustment expenses.

Estimated liabilities for unpaid claims are based on historical claim payments, including related legal and administrative expenses. Neither the County nor the Road Commission has experienced settlements in excess of insurance coverage during the past three years.

County of Oakland
Notes to Basic Financial Statements
September 30, 2006

The County records estimates in the Fringe Benefits and the Building and Liability Insurance funds, both Internal Service funds, and the Road Commission records these estimates in the governmental fund type. Changes in the estimated claims liabilities are as follows:

	September 30,	
	2006	2005
Primary Government		
Beginning-of-period liability	\$ 26,442,453	\$ 27,539,435
Estimated claims incurred, claim adjustment expenses and changes in estimates		
Provisions for current-year events	42,336,617	40,491,111
Increase (decrease) in provisions for prior-year events	(2,819,923)	579,698
Total incurred claims, claim adjustment expenses and changes in estimates	39,516,694	41,070,809
Claim payments and claim adjustment expenses		
Related to current-year events	(38,481,666)	(35,954,974)
Related to prior-year events	(2,285,933)	(6,212,817)
Total claim payments and claim adjustment expenses	(40,767,599)	(42,167,791)
End-of-period liability	\$ 25,191,548	\$ 26,442,453
Road Commission - Component Unit		
Beginning-of-year liability	\$ 4,010,000	\$ 4,900,000
Estimated claims incurred and changes in estimates	10,659,208	9,900,599
Claim payments	(10,909,208)	(10,790,599)
End-of-year liability	\$ 3,760,000	\$ 4,010,000

17. Leases

The County (primary government) leases certain office facilities and other equipment under non-cancelable operating leases. Total costs for such leases for the County for the year ended September 30, 2006 were \$1,098,334. The future minimum lease payments as of September 30, 2006 are as follows:

Fiscal year	Primary government
2007	\$ 1,086,836
2008	972,800
2009	622,976
2010	313,659
2011	157,604
2012 - 2016	788,020
2017 - 2021	425,531
	<u>\$ 4,367,426</u>

Additionally, the County leases portions of certain buildings to various governmental agencies. The amount received from these leases for the fiscal year ended September 30, 2006 amounted to \$90,036, recorded in the Facilities Maintenance & Operations fund, an internal service fund type.

County of Oakland
Notes to Basic Financial Statements
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The County has also “loaned” its AAA bond rating to assist local communities in ability to finance local projects by pledging full faith and credit on the debt issued through the Oakland County Building Authority. Debt is to be paid from payments from the benefiting community over the life of the debt issues, with the structures being collateral. A contract, or lease, receivable with a corresponding deferred revenue is shown in the Debt Service Fund financial statements of the County. Debt and receivables are reported for a Sheriff’s Sub-station in the City of Rochester Hills for \$5.2 million in 2002, Pontiac Phoenix Center and Phoenix Plaza Amphitheatre Refunding bonds in the City of Pontiac in the amount of \$11.5 million and \$8.16 million, respectively, in 2006. The future minimum lease payments to be received as of September 30, 2006 are as follows:

Fiscal year	Primary government
2007	\$ 1,833,585
2008	1,707,360
2009	1,684,355
2010	1,680,818
2011	1,675,688
2012 - 2016	9,711,018
2017 - 2021	9,671,841
2022 - 2026	8,442,863
2027	546,000
	<u>\$ 36,953,528</u>

18. Commitments and Contingencies

The County, the Drainage Districts, and the Road Commission are involved in legal actions in which plaintiffs seek damages of indeterminable amounts which may exceed insurance coverage where applicable. Litigation is subject to many uncertainties, and the outcome of individual matters cannot be predicted. Accordingly, a reasonable range of liability to the County, the Drainage Districts, or Road Commission pertaining to these matters cannot be determined. Management has taken steps to protect the County and believes any liability resulting from cases in which it is involved will not materially affect its financial position.

The County, the Drainage Districts, and the Road Commission received funds from various federal and State units to finance specific activities. The final determination of revenue is subject to the acceptance of project costs by the granting agency, usually after a compliance audit. To the extent that costs are disallowed by the granting agency, County, the Drainage Districts, and Road Commission resources would be required to reimburse the grant funds. Management believes that disallowed costs, if any, would be immaterial.

The County has outstanding construction commitments (contracts) at September 30, 2006 as follows: Work Release/Jail Management/Video Conferencing with a cost of \$2,420,000 for the Jail Management System portion and a remaining balance of \$2,059,287; the Office Building Renovation project with preliminary construction contracts (2) of \$3,476,971 and a remaining balance of \$910,536, Airport T-Hangar project with preliminary construction contracts (3) of \$5,513,312 and a remaining balance of \$3,800,610. In addition, there are four construction contracts for the Oxford Village Water Supply System project under Act 342 with a total cost of \$5,914,339 with a remaining balance of \$2,147,212.

County of Oakland
Notes to Basic Financial Statements
September 30, 2006

The Drainage Districts component unit has three construction contracts for the George W. Kuhn Drainage District project with a total cost of \$87,271,074, with a remaining balance of \$2,021,294 as of September 30, 2006.

19. Statement of Net Assets – Reconciliation of Internal Balances

The internal balances amount on the Statement of Net Assets is reconciled as follows:

Governmental Activities

Governmental Funds

Due from other funds	\$ 57,894,674
Long-term advances receivable	1,602,823
Due to other funds	(59,169,780)
Current and long-term advances payable	(1,602,823)

Internal Service Funds

Due from other funds	3,141,443
Due to other funds	(1,333,310)
Current and long-term advances payable	(1,905,745)

Capital lease receivable for Parks and Recreation, not reported in funds	2,125,000
-----------------------------------------------------------------------------	-----------

Capital lease receivable for County Airports, not reported in funds	6,195,000
------------------------------------------------------------------------	-----------

Governmental activities, internal balances	<u>\$ 6,947,282</u>
--------------------------------------------	---------------------

Business-Type Activities

Proprietary Funds

Due from other funds	\$ 4,622,645
Current and long-term advances receivable	1,905,745
Due to other funds	(5,155,672)
Current and long-term capital lease payable	(8,320,000)

Business-type activities, internal balances	<u>\$ (6,947,282)</u>
---------------------------------------------	-----------------------

20. Extraordinary Items

The following are reported as extraordinary items in the Basic Financial Statements for the fiscal year ended September 30, 2006. The Road Commission Component Unit experienced a fire in 2004 which destroyed or severely damaged a building, vehicles, equipment and supplies. At September 30, 2005, the insurance proceeds receivable balance was \$501,728. During the year ended September 30, 2006, the Road Commission collected the entire receivable plus an additional \$54,336, resulting in total collections of \$556,064.

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APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE CONTRACT AND THE TRUST AGREEMENT

The summaries of certain provisions of the Contract and the Trust Agreement set forth below do not purport to be complete and are qualified by reference to the complete text of such documents.

DEFINITIONS OF CERTAIN TERMS

All capitalized terms that are defined in the Offering Circular which precedes this APPENDIX A have the same meaning in this Appendix, unless the context otherwise indicates. All other capitalized terms used in this Appendix, unless otherwise defined or the context otherwise indicates, have the same meaning as in the Contract and the Trust Agreement and the forepart of this Offering Circular. Certain of those terms are defined as follows, unless the context clearly otherwise requires.

Authorized Denominations means denominations of \$5,000 and any multiple thereof.

Beneficial Owner means any Person who indirectly owns Certificates pursuant to Part 5 of Article 8 of the Michigan Uniform Commercial Code.

Certificates mean the Taxable Certificates of Participation issued by the Funding Trust representing beneficial interests in the Contract Payments.

Contract Charges means the amounts payable under the Contract by the County to the Trustee on Contract Charge Payment Dates sufficient to pay the periodic costs of capital (**Funding Costs**) incurred by the Funding Trust for the Funding. (This corresponds to interest on the Certificates.)

Contract Payment means any Contract Charge, Scheduled Payment or Optional Prepayment.

Funding means the Funding Trust's funding the Stated Funding Amount on the Closing Date.

Funding Costs has the meaning given within the definition of "Contract Charges" above.

Funding Trust means the 2007 Oakland County Retiree Medical Benefits Funding Trust established by the Trust Agreement.

Funding Trust Receivables means any Principal Related Receivables or Interest Related Receivables. (This corresponds to the right to receive Contract Payments payable by the County under the Contract.)

Intermediate Trust means the trust established by the Intermediate Trust Agreement.

Intermediate Trust Agreement means the 2007 Oakland County Intermediate Retiree Medical Benefits Trust Agreement dated as of July 1, 2007 between the County and the Trustees described therein, as it may be amended or supplemented in accordance with its terms.

Interest Related Receivable means an amount owing by the County as a Contract Charge, including any Accrued Contract Charges. (This corresponds to interest on the Certificates.)

Participant means any Person whose ownership of Certificates and other securities is shown on books of the Securities Depository.

Payment Time means 12:00 noon, Detroit, Michigan time.

Principal Related Receivable means an amount owing by the County as a Scheduled Payment or an Optional Prepayment Amount. (This corresponds to principal of the Certificates.)

Scheduled Payments means the payments specified and so defined in the Schedule A to the Contract. (These correspond to principal of the Certificates.)

Stated Funding Amount means the total amount to be funded by the Trustee in the Funding.

Trust Estate means the Contract Payments arising under the Contract and all proceeds thereof.

SUMMARY OF CERTAIN PROVISIONS OF THE CONTRACT

The Contract is called the 2007 Oakland County Retiree Medical Benefits Contract and is between the County and the Trustee.

Service and Funding Arrangements

Payment Obligation

The County agrees to make Contract Payments to the Funding Trust on the Scheduled Payment Dates as shown on Schedule A to the Contract. The obligations of the County under the Contract, including its obligation to make Contract Payments, are contractual obligations of the County, enforceable in the same manner as any other contractual obligation of the County, and are not general obligations of the County to which the County has pledged its full faith and credit.

Funding Obligation

The obligation of the Funding Trust to provide the Funding is subject to the receipt by the Funding Trust of proceeds sufficient for the Funding from the sale of Certificates. The Funding Trust shall use its best efforts to cause the consummation of the offering and sale of Certificates to provide sufficient proceeds for the Funding. For the Funding, the Funding Trust shall apply the proceeds of the sale of Certificates in the following order: first, irrevocably paying an amount equal to the Subject RMB UAAL on the Closing Date to the Intermediate Trust; second, paying costs of issuance of the Certificates; and third, irrevocably paying any remaining portion of such proceeds to the Intermediate Trust.

Scheduled Payments

Scheduled Payments

The County agrees to pay the Scheduled Payments to the Funding Trust on the Scheduled Payment Dates.

Optional Prepayment of Scheduled Payments

The County shall not voluntarily prepay any Scheduled Payments (an **Optional Prepayment**) in whole or in part except as expressly permitted in the Contract. The County shall exercise its option to make any Optional Prepayment by delivering a prior written **Prepayment Notice** at least 45 days (or fewer days as acceptable to the Trustee) before the Optional Prepayment Date on which the County shall pay the Total Prepayment Amount to the Funding Trust in connection with such Optional Prepayment, stating: (a) the Scheduled Payments to be prepaid in whole or in part by such Optional Prepayment and the date on which such Scheduled Payments are to be prepaid (**Optional Prepayment Date**), subject to the following:

- (1) a Scheduled Payment may be selected by the County only if it is permitted by the Contract to be prepaid on the particular Optional Prepayment Date and
- (2) a Scheduled Payment may be selected by the County for partial prepayment only in an amount of at least \$100,000 unless otherwise provided in the Contract;

(b) the amount of prepayment premium, if any, required by the Contract in connection with the prepayment of any selected Scheduled Payments (such prepayment premium, if any, together with the amount of Scheduled Payments selected to be prepaid, the **Optional Prepayment Amount**); and (c) such information in tabular or other form so as to readily permit the Trustee to identify the Scheduled Payments selected for prepayment.

The delivery by the County of a Prepayment Notice to the Funding Trust is a statement of the County's intention to pay the Total Principal Amount to the Funding Trust by the Payment Time on the day before the Optional Prepayment Date stated therein (**Prepayment Receipt Day**), and it obligates the County to so pay the Total Prepayment Amount to the Funding Trust.

Satisfaction of Scheduled Payments by Delivery of Certificates

The County may deliver or cause to be delivered Certificates to the Funding Trust in satisfaction (whether in whole or in part) of Scheduled Payments at any time and in any denomination upon 45 day's prior notice to the Funding Trust (or fewer days as acceptable to the Trustee) (a **Delivery Notice**) subject to the following limitations. A Scheduled Payment may be satisfied by delivery of Certificates entitled to payment from such Scheduled Payment (**Eligible Certificates**). The amount of a Scheduled Payment deemed paid shall be equal to the denominations of the particular Eligible Certificates. No Certificate shall be delivered in payment in whole or in part of the respective Scheduled Payment more than 45 days before the respective due date if at the time of such delivery the County has not paid all Contract Payments then and theretofore due. No Scheduled Payment shall be satisfied by the delivery of Certificates until such Certificates have been delivered to the Trustee. All Certificates so received by the Funding Trust in payment of Scheduled Payments shall be immediately canceled by the Trustee.

Contract Charges

Agreement to Pay Contract Charges; Funding Costs

The County agrees to pay Contract Charges to the Funding Trust on Contract Charge Payment Dates sufficient to pay the Funding Costs incurred by the Funding Trust for the Funding.

Prepaid Contract Charges

Prepaid Contract Charges shall be used to meet the County's obligation to pay the first occurring Contract Charges

General Provisions Governing Contract Payments

County's Payment Times

The County shall make all Contract Payments by the Payment Time on the day before the date when due.

Investment

The Funding Trust shall deposit any amounts received by it under the Contract in one or more non-interest bearing demand deposit accounts at banking institutions with a combined capital and surplus of at least \$50,000,000. Notwithstanding the immediately preceding sentence, the amounts received by the Funding Trust are permitted to be invested as provided in the Trust Agreement.

Binding Obligation

The Contract is a continuing obligation of the County and shall until the date on which all amounts due and owing thereunder are paid in full (a) be binding upon the County and its successors and (b) inure to the benefit of and be enforceable by the Funding Trust, its successors and permitted assigns.

Satisfaction of Contract Payments

Contract Payments under the Contract shall be satisfied in the following order and priority:

- First:** all theretofore due and unpaid Contract Charges (provided, that if on any date of determination there are theretofore due and unpaid Contract Charges listed in more than one column of Schedule A to the Contract, any Contract Payments satisfied pursuant to this clause "First" shall be apportioned *pro rata* among such theretofore due and unpaid Contract Charges, based on the relative amounts of theretofore due and unpaid Contract Charges listed in all such columns);
- Second:** all then due and/or about to become due Contract Charges (provided, that if on any date of determination there are due and/or about to become due Contract Charges listed in more than one column of Schedule A to the Contract, any Contract Payments satisfied pursuant to this clause "Second" shall be apportioned *pro rata* among such due and/or about to become due Contract Charges, based on the relative amounts of theretofore due and/or about to become due Contract Charges listed in all such columns);
- Third:** all theretofore due and unpaid Scheduled Payments (provided, that if on any date of determination there are theretofore due and unpaid Scheduled Payments listed in more than one column of Schedule A, any Contract Payments satisfied pursuant to this clause "Third" shall be apportioned *pro rata* among such theretofore due and unpaid Scheduled Payments, based on the relative amounts of theretofore due and unpaid Scheduled Payments listed in all such columns);
- Fourth:** all then due or about to become due Scheduled Payments;
- Fifth:** all then due or about to become due Optional Prepayment Amounts (provided, that if on any date of determination the Funding Trust has received less than the sum of all such Optional Prepayment Amounts, the amount received shall be apportioned *pro rata* first among such then due Optional Prepayment Amounts, and next *pro rata* among such about to become due Optional Prepayment Amounts).

Acceleration on Bankruptcy

If the County shall (i) commence any proceeding or file any petition seeking relief under Title 11 of the United States Code, (ii) consent to the institution of any such proceeding or the filing of any such petition or (iii) make a general assignment for the benefit of creditors, then all payments due under the Contract shall become immediately due and payable without presentment, demand, protest or notice of any kind.

Amendment of the Contract

The Contract may be amended only by written instrument signed by the parties thereto except that no amendment shall be valid: (a) unless the Trustee has received an opinion of counsel in connection with the organization of the Funding Trust to the effect that the Funding Trust will be treated as a grantor trust under Subpart E, Part I of Subchapter J of Chapter 1 of the Internal Revenue Code of 1986, as amended, and that such amendment shall not result in the Funding Trust being treated as other than such a grantor trust; and (b)

unless the Trustee has received an opinion of counsel to the effect that such amendment will not result in the Contract Payments failing to constitute payments in respect of indebtedness for U.S. federal income tax purposes.

Expenses Payable by the County and the Service Corporation

The County shall pay compensation, expenses and indemnification due the Trustee in accordance with the Trust Agreement, including reasonable fees and expenses of counsel, in connection with any waiver or consent thereunder or any amendment thereof, or in connection with the enforcement thereof. The County also shall pay all other payments required to be paid by the Funding Trust under the Contract and not otherwise paid.

Permitted Assignment.

The Contract shall be binding upon the parties thereto and their respective successors and permitted assigns. No assignment by either party of its interests therein shall be valid except as provided in the Contract.

SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT

The Trust Agreement is dated as of July 1, 2007, between the County and The Huntington National Bank, as Trustee (the **Trustee**).

Establishment of Funding Trust

The Trust Agreement establishes the 2007 Oakland County Retiree Medical Benefits Funding Trust (the **Funding Trust**) for the purpose of funding the Subject RMB UAAL of the County and to pay related Costs of Issuance (collectively, funding the Stated Funding Amount). The Trust Estate consists of the Funding Trust Receivables arising under the Contract and all proceeds thereof.

Tax Treatment Agreed to by Certificateholders; Restriction on Trustee's Powers

The Certificates will be issued and the Funding Trust will acquire the Funding Trust Receivables, with the intention that for U.S. federal, state and local income, business, franchise and modified value added tax purposes: (a) the Funding Trust will be treated as a grantor trust under Subpart E, Part I of Subchapter J of Chapter 1 of the Internal Revenue Code of 1986, as amended; (b) each Beneficial Owner of Certificates will be treated as the owner of an undivided *pro rata* interest in the portion of the Trust Estate attributable to such Beneficial Owner's Certificates; and (c) the Funding Trust Receivables constitute payments in respect of indebtedness. In furtherance of such intention, the Trustee shall not have the power to vary the investment of the Beneficial Owners of the Certificates within the meaning of U.S. Treasury regulations §301.7701-4(c) or to engage in any business unless the Trustee shall have received an opinion in form and substance reasonably satisfactory to the Trustee of counsel reasonably acceptable to the Trustee to the effect that such activity will not cause the Funding Trust to fail to be treated as such a grantor trust.

The County and the Trustee by entering into the Trust Agreement and each Certificateholder by its acceptance of its Certificate agree to treat the Funding Trust, the Certificates and the Funding Trust Receivables in accordance with the intention expressed in the preceding paragraph (or any alternative intention expressed in the Trust Agreement) for U.S. federal, state and local income, business, franchise and modified value added tax purposes.

Authentication and Delivery of Certificates by Trustee; Disposition of Certificate Proceeds

The Funding Trust shall issue Certificates as fully registered securities in the form prescribed by the Trust Agreement. The Trustee shall authenticate and deliver the Certificates in accordance with an order from

the County stating the amount of Certificate proceeds to be received by the Trustee and providing for the disposition of such proceeds as follows: an amount equal to the Subject RMB UAAL shall be irrevocably paid to the Intermediate Trust for application in accordance with the Intermediate Trust Agreement, and the balance to pay Costs of Issuance to those parties designated in a notice signed by an Authorized County Official. The Certificates evidence the entire beneficial interest in the Trust Estate.

Payment of Interest on Certificates

Interest payable on any Certificate and paid on an Interest Payment Date shall be paid to the Person in whose name that Certificate (or a Predecessor Certificate) is registered at the close of business on the Regular Record Date.

Subject to the foregoing paragraph, each Certificate delivered under the Trust Agreement upon transfer of, in exchange for or in lieu of any other Certificate shall carry all the rights to Interest accrued and unpaid, and to accrue, which were carried by such other Certificate.

Registration, Exchanges and Transfers

The Trustee shall keep at its designated corporate trust office a register for the registration of Certificates and for the registration of transfers of Certificates, subject to such reasonable regulations as the Trustee may prescribe. Upon surrender of any Certificate for transfer of the registration thereof, the Trustee shall authenticate and register in the name of the designated transferee(s) one or more new Certificates of the same tenor in any Authorized Denomination in like aggregate principal amount.

At the option of the Holder, Certificates may be exchanged for other Certificates of the same tenor in any Authorized Denomination, in the same aggregate principal amount, upon surrender of the Certificates to be exchanged at the designated corporate trust office of the Trustee. Whenever any Certificates are surrendered for exchange, the Trustee shall authenticate and deliver the Certificates that the Certificateholder making the exchange is entitled to receive.

All Certificates issued upon any transfer of registration or exchange of Certificates shall constitute valid evidences of beneficial interests in the Trust Estate evidencing the same beneficial interests and entitled to the same benefits under the Trust Agreement as the Certificates surrendered in such transfer or exchange.

No charge may be made for any transfer of registration or exchange of Certificates, but the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect such transfer or exchange. The Trustee may make the payment of such tax, fee or other governmental charge and the cost of preparing each new Certificate delivered in such transfer or exchange a condition precedent to making any transfer of registration or exchange of any Certificate, to be paid by the Person requesting such transfer or exchange, unless otherwise provided in the Trust Agreement.

The Trustee shall not be required (a) to transfer or exchange any Certificate during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of such Certificate and ending at the close of business on the day of such mailing, or (b) to transfer or exchange any Certificate selected for redemption in whole or in part, during a period beginning at the opening of business on any Regular Record Date for such Certificates and ending at the close of business on the relevant Interest Payment Date therefor.

Persons Deemed Owners

The Trustee may treat the Person in whose name any Certificate is registered as the owner of such Certificate, whether payments with respect to such Certificate shall be overdue or not, for the purpose of receiving payment of the principal thereof, premium, if any, and (except as otherwise provided in the Trust Agreement) Interest thereon and for all other purposes whatsoever.

Book-Entry Certificates; Securities Depository

While Certificates are registered in the name of a Securities Depository or its nominee, the Trustee shall not have any responsibility or obligation to any Participant or to any Beneficial Owner with respect to: (a) the accuracy of the records of the Securities Depository, its nominee or any Participant with respect to any ownership Interest in the Certificates; (b) the delivery to any Participant, any Beneficial Owner or any other Person, other than the Securities Depository, of any notice with respect to the Certificates, including any notice of redemption; or (c) the payment to any Participant, any Beneficial Owner or any other Person, other than the Securities Depository of any amount with respect to the principal of or premium, if any, or Interest on the Certificates.

The Trustee shall pay all principal (and premium, if any) of and Interest on such Certificates only to or upon the order of the Securities Depository, and all such payments shall be valid and effective fully to satisfy and discharge the Funding Trust's obligations with respect to the principal (and premium, if any) of, and Interest on such Certificates to the extent of the sum or sums so paid.

Upon discontinuance of the use of the Book-Entry Only System maintained by the Securities Depository and upon receipt of notice from the Securities Depository containing sufficient information, the Trustee shall authenticate and deliver Certificates in certificated form to Beneficial Owners in exchange for the beneficial interests of such Beneficial Owners in corresponding principal amounts and in any Authorized Denomination.

Notwithstanding anything to the contrary in the Trust Agreement, so long as any Certificate is registered in the name of the Securities Depository or its nominee: (a) all payments with respect to the Principal and Interest on such Certificate and all notices of redemption and otherwise with respect to such Certificate shall be made and given, respectively, to the Securities Depository as provided in the representation letter with respect to such Certificates; (b) if less than all such Certificates of a maturity are to be redeemed *pro rata*, then the particular Certificates or portions of Certificates of such maturity to be redeemed shall be determined by the Securities Depository in such manner as the Securities Depository may determine; and (c) all payments with respect to Principal of such Certificate and premium, if any, and Interest on such Certificate shall be made in such manner as shall be prescribed by the Securities Depository.

Redemption of Certificates

Selection of Certificates to be Redeemed

Whenever any Certificates are to be redeemed, the Trustee shall select the maturity or maturities that correspond to the prepaid Scheduled Payments giving rise to such redemption. Whenever Certificates of less than all of a maturity are to be redeemed, the Trustee shall select the particular Certificates to be redeemed from the Outstanding Certificates of such maturity that have not previously been called for redemption in such manner as results in *pro rata* redemption among all Holders of Certificates of the maturity being redeemed. All Certificates having the same maturity shall constitute a class for purposes of *pro rata* redemption. The Trustee shall select Certificates for redemption *pro rata* within each class.

Notice of Redemption

When any Certificates are to be redeemed, notice of any such redemption shall be given by the Trustee by first class mail, no fewer than 30 days and no more than 45 days before the Redemption Date to each Holder of Certificates to be redeemed at his/her last address in the Registry. All notices of redemption shall be dated and shall state: (a) the Redemption Date; (b) the Redemption Price; (c) if less than all Outstanding Certificates are to be redeemed, the identification number, maturity dates and, in the case of a partial redemption of Certificates, the respective principal amounts of the Certificates to be redeemed; (d) that on the Redemption Date the Redemption Price will become due and payable upon each such Certificate or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date; (e) the

place where the Certificates to be redeemed are to be surrendered for payment of the Redemption Price, which place of payment shall be the designated corporate trust office of the Trustee or other Paying Agent; and (f) the proposed redemption is conditioned on the Trustee having received a payment on the Prepayment Receipt Day sufficient to pay the full Redemption Price of the Certificates to be redeemed.

The failure of the Holder of any Certificate to receive notice of redemption given as provided above, or any defect therein, shall not affect the sufficiency of the proceedings for the redemption of any Certificates as to which no failure or deficiency occurred.

The Trustee shall provide additional notice that provides material compliance with Securities Exchange Act Release No. 34-23856 (Dec. 3, 1985) as the same may be amended or supplemented from time to time by the Securities and Exchange Commission or by generally accepted practice of corporate trustees. No failure to give such additional notice or defect therein or in the manner in which given shall affect the sufficiency of the proceedings for the redemption of any Certificates.

Certificates Payable on Redemption Date

Notice of redemption having been given as aforesaid, the Holders of the Certificates so to be redeemed shall be entitled, on the Redemption Date, to payment of an amount equal to the Redemption Price therein specified and from and after such date (unless the full amount of the Redemption Price is not distributed) the Holders of such Certificates shall cease to be entitled to any further payment in respect of Interest. Upon surrender of any such Certificate for redemption in accordance with said notice, the Holder of such Certificate shall be paid by the Trustee an amount equal to the Redemption Price. Installments of Interest with a due date on or prior to the Redemption Date shall be payable to the Holders of the Certificates as of the relevant Record Dates.

If any Certificate called for redemption shall not be so paid upon surrender thereof for redemption, the principal (and premium, if any) shall, until paid, bear Interest from the Redemption Date at the rate prescribed in the Certificate.

Certificates Redeemed in Part

Any Certificate which is to be redeemed only in part may, at the option of the Holder: (a) be presented for notation thereon by the Trustee of the payment as of the Redemption Date of the redeemed portion of the principal thereof; or (b) be surrendered at the place of payment therefor (with, if the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Trustee duly executed by, the Holder or his attorney or legal representative duly authorized in writing), and the Trustee shall authenticate and deliver to such Holder, without Contract Charge, a new Certificate or Certificates of the same maturity of any Authorized Denomination or Authorized Denominations as requested by such Holder in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Certificate so surrendered.

Payments to Certificateholders

On each Interest Payment Date for which the Trustee has received a payment of Contract Charges pursuant to the Contract, the Trustee shall pay the same to the Holders of Outstanding Certificates entitled to such amounts by the terms of their Certificates as of the Regular Record Date in accordance with their relative entitlements.

On each Principal Payment Date for which the Trustee has received a Scheduled Payment pursuant to the Contract, the Trustee shall pay the same to the Certificateholders entitled to such amounts by the terms of their Certificates in accordance with their relative entitlements.

On each Redemption Date that is also an Interest Payment Date for which the Trustee has received pursuant to the Contract amounts equal to the Redemption Price for Certificates or such portions thereof that are being redeemed, the Trustee shall pay the same to Holders of Outstanding Certificates entitled to such amounts by the terms of their Certificates as of the Regular Record Date in accordance with their relative entitlements.

The Trustee

Certain Duties and Responsibilities

The Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Trust Agreement, and no implied covenants or obligations shall be read into the Trust Agreement against the Trustee. In the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates, documents, other instruments or opinions furnished to the Trustee and conforming to the requirements of the Trust Agreement or the Contract; but in the case of any such certificates, documents, other instruments or opinions which by any provision thereof or of the Trust Agreement are specifically required to be furnished to the Trustee, the Trustee is under a duty to examine the same to determine whether or not they conform to the requirements of the Trust Agreement.

No provision of the Trust Agreement or the Contract shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that (a) the Trustee shall not be liable for any error of judgment made in good faith by an authorized officer of the Trustee, *unless* it is proved that the Trustee was negligent in ascertaining the pertinent facts; (b) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority in principal amount of the Outstanding Certificates relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under the Trust Agreement or the Contract; and (c) no provision of the Trust Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties thereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Certain Rights of Trustee

The Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, opinion, notice, request, consent, order, or other document believed by it to be genuine and to have been signed or presented by the proper parties. The Trustee may consult with counsel, and the written advice of such counsel is full and complete authorization and protection in respect of any action taken, suffered or omitted by the Trustee thereunder in good faith and in reliance thereon.

The Trustee is under no obligation to exercise any of the rights or powers vested in it by the Trust Agreement at the request or direction of any of the Certificateholders pursuant to the Trust Agreement, unless such Certificateholders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, opinion, notice, request, consent, order, or other document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit. The Trustee may execute any of its trusts or powers or perform any of its duties either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it.

The Trustee shall not have any lien on any funds held by it under the Trust Agreement.

Not Responsible for Recitals or Issuance of Certificates

The Trustee assumes no responsibility for the correctness of the recitals contained in the Trust Agreement, in the Contract or in the Certificates except the certificate of authentication on the Certificates. The Trustee makes no representations as to the value or condition of the Trust Estate or any part thereof, or as to the title thereto or as to the security afforded thereby, or as to the validity or sufficiency of the Trust Agreement or of the Certificates.

Corporate Trustee Required; Eligibility

There shall at all times be a Trustee under the Trust Agreement which is a trust company or bank with trust powers organized under the laws of the United States of America or of any state of the United States with a combined capital and surplus of at least \$50,000,000. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of such supervising or examining authority, then the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Trustee shall resign immediately in the manner and with the effect specified in the Trust Agreement if it becomes ineligible under this paragraph.

Replacement of Trustee

No resignation or removal of the Trustee and no appointment of a successor Trustee shall be effective until the successor Trustee accepts its appointment. The Trustee may resign at any time, but such resignation shall become effective only in accordance with the preceding sentence. The Holders of a majority in principal amount of Outstanding Certificates may remove the Trustee by so notifying the Trustee and any Insurer. If the Trustee becomes ineligible, any Certificateholder may petition a court of competent jurisdiction for the appointment of a successor. The retiring Trustee or the Service Corporations may appoint a successor at any time prior to the date on which a successor Trustee takes office. If a successor Trustee does not take office within 45 days after the retiring Trustee resigns or is removed, any Certificateholder may petition a court of competent jurisdiction for the appointment of a successor Trustee. Within one year after a successor Trustee appointed by the Service Corporations or a court of competent jurisdiction takes office, the Holders of a majority in principal amount of Outstanding Certificates may appoint a successor Trustee to replace such successor Trustee.

Acceptance of Appointment

A successor Trustee shall deliver written acceptance of its appointment to the retiring Trustee and to the County. Thereupon the resignation or removal of the retiring Trustee shall be effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under the Trust Agreement. The successor Trustee shall mail a notice of its succession to the Certificateholders. Upon the appointment of a successor Trustee becoming effective, the retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee.

Merger, Consolidation and Succession to Business

If the Trustee consolidates, merges or converts into, or transfers all or substantially all its corporate trust business to, another corporation, the successor corporation without any further act shall be the successor Trustee if such successor corporation is eligible under the Trust Agreement. The successor Trustee may adopt the authentication of Certificates authenticated by the predecessor Trustee and deliver such Certificates with the same effect as if the successor Trustee had authenticated such Certificates.

ERISA

The Trustee acknowledges and agrees that, in the event that assets of the Funding Trust are deemed to be plan assets of a Certificateholder that is an employee benefit plan subject to Title I of ERISA (an ***ERISA Plan***), the Trustee is a fiduciary to such ERISA Plan with respect to such ERISA Plan's undivided interests in the Trust Estate, and the Trust Agreement shall be deemed to be the management agreement between the Trustee and such ERISA Plan.

Supplemental Trust Agreements

Supplemental Trust Agreements without Consent of Certificateholders

Without the consent of any Certificateholders, the County and the Trustee may from time to time enter into one or more Trust Agreements supplemental to the Trust Agreement (a ***Supplemental Trust Agreement***) for any of the following purposes:

- (1) to correct or amplify the description of Trust Estate, or better to assure, convey and confirm unto the Trustee any of the Trust Estate or the lien of the Trust Agreement thereon, or to add to the Trust Estate subject to the lien of the Trust Agreement additional property;
- (2) to add to the conditions, limitations and restrictions on the authorized amount, terms or purposes of the issue, authentication and delivery of the Certificates, thereafter to be observed;
- (3) to evidence a successor trustee under the Trust Agreement;
- (4) to add to rights, powers and remedies of the Trustee for the benefit of the Certificateholders;
- (5) to cure any ambiguity, or correct or supplement any provision in the Trust Agreement which may be inconsistent with any other provision; or
- (6) to make any other change that does not adversely affect the rights of Certificateholders.

Supplemental Trust Agreements with Consent of Certificateholders

With the consent of the Holders of not less than a majority in principal amount of the Certificates then Outstanding, the Trustee may enter into one or more Supplemental Trust Agreements for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Trust Agreement or of modifying in any manner the rights of Certificateholders under the Trust Agreement; provided, however, that no such Supplemental Trust Agreement shall, without the consent of the Holder of each Outstanding Certificate affected thereby: change any Principal Payment Date or Interest Payment Date of any Certificate, or any premium payable upon the redemption thereof, or change any place of payment where any Certificate or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption, on or after the Redemption Date), or reduce the percentage in principal amount of the Outstanding Certificates, the consent of whose Holders is required for any such Supplemental Trust Agreement, or the consent of whose Holders is required for any waiver of compliance with certain provisions of the Trust Agreement or certain defaults thereunder and their consequences; or modify any provisions summarized under the above subheading "Tax Treatment Agreed to by Certificateholders; Restriction on Trustee's Powers" under the heading "SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT" or certain other provisions, except to increase any percentage provided thereby or to provide that certain other provisions of the Trust Agreement cannot be modified or waived without the consent of each Holder affected thereby.

Execution of Supplemental Trust Agreements

Prior to executing, or accepting the additional trusts created by, any permitted Supplemental Trust Agreement or the modification thereby of the trusts created by the Trust Agreement, the Trustee shall be entitled to receive and be fully protected in relying upon an opinion of counsel addressed to the Trustee to the effect that the execution of such Supplemental Trust Agreement is authorized or permitted by the Trust Agreement and the Supplemental Trust Agreement will be a valid and binding agreement of the County upon the execution and delivery thereof.

Preconditions to Effectiveness

No Supplemental Trust Agreement shall become effective unless and until the Trustee shall have received an opinion of counsel in form and substance reasonably satisfactory to the Trustee rendered by counsel reasonably acceptable to the Trustee to the effect that such Funding Trust will be treated as a grantor trust under Subpart E, Part I of Subchapter J of Chapter 1 of the Internal Revenue Code of 1986, as amended and that such supplement shall not result in such Funding Trust being treated as other than such a grantor trust.

Miscellaneous Provisions

Notices to Certificateholders; Waiver

Where the Trust Agreement provides for the publication of notice to Certificateholders, such notice shall be sufficiently given (unless otherwise expressly provided in the Trust Agreement) if in writing and mailed, first-class postage prepaid, to each Certificateholder at his address as it last appears in the Registry, no later than the latest date and no earlier than the earliest date permitted for the first publication of such notice. Where the Trust Agreement provides for notice in any manner, such notice may be waived by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance on the waiver.

Payments Due on Saturdays, Sundays and Holidays

In any case where the date fixed for payment of the Certificates shall not be a Business Day, then such payment need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date fixed for such payment.

APPENDIX B

GLOBAL CLEARANCE PROCEDURES

The description that follows of the procedures for record keeping about beneficial ownership of the Certificates, payment of principal of and interest on the Certificates, confirmation and transfer of beneficial ownership interests in the Certificates, and other securities-related transactions is based solely on information furnished by The Depository Trust Company (**DTC**), Clearstream and Euroclear and has not been independently verified by the County, the Funding Trust or the underwriters of the Certificates.

Beneficial owners of the Certificates may hold their certificates through DTC, which is located in the United States (**U.S.**), or Clearstream or Euroclear, which are in Europe, if they are participants of one of those systems, or indirectly through organizations that are participants in any of those systems.

DTC will act as a securities depository for the Certificates. Clearstream and Euroclear will hold omnibus positions, on behalf of their respective participants, through customers' securities accounts in Clearstream's and Euroclear's names on the books of their respective depositories, which in turn will hold such positions in customers' securities accounts in the names of their respective depositories on the books of DTC.

DTC

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the U.S. Securities Exchange Act of 1934. DTC holds securities that DTC's participants (**Direct Participants**) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation, (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (**Indirect Participants**). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

Transfers between DTC Participants will occur in accordance with DTC rules. Transfers between Clearstream Participants and Euroclear Participants will occur in the ordinary way in accordance with their applicable rules and operating procedures.

Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream Participants or Euroclear Participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of the relevant European international clearing system by its depository; however, such cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in such system in

accordance with its rules and procedures and within its established deadlines based on European time. The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its depository to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream Participants and Euroclear Participants may not deliver instructions directly to the depositories.

Because of time-zone differences, credits of securities in Clearstream or Euroclear as a result of a transaction with a DTC Participant will be made during the subsequent securities settlement processing, dated the business day following the DTC settlement date, and such credits or any transactions in such securities settled during such processing will be reported to the relevant Clearstream Participant or Euroclear Participant on such business day. Cash received in Clearstream or Euroclear as a result of sales of securities by or through a Clearstream Participant or a Euroclear Participant to a DTC Participant will be received with value on the DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlement in DTC. Day traders who use Clearstream or Euroclear and who purchase the Certificates from DTC Participants for delivery to Clearstream Participants or Euroclear Participants should note that these trades may fail on the sale side unless affirmative actions are taken. Participants should consult with their clearing system to confirm that adequate steps have been taken to assure settlement.

Purchases of Certificates under the DTC system must be made by or through DTC Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual owner of a Certificate (**Beneficial Owner**) is in turn to be recorded on the Direct Participants' and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in Certificates, except when use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. Any failure of DTC to advise any Direct Participant, or of any Direct Participant or Indirect Participant to

advise a Beneficial Owner, of any notice of redemption or its content or effect will not affect the validity of the redemption of Certificates called for redemption or any other action premised on such notice.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Because DTC can only act on behalf of DTC Participants, who in turn act on behalf of Indirect Participants and some other banks, the Beneficial Owner of a Certificate may be limited in its ability to pledge Certificates to persons or entities that do not participate in the DTC system, or to otherwise take actions with respect to those Certificates due to the lack of a physical certificate for those Certificates.

Principal and interest payments on the Certificates will be made to DTC. DTC's practice is to credit the accounts of the DTC Participants, upon DTC's receipt of funds and corresponding detail information from the Trustee, on payment dates in accordance with their respective holdings shown on the records of DTC. Payments by DTC Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such DTC Participant and not of DTC, the Trustee or the Funding Trust, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Trustee, disbursement of such payments to DTC Participants will be the responsibility of DTC, and disbursement of such payments to Beneficial Owners will be the responsibility of DTC Participants and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Certificates at any time by giving reasonable notice to the Trustee. Under such circumstances, if a successor securities depository is not obtained, Certificate certificates are required to be prepared and delivered. The Funding Trust may decide to discontinue use of the system of book-entry transfers through DTC, or a successor Securities depository. In that event, Certificate certificates will be delivered to the Beneficial Owners of the Certificates.

Clearstream International and Clearstream

Clearstream International is the product of the merger of Deutsche Borse and Cedel International, the European international clearing depository founded in 1970, and a number of its subsidiaries including Cedelbank. Clearstream International is registered in Luxembourg and has two subsidiaries: Clearstream Banking and Clearstream Services. Clearstream Banking ("Clearstream") contains the core clearing and settlement business and consists of Clearstream Banking Luxembourg, Clearstream Banking Frankfurt and six regional offices in Dubai, Hong Kong, London, New York, Sao Paulo and Tokyo. Clearstream holds securities for its participating organizations ("Clearstream Participants") and facilitates the clearance and settlement of securities transactions between Clearstream Participants through electronic book-entry changes in accounts of Clearstream Participants, thereby eliminating the need for physical movement of certificates. As a professional despositary, Clearstream is subject to regulation by the Luxembourg Monetary Institute. Indirect access to Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream Participant, either directly or indirectly.

Euroclear System

The Euroclear System (“Euroclear”) was created in 1968 to hold securities for its participants and to clear and settle transactions between its participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. The Euroclear System is owned Euroclear plc and operated through a license agreement by Euroclear Bank S.A./N.V., a bank incorporated under the laws of the Kingdom of Belgium (the “Euroclear Operator”).

The Euroclear Operator holds securities and book-entry interests in securities for participating organizations and facilitates the clearance and settlement of securities transactions between Euroclear Participants, and between Euroclear Participants and Participants of certain other securities intermediaries through electronic book-entry changes in accounts of such Participants or other securities intermediaries.

The Euroclear Operator provides Euroclear Participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services.

Non-participants of Euroclear may hold and transfer book-entry interests in the Securities through accounts with a direct Participant of Euroclear or any other securities intermediary that holds a book-entry interest in the Securities through one or more securities intermediaries standing between such other securities intermediary and the Euroclear Operator.

The Euroclear Operator is regulated and examined by the Belgian Banking and Finance Commission and the National Bank of Belgium.

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law (collectively, the “Terms and Conditions”). The Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear participants and has no record of or relationship with Persons holding through Euroclear participants.

Initial Settlement

All global securities will be held in book-entry form by DTC in the name of Cede & Co. as nominee of DTC. Investors’ interests in the global securities will be represented through financial institutions acting on behalf of their participants through their respective depositaries, which in turn will hold such positions in accounts as participants of DTC.

Investors electing to hold their global securities through DTC will follow the settlement practices applicable to prior asset-backed certificates issues. Investor securities custody accounts will be credited with their holdings against payment in same-day funds on the settlement date.

Investors electing to hold their global securities through Clearstream, Luxembourg or Euroclear accounts will follow the settlement procedures applicable to conventional Eurobonds, except that there will be no temporary global security and no “lock-up” or restricted period. Global securities will be credited to the securities custody accounts on the settlement date against payment in same-day funds.

Secondary Market Trading

Since the purchaser determines the place of delivery, it is important to establish at the time of the trade where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Trading between Participants of DTC. Secondary market trading between participants of DTC will be settled using the procedures applicable to prior asset-backed certificates issues in same-day funds.

Trading between Clearstream, Luxembourg and/or Euroclear Participants. Secondary market trading between Clearstream, Luxembourg or Euroclear participants will be settled using the procedures applicable to conventional Eurobonds in same-day funds.

Trading between DTC Seller and Clearstream, Luxembourg or Euroclear Purchaser. When global securities are to be transferred from the account of a participant of DTC to the account of a Clearstream, Luxembourg or Euroclear participant, the purchaser will send instructions to Clearstream, Luxembourg or Euroclear through a Clearstream, Luxembourg or Euroclear participant at least one business day prior to settlement. Clearstream, Luxembourg or Euroclear will instruct the respective depository, as the case may be, to receive the global securities against payment. Payment will include interest accrued on the global securities from and including the last coupon payment date to and excluding the settlement date, on the basis of the actual number of days in such accrual period and a year assumed to consist of 360 days, or a 360-day year of twelve 30-day months, as applicable. For transactions settling on the 31st of the month, payment will include interest accrued to and excluding the first day of the following month. Payment will then be made by the respective depository of the account of the participant of DTC against delivery of the global securities. After settlement has been completed, the global securities will be credited to the respective clearing system and by the clearing system, in accordance with its usual procedures, to the Clearstream, Luxembourg or Euroclear participant's account. The securities credit will appear the next day (European time) and the cash debt will be back-valued to, and the interest on the global securities will accrue from, the value date (which would be the preceding day when settlement occurred in New York). If settlement is not completed on the intended value date (*i.e.*, the trade fails), the Clearstream, Luxembourg or Euroclear cash debt will be valued instead as of the actual settlement date.

Clearstream, Luxembourg and Euroclear participants will need to make available to the respective clearing systems the funds necessary to process same-day funds settlement. The most direct means of doing so is to preposition funds for settlement, either from cash on hand or existing lines of credit, as they would for any settlement occurring within Clearstream, Luxembourg or Euroclear. Under this approach, they may take on credit exposure to Clearstream, Luxembourg or Euroclear until the global securities are credited to their accounts one day later.

As an alternative, if Clearstream, Luxembourg or Euroclear has extended a line of credit to them, Clearstream, Luxembourg or Euroclear participants can elect not to preposition funds and allow that credit line to be drawn upon the finance settlement. Under this procedure, Clearstream, Luxembourg or Euroclear participants purchasing global securities would incur overdraft charges for one day, assuming they cleared the overdraft when the global securities were credited to their accounts. However, interest on the global securities would accrue from the value date. Therefore, in many cases the investment income on the global securities earned during that one-day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each Clearstream, Luxembourg or Euroclear participant's particular cost of funds.

Since the settlement is taking place during New York business hours, participants of DTC can employ their usual procedures for sending global securities to the respective European depositary for the benefit of Clearstream, Luxembourg or Euroclear participants. The sale proceeds will be available to DTC seller on the settlement date. Thus, to participants of DTC a cross-market transaction will settle no differently than a trade between two participants of DTC.

Trading between Clearstream, Luxembourg or Euroclear Seller and DTC Purchaser. Due to time zone differences in their favor, Clearstream, Luxembourg and Euroclear participants may employ their customary procedures for transactions in which global securities are to be transferred from the respective clearing system, through the respective depositary, to a participant of DTC. The seller will send instructions to Clearstream, Luxembourg or Euroclear through a Clearstream, Luxembourg or Euroclear participant at least one business day prior to settlement. In these cases, Clearstream, Luxembourg or Euroclear will instruct the depositary, as appropriate, to deliver the global securities to the account of the participant of DTC against payment. Payment will include interest accrued on the global securities from and including the last coupon payment to and excluding the settlement date on the basis of the actual number of days in such accrual period and a year assumed to consist of 360 days, or a 360-day year of twelve 30-day months, as applicable. For transactions settling on the 31st of the month, payment will include interest accrued to and excluding the first day of the following month. The payment will then be reflected in the account of the Clearstream, Luxembourg or Euroclear participant the following day, and receipt of the cash proceeds in the Clearstream, Luxembourg or Euroclear participant's account would be back-valued to the value date (which would be the preceding day when settlement occurred in New York). Should the Clearstream, Luxembourg or Euroclear participant have a line of credit with its respective clearing system and elect to be in debt in anticipation of receipt of the sale proceeds in its account, the back-valuation will extinguish any overdraft incurred over that one-day period. If settlement is not completed on the intended value date (*i.e.*, the trade fails), receipt of the cash proceeds in the Clearstream, Luxembourg or Euroclear participant's account would instead be valued as of the actual settlement date.

Finally, day traders that use Clearstream, Luxembourg or Euroclear and that purchase global securities from participants of DTC for delivery to Clearstream, Luxembourg or Euroclear participants should note that these trades would automatically fail on the sale side unless affirmative action were taken. At least three techniques should be readily available to eliminate this potential problem:

- Borrowing through Clearstream, Luxembourg or Euroclear for one day (until the purchase side of the day trade is reflected in their Clearstream, Luxembourg or Euroclear accounts) in accordance with the clearing system's customary procedures;
- Borrowing the global securities in the U.S. from a participant of DTC no later than one day prior to settlement, which would give the global securities sufficient time to be reflected in their Clearstream, Luxembourg or Euroclear accounts in order to settle the sale side of the trade; or
- Staggering the value dates for the buy and sell sides of the trade so that the value date for the purchase from the participant of DTC is at least one day prior to the value date for the sale to the Clearstream, Luxembourg or Euroclear participant.

Certain U.S. federal Income Tax Documentation Requirements

See “UNITED STATES FEDERAL TAX CONSIDERATIONS -- Non-U.S. Certificateholders” and “-- Information Reporting and Backup Withholding” in the Offering Circular which precedes this Appendix.

Custody

Investors who are Euroclear Participants may acquire, hold, or transfer interests in the securities by book-entry to accounts with Euroclear Operator. Investors who are not Participants of Euroclear may acquire, hold, or transfer interests in the securities by book-entry to accounts with a securities intermediary who holds a book-entry interest in the securities through accounts with Euroclear.

Custody Risks

Investors that acquire, hold, and transfer interest in the securities by book-entry through accounts with the Euroclear Operator or any other securities intermediary are subject to the laws and contractual provisions governing their relationship with their intermediary, as well as the laws and contractual provisions governing the relationship between such an intermediary and each other intermediary, if any, standing between themselves and the individual securities.

The Euroclear Operator has advised as follows:

Under Belgian law, investors that are credited with securities on the records of the Euroclear Operator have a co-property right in the fungible pool of interests in securities on deposit with the Euroclear Operator in an amount equal to the amount of interests in securities credited to their accounts. In the event of the solvency of the Euroclear Operator, Euroclear Participants would have a right under Belgian law to the return of the amount and type of interests in securities credited to their accounts with the Euroclear Operator. If the Euroclear Operator did not have a sufficient amount of interests in securities on deposit of a particular type to cover the claims of all Euroclear Participants credited with such interests in securities on the Euroclear Operator’s records, all Euroclear Participants having an amount of interests in securities of such type credited to their accounts with the Euroclear Operator would have the right under Belgian law to the return of their *pro rata* share of the amount of interests in securities actually on deposit.

Under Belgian law, the Euroclear Operator is required to pass on the benefits of ownership in any interests in securities on deposit with it (such as dividends, voting rights, and other entitlements) to any person credited with such interests in securities on its records.

Distribution of the Certificate through Clearstream or Euroclear

Distributions with respect to the Certificates held through Clearstream or Euroclear are to be credited to the cash accounts of Clearstream Participants or Euroclear Participants, as applicable, in accordance with the relevant system’s rules and procedures, to the extent received by its Depository (as defined below). Such distributions will be subject to tax reporting in accordance with relevant United States tax laws and regulations. Clearstream or the Euroclear Operator, as the case may be, will take any other action permitted to be taken by an Owner of the Certificates under the Trust Agreement on behalf of a Clearstream Participant or Euroclear Participant only in accordance with the relevant rules and procedures and subject to the relevant Depository’s ability to effect such actions on its behalf through DTC. Owners of the Certificates may hold their Certificates through DTC (in the United States) or Clearstream or Euroclear (in Europe) if they are participants of such systems, or indirectly through organizations which are participants in such systems.

The Certificates will initially be registered in the name of Cede & Co., the nominee of DTC. Clearstream and Euroclear may hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and Euroclear's names on the books of their respective depositaries which in turn are to hold such positions in customers' securities accounts in the depositaries' names on the books of DTC. Citibank, N.A. acts as depositary for Clearstream and the Euroclear Operator acts as depositary for Euroclear (in such capacities, individually, the "Depositary" and, collectively, the "Depositaries")

Transfers of the Certificates between DTC Participants are to occur in accordance with DTC Rules. Transfers between Clearstream Participants and Euroclear Participants are to occur in accordance with their respective rules and operating procedures. Because of time-zone differences, credits of securities received in Clearstream or Euroclear as a result of a transaction with a Participant may be made during subsequent securities settlement processing and dated the business day following the DTC settlement date. Such credits or any transactions in such securities settled during such processing would be reported to the relevant Euroclear or Clearstream Participants on such business day. Cash received in Clearstream or Euroclear as a result of sales of securities by or through a Clearstream Participant or Euroclear Participant to a Participant are to be received with value on the DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlements in DTC.

Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream Participants or Euroclear Participants, on the other, are to be effected in DTC in accordance with DTC Rules on behalf of the relevant European international clearing system by its Depositary; however, such cross-market transactions require delivery of instructions to the relevant European international clearing system by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system if the transaction meets its settlement requirements, is to deliver instructions to its Depositary to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream Participants and Euroclear Participants may not deliver instructions to the Depositaries.

THE COUNTY AND THE TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE CERTIFICATES (1) PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE CERTIFICATES (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE CERTIFICATES OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE CERTIFICATES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS, CLEARSTREAM, CLEARSTREAM PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFERING CIRCULAR.

NEITHER THE COUNTY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM PARTICIPANTS, EUROCLEAR, EUROCLEAR PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM PARTICIPANTS, EUROCLEAR OR

EUROCLEAR PARTICIPANTS OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST ON CERTIFICATES; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE TRUST AGREEMENT; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE CERTIFICATES.

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APPENDIX C

LAW OFFICES OF
AXE & ECKLUND, P.C.
SUITE 360
21 KERCHEVAL AVENUE
GROSSE POINTE FARMS, MICHIGAN 48236-3601
TELEPHONE: (313) 884-1550, 1-800-383-6324
TELECOPIER: (313) 884-0626

_____, 2007

2007 OAKLAND COUNTY RETIREE MEDICAL BENEFITS FUNDING TRUST

c/o The Huntington National Bank, as trustee
Columbus, Ohio

We have acted as Certificate Counsel in connection with the issuance by the 2007 Oakland County Retiree Medical Benefits Funding Trust (the **Funding Trust**) of the \$556,985,000 Taxable Certificates of Participation, Series 2007 (the **Certificates**) and in that capacity we examined a transcript of the proceedings relating to the issuance of the Certificates.

The Funding Trust was created by the Trust Agreement, dated as of July 1, 2007 (the **Trust Agreement**) between the County of Oakland, Michigan (the **County**) and The Huntington National Bank, as trustee (the **Trustee**).

The Certificates are issued pursuant to the below defined Funding Ordinance and the Contract and under the Trust Agreement. The Certificates evidence undivided proportionate interests in the rights to receive certain payments (**Contract Payments**) to be made by the County under the 2007 Oakland County Retiree Medical Benefits Contract (the **Contract**) between the County and the Funding Trust. The Funding Ordinance authorizes the formation of the Funding Trust and the issuance of the Certificates (**Funding Ordinance**).

The Certificates are issued for the purpose of the funding a specific amount of the estimated unfunded accrued actuarial retirees medical benefit liabilities (**Subject RMB UAAL**) of the County. Proceeds from the sale of the Certificates equal to the Subject RMB UAAL are being paid by the Funding Trust on the date hereof to the Intermediate Trust. The remainder of the proceeds from the sale of the Certificates is being used to pay costs of issuance of the Certificates. The effect of funding the Subject RMB UAAL of the County under the Contract is to reduce the financial burden of the County with respect to such estimated unfunded accrued actuarial retirees medical benefit liabilities.

AXE & ECKLUND, P.C.

Based on our examination of the transcript of the proceedings, we are of the opinion that:

1. The Contract was validly authorized, executed and delivered by the County and is a valid and binding agreement of the County and is enforceable in accordance with its terms. Neither the faith and credit nor the taxing power nor any special revenues of the County are pledged to the payment of Contract Payments

2. The Trust Agreement was validly authorized, executed and delivered by the County and, assuming valid authorization, execution and delivery by the Trustee, is a valid and binding agreement of the County enforceable in accordance with its terms.

3. The Funding Trust was validly created by the Trust Agreement and has the power to issue and deliver the Certificates.

4. The Certificates were validly issued and delivered by the Funding Trust and represent undivided interests in the Contract Payments in accordance with their terms.

The enforceability if the Contract and the Trust Agreement may be limited or affected by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally heretofore or hereafter enacted to the extent constitutionally applicable and may also be subject to the exercise of judicial discretion in accordance with general principles of equity.

AXE & ECKLUND, P.C.

By _____

APPENDIX D

CONTINUING DISCLOSURE UNDERTAKING \$556,985,000 2007 OAKLAND COUNTY RETIREE MEDICAL BENEFITS FUNDING TRUST TAXABLE CERTIFICATES OF PARTICIPATION, SERIES 2007

This Continuing Disclosure Undertaking (the “Disclosure Undertaking”) is executed and delivered by the County of **Oakland, Michigan** (the “County”) in connection with the issuance of the **\$556,985,000 2007 Oakland County Retiree Medical Benefits Funding Trust Taxable Certificates of Participation, Series 2007** (the “Certificates”). The Certificates are being issued pursuant to an Ordinance adopted by the County Board of Commissioners on June 14, 2007 (the “Ordinance”), an Award Order signed by the Oakland County Treasurer, as agent for the Funding Trust in formation and delivered to Lehman Brothers (the “Purchaser”) on the date hereof, and the Trust Agreement dated as of July 1, 2007 between the County and The Huntington National Bank, as Trustee (the “Trust Agreement”). Pursuant to the Ordinance, the County is authorized to covenant and agree to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. The County hereby specifically covenants and agrees as follows:

Section 1. Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the County for the benefit of the beneficial owners of the Certificates in order to assist the Participating Underwriters within the meaning of the Rule (defined herein) in complying with SEC Rule 15c2-12(b)(5). This Disclosure Undertaking constitutes the written Undertaking required by the Rule.

Section 2. Definitions. In addition to the defined terms set forth in the Ordinance, which apply to any capitalized term used in this Disclosure Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” means any annual report provided by the County pursuant to, and as described in, Sections 3 and 4 of this Disclosure Undertaking.

“Audited Financial Statements” means the County’s annual financial statements, which are currently prepared in accordance with generally accepted accounting principles [GAAP for governmental units as prescribed by GASB] and which the County intends to continue to prepare in substantially the same form.

“Fiscal Year” means the fiscal year of the County.

“Final Offering Circular” means the final Offering Circular dated July 6, 2007 delivered in connection with the Certificates, which is available from the MSRB.

“Governing Body” means the **Board of Commissioners** of the County or such other body as may thereafter be the chief legislative body of the County.

“County” means **County of Oakland** which is an obligated person with respect to the Certificates.

“County Contact” means the Treasurer of the County who can be contacted at the **County**.

“Material Event” means any of the events listed in Section 5(a) of this Disclosure Undertaking.

“MSRB” means the Municipal Securities Rulemaking Board located at 1150 18th Street, N.W., Suite 400, Washington, D.C. 20036.

“NRMSIR” means any nationally recognized municipal securities information repository as recognized from time to time by the SEC for purposes of the Rule.

“Participating Underwriter” means any of the original underwriter(s) of the Certificates (including the Purchaser) required to comply with the Rule in connection with the offering of the Certificates.

“Repository” means each NRMSIR and each SID, if any.

“Rule” means SEC Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” means the Securities and Exchange Commission.

“SID” means any public or private repository or entity designated by the State of Michigan as a state information depository for the purpose of the Rule. The SID shall be the Municipal Advisory Council of Michigan, 1445 First National Building, Detroit, Michigan 48226.

Section 3. Provision of Annual Financial Information and Audited Financial Statements.

(a) The County shall, not later than two hundred seventy (270) days after the end of the Fiscal Year, commencing with the year that ends **September 30, 2007**, provide each Repository with annual financial information which is consistent with the requirements of Section 4 of this Disclosure Undertaking. The annual financial information may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Undertaking; provided that the Audited Financial Statements of the County may be submitted separately from the balance of the annual financial information; and provided further that unaudited financial statements will be included with the other financial information, if audited statements have not already been furnished.

(b) If the County is unable or fails to provide to the Repositories an Annual Report by the date required in subsection (a), the County shall send a notice of that fact in a timely manner to all NRMSIRs, the MSRB and any SID.

(c) The County shall determine each year prior to the date for providing the Annual Report the name and address of each NRMSIR and each SID, if any.

Section 4. Content of Annual Reports. The County’s Annual Report shall contain or incorporate by reference the following information:

Updates of the “State Equalized Valuation with Taxable Value”, “County Tax Rates”, “Tax Collection Record”, and “Net Direct and Overlapping Debt” contained in the Final Offering Circular and the current Audited Financial Statements.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the County or related public entities, which have been submitted to each of the Repositories or the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The County shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Material Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events in a timely manner, if material, with respect to the Certificates:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;*
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the Certificates;*
7. Modification to rights of beneficial owners of the Certificates;
8. Certificate calls;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Certificates;
and
11. Rating changes.

* (Events listed in clauses 3 and 6 above are not applicable to the Certificates.)

(b) Whenever a Material Event occurs, the County shall promptly file a notice of such occurrence with either all NRMSIRs or with the MSRB and with any SID. Notwithstanding the foregoing, notice of Material Events described in subsections (a) (8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is required to be given to beneficial owners of affected Certificates pursuant to the Ordinance.

(c) Unless otherwise required by law and subject to technical and economic feasibility, the County shall employ such methods of information transmission as shall be requested or recommended by the designated recipients of the County's information.

Section 6. Termination of Reporting Obligation. The County's obligations under the Ordinance and this Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all the Certificates.

Section 7. County Contact; Agent. Information may be obtained from the County Contact. Additionally, the County may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Ordinance and this Disclosure Undertaking, and may discharge any such agent, with or without appointing a successor dissemination agent. The initial dissemination agent shall be the Municipal Advisory Council of Michigan, 660 Woodward Ave, First National Building, Suite 1445, Detroit, Michigan 48226.

Section 8. Amendment; Waiver. Notwithstanding any other provision of the Ordinance or this Disclosure Undertaking, as provided in this Section 8, any provision of this Disclosure Undertaking may

be amended or waived, if such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause the undertakings to violate the Rule. The provisions of this Disclosure Undertaking constituting the Undertaking or any provision hereof, shall be null and void in the event that the County delivers to each then existing NRMSIR and SID, if any, an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this Disclosure Undertaking are invalid, have been repealed retroactively or otherwise do not apply to the Certificates. The provisions of this Disclosure Undertaking constituting the Undertaking may be amended without the consent of the beneficial owners of the Certificates, but only upon the delivery by the County to each then existing NRMSIR and SID, if any, of the proposed amendment and an opinion of nationally recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect compliance by the County under this Disclosure Undertaking with the Rule. Any such amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the County or other obligated person (as defined in the Rule) or type of business conducted. No such amendment may be made unless the Undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances. No such amendment shall be made unless it does not materially impair the interests of beneficial owners of the Certificates, as determined by nationally recognized bond counsel. The annual financial information containing any amended operating data or amended financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the Undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made will present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison will include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the County or any obligated person to meet its obligations. To the extent reasonably feasible, the comparison will also be quantitative. A notice of the change in the accounting principles will be sent to each then existing NRMSIR or the MSRB, and to the SID, if any.

Section 9. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Undertaking. If the County chooses to include any information in any Annual Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Undertaking, the County shall have no obligation under this Disclosure Undertaking to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 10. Default. In the event of a failure of the County to comply with any provision of this Disclosure Undertaking any holder of the Certificates may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the County to comply with its obligations under the Ordinance and this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an event of default with respect to the Certificates and the sole remedy under this Disclosure Undertaking in the event of any failure of the County to comply with this Disclosure Undertaking shall be an action to compel performance.

Section 11. Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the County, the Participating Underwriters and beneficial owners from time to time of the Certificates, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, I have executed this Certificate in my official capacity effective the _____ day of _____, ____.

Oakland County Treasurer,
as agent for the Funding Trust in formation

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