



OAKLAND COUNTY MICHIGAN



2002 Financial Summary



Prepared by

Department of Management & Budget

Laurie Van Pelt, Director



Photo courtesy Jeffrey C. Phelps



To the Citizens of Oakland County:

I am pleased to present the Financial Summary for Fiscal Year 2002. Each year the County of Oakland publishes a document called the Comprehensive Annual Financial Report (CAFR). This report contains financial statements for the County, which are prepared in accordance with Generally Accepted Accounting Principles (GAAP) and the standards and guidelines set by the Governmental Accounting Standards Board. The CAFR also includes an



independent auditor's report which states that the information contained in the financial statements has been reviewed by the firm, and with reasonable assurance, the financial information is complete, presented accurately, and in the correct format. To meet GAAP requirements, much of the information in the report is technical and complex, resulting in a document that is not very user friendly for the average person. This financial summary has been prepared to provide a less technical discussion of County finances. It also includes a brief discussion of County programs and initiatives. Hopefully, this document will help Oakland's residents gain a better understanding of County government.

I am also pleased to announce that Oakland County's Financial Summary for 2001 has received the prestigious Popular Annual Financial Report Award from the Government Finance Officers Association of the United States and Canada, which is detailed on page two of this document.

Once again, the intent of this report is to portray financial information presented in the CAFR using more easily understood terms. It is not intended to replace the CAFR, which is still available from the Department of Management and Budget. It is designed to assist those who want or need a less technical overview of the County's financial activities.

-L. Brooks Patterson, County Executive

Award for Outstanding Achievement in Popular Annual Financial Reporting

PRESENTED TO

OAKLAND COUNTY, MICHIGAN

For the fiscal year ending
September 30, 2001



William Patrick Pate
President
Jeffrey L. Essler
Executive Director

GFOA Award Presented

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to Oakland County for its Popular Annual Financial Report for the fiscal year ended September 30, 2001. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. Oakland County has received a popular award for the last five consecutive years (fiscal years ending 1997-2001). We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to the GFOA.

BOARD OF COMMISSIONERS FOR FISCAL YEAR 2002



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Chairperson
West Bloomfield



David L. Moffitt
Vice-Chairperson
Farmington Hills

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Fran Amos	Waterford
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Brenda A. Causey-Mitchell	Pontiac
Eric Coleman	Southfield
Hugh D. Crawford	Novi
Nancy Dingeldey	Wixom
Sue Ann Douglas	Rochester
David N. Galloway	Clarkston
John P. Garfield	Rochester Hills
Vincent Gregory	Southfield
Ruel E. McPherson	Hazel Park
Tim W. Melton	Auburn Hills
Thomas Middleton	Clarkston
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AN OVERVIEW OF OAKLAND COUNTY

Incorporated in 1820, Oakland County covers an area of approximately 900 square miles with a population of 1.19 million. The County's reputation as a world class community is due not only to its renowned business environment, but to many attributes that contribute to an excellent quality of life. Oakland enjoys the variety of four distinct seasons with temperatures averaging 51°F and ranging from 77°F in July to 23°F in January. The County's eclectic environment includes the diverse cultural, ethnic and religious backgrounds of its citizens who have come from all over the world to pursue the American dream.

Oakland has a reputation as home to many of the region's top educational facilities. State tests measuring student skill levels show that County public schools consistently rank among the highest in Michigan. In addition, ACT scores and the number of college bound graduates, indicate that graduates are among the best in the nation. Oakland is also home to prestigious private schools (Detroit Country Day, Cranbrook and Roeper) which have received national kudos for their high caliber programs. In addition, there are 16 institutions of higher learning located in the County, including the highly regarded Oakland University.



Cultural entertainment venues include the popular Meadow Brook Theatre as well as Meadow Brook and DTE Energy Music Theaters. For professional sports fans, the Palace of Auburn Hills is home to the Detroit Pistons and Detroit Shock. The County's eight museums include the world renowned Cranbrook Academy of Art Museum, the Cranbrook Institute of Science and the Chrysler Automotive Museum. Golf enthusiasts enjoy over 60 public and 24 private golf courses, some of which have hosted the PGA, U.S. Open and LPGA U.S. Open. The prestigious Ryder's Cup will be held at Oakland Hills Country Club in 2004. Shopping opportunities also abound - from bargain shopping for unrivaled deals at Great Lakes Crossing, to the ultimate shopping experience at the posh Somerset Collection, the County's most exclusive mall.

Oakland County is also home to Arts, Beats & Eats, a four-day food, arts and entertainment festival held Labor Day weekend. More than 1.4 million attended the 2002 funfest. People from all over the world also come to participate in the largest celebration (1.7 million) of the car culture, the WOODWARD DREAM CRUISE. On its 200th anniversary, the Library of Congress recognized the cruise as the event that most represents the Detroit metropolitan area.

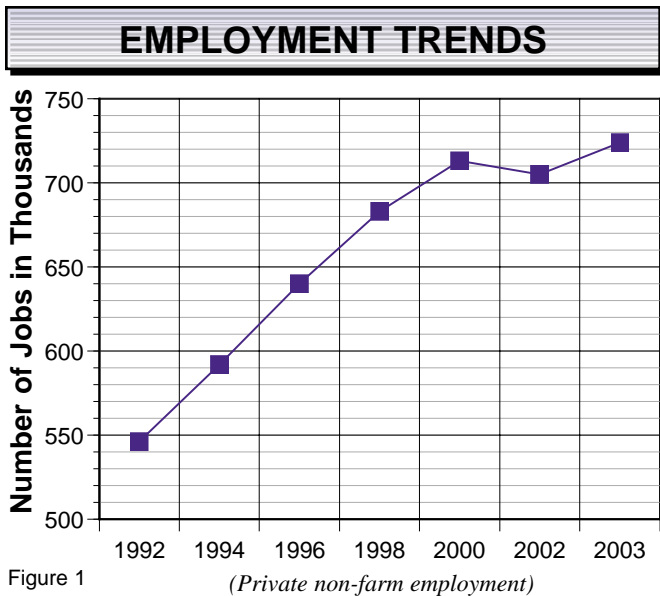
Oakland's communities range from villages with small downtown shopping districts; "bedroom communities," like Royal Oak, which has been transformed into the spot for cappuccino, collectibles and antique furniture; to cities like Pontiac with cutting edge art galleries, pubs and nightclubs. For those enjoying a quieter pace, the County has many rural areas and lake communities.

No matter where they live, County residents are never more than a 20-minute drive or walk from the nearest park, recreation area, nature trail or lake. The County packs more than 89,000 acres of recreational property and more than 1,450 lakes within its borders. Oakland County has more natural lakes than any other county in Michigan.



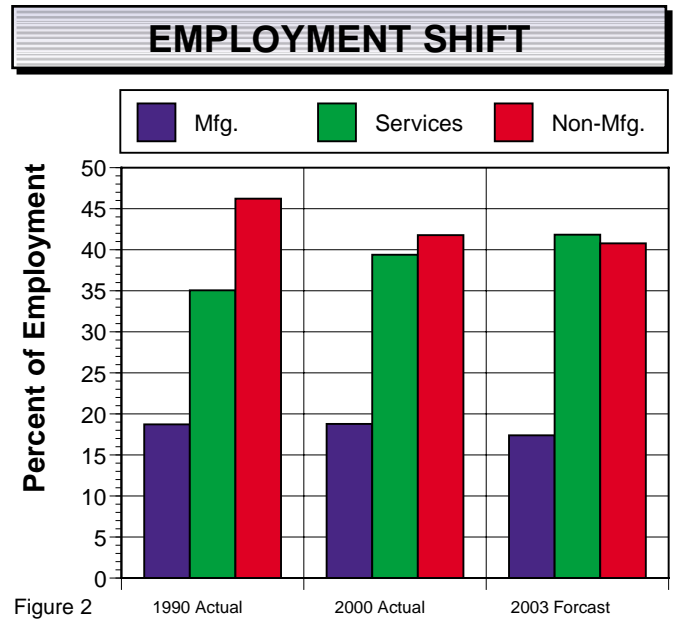
Oakland County's Economy

The strength of the County's economy serves as the basis of Oakland County's strong financial condition. Between 1990 and 2001, County employment grew about 55% faster than the State of Michigan and 34% faster than the nation as a whole, while per capita income grew 30% faster. Private sector job growth was 29.7%. Oakland is the number one job producing county in Michigan, responsible for 25% of all new jobs in the last decade. In a strong rebound from the recession of the early 1990s, Oakland gained 30,400 jobs in 1994 and continued to add between 8,000 and 26,000 jobs annually until 2001. Much of the job growth was due to an increase of 33% in both the manufacturing and private nonmanufacturing sectors. As the U.S. economy fell into recession in early 2001, the trend was reversed with job losses estimated to be 13,000 (6,000 in manufacturing and 7,000 in private nonmanufacturing). This was the first year of decline since 1991. Figure 1 illustrates this trend and a forecast for the year 2003.



During the 1990s, employment began shifting from trade industries toward service industries. The steady gain in service industries is primarily dominated by business services with health, engineering and management services also making significant contributions. Prior to 2001, the manufacturing sector maintained its share of employment, which was unusual among Michigan's local economies and a departure from Oakland's trend in the 1980s. In fact, manufacturing employment declined in the nation as a whole during this time period.

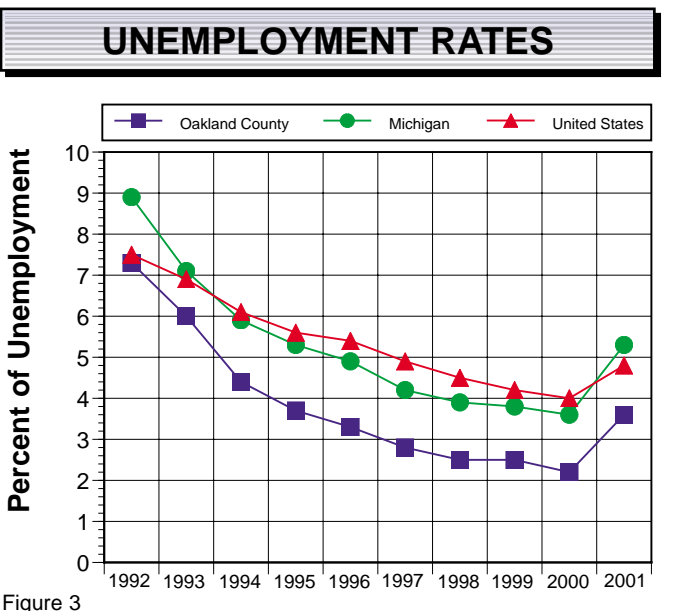
Between 1998 and 1999, over 60% of the job growth in the County was in corporate headquarters, high-technology, and technology/research centers for automotive suppliers from around the world. Because of the diversified mix of high-technology activities, Oakland is less vulnerable to



downward adjustments during a recession. While recovery from the recession is proceeding slowly, it is anticipated that these industries will experience the most rapid job growth over the next two years. Figure 2 presents this shift in employment sectors.

In 2002, Oakland's unemployment rate increased as it did in every major labor market in Michigan. However, Oakland's September unemployment rate of 4.8% is still much lower than Michigan's 5.8% and the nation's 5.6%. Employment rates for the past decade are illustrated in Figure 3.

Business growth has accelerated at the same pace as job growth. From 1992 to 2001, the number of businesses in the County rose by 26.7% to 41,931 with the total annual payroll increasing by 89.1% to \$31.8 billion. This activity has



definitely been enhanced by Oakland's attractive business climate and dynamic economic development programs. Oakland County is also Michigan's leading center for international commercial activity with 629 companies representing 24 countries. Of the foreign-owned firms in southeast Michigan, 58% are located in our county.

Oakland's per capita income of \$45,900 is the highest among Michigan's 83 counties and is ranked within the top 1% of the nation's counties, ranking 22nd out of 3,110. In fact, its per capita income is more than 50% greater than both the nation (\$26,500) and the state (\$29,100).

This wealth manifests itself in the housing market. The demand for housing has caused the sales volume of new construction and existing homes to increase by 8% between 1997 and 2001. The average price of single family homes increased by 34% from \$159,900 to \$214,700.

STATE TAXABLE VALUE

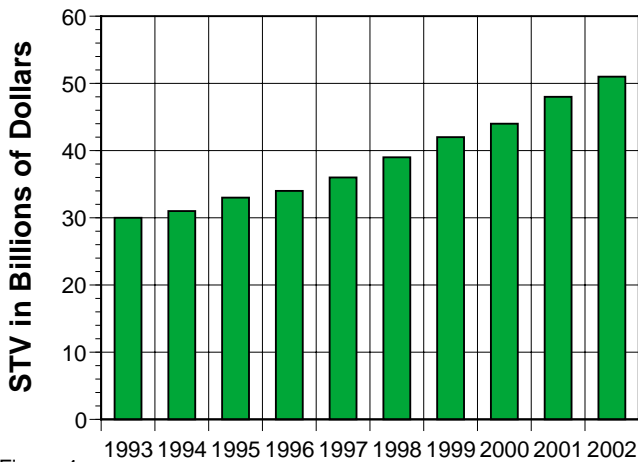


Figure 4

Oakland County's Tax Base

A decade of a booming economy has produced a 109% increase in the true cash value and a 68% increase in the taxable value of real and personal property in the County since 1993. During this period of growth, the County exercised a prudent and conservative approach to tax revenues by controlling the millage rate levied on the tax base. In fact, the County millage rate for the December 1, 2002 property tax levy remained at 4.19 mills for operations, the third lowest county tax rate in the State of Michigan. This low rate frees tax dollars for local governmental units who face huge bond construction loans. In spite of several reductions in the millage rate since 1993, moderate increases to the tax levy as illustrated by Figures 4, 5 and 6 have resulted from the rising tax base. This increase in tax revenue allowed the County to keep pace with current programs and technology.

MILLAGE RATE

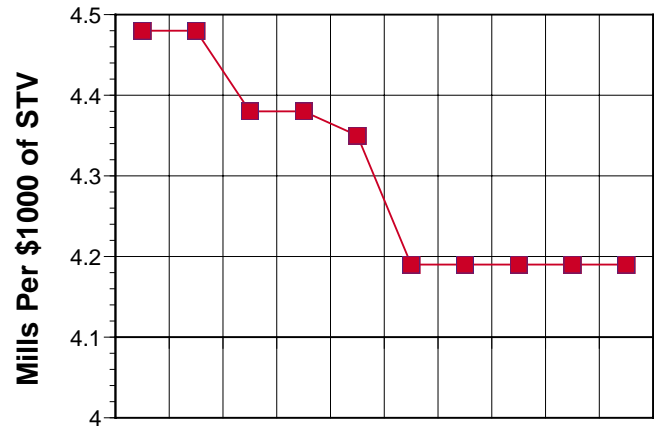


Figure 5

Oakland County's Financial Condition

The County's elected officials and staff have developed policies and procedures to ensure Oakland County government has the fiscal stability to maintain quality services, regardless of the local economic composition. It is County policy to fund ongoing operations with recurring revenues, rather than through the use of fund balance or issuance of debt. Expenditures in any particular fiscal year for salaries and fringe benefits, contractual services, commodities, capital replacement, and internal services are covered by revenues received in that fiscal year from taxes, charges for services, investments, and transfers from other governments. This prudent discipline ensures that structural budget difficulties do not develop. If annual revenues decrease, annual expenditures decrease.

Additionally, fiscal stability is enhanced through the annual budget process which appropriates for full utilization of the County's 4,400 authorized positions. Should vacancies occur or positions be filled at a level lower than authorized, the resulting favorable variance falls to fund balance.

TAX LEVY

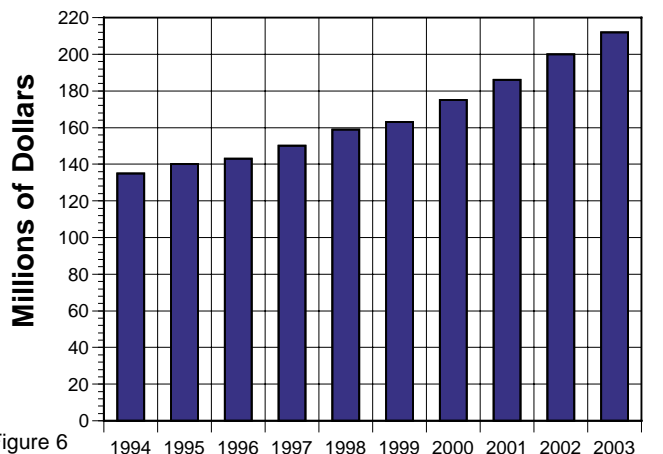


Figure 6

Not only do these policies and practices maintain the quality of ongoing services, but they have secured a level of General Fund balance which can be used to support extraordinary, one-time expenditures. The General Fund is the County's principal operating fund, recording the operations of typical governmental functions. A favorable General Fund balance is an indicator of a healthy operating environment. Figure 7 provides an historical view of the General Fund balance.

Due to sound fiscal management and a period of prosperity, Oakland County saw its general fund balance increase by a total of \$41 million from 1993 through 2001. (This figure does not reflect the one-time \$41.7 million increase in property tax revenue in 2001 due to a change in State of Michigan reporting requirements.) However, the fund balance dropped by \$2.4 million in FY2002 due to a reduction in investment income of \$6.6 million and state revenue sharing of \$1.1 million. This decrease in fund balance could have been greater if not for the fiscal restraint shown in the last six months of the year.

The County's practice of limiting the use of General Fund balance to extraordinary one-time items, has reinforced the

fiscal discipline of funding annual cost from annual revenues. The issuance of debt is also limited. Debt is never issued to fund ongoing operational costs. The use of debt is limited to those projects which are significant in cost and which will have a long useful life. Debt is only issued after other sources of funding (operating budget, existing fund balance, etc.) have been explored. The County has the authority to issue up to \$6.3 billion in debt (10% of its State Equalized Value); however the actual outstanding debt is \$301.1 million, 4.8% of the permissible amount.

The County's solid tax base and financial policies have been acknowledged by the financial community in recent years. The County earned the highest bond rating achievable, AAA, from both Standard & Poors and Moody's Investor Services, Incorporated. This AAA bond rating allows the County to borrow at the lowest possible interest rate, saving the County millions of dollars in future borrowing costs. Local municipalities can also utilize the County's bond rating to borrow funds, passing the benefit to its corporate citizens in the form of reduced taxes. Not only has the County created a pro-business environment, it has also directly lowered the cost of doing business in Oakland County.

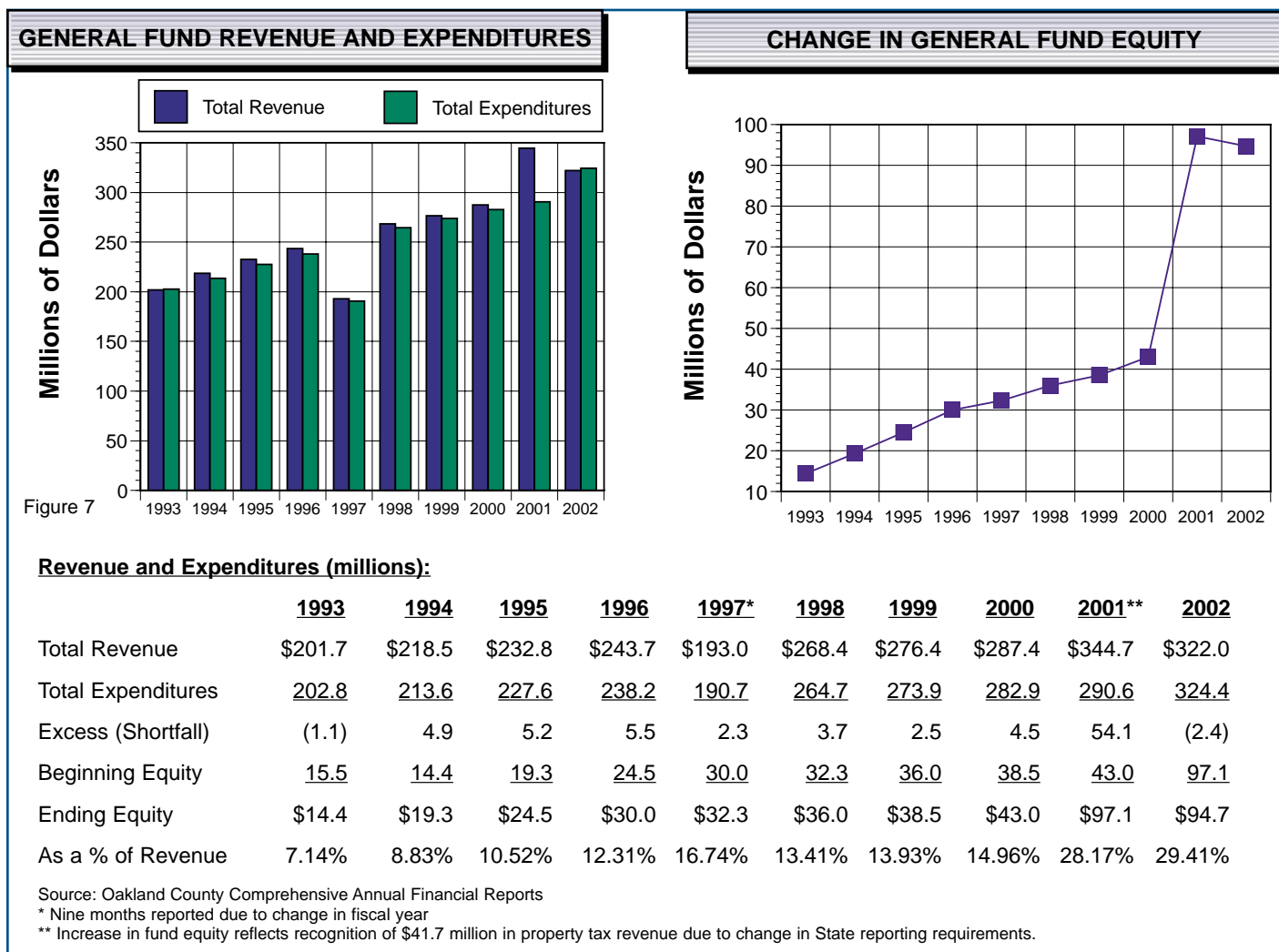


Figure 8

OAKLAND COUNTY
Statement of Activities
 For the Year Ended September 30, 2002

	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Total
Revenues:						
Taxes	\$191,672,122				\$10,950,682	\$202,622,804
Special Assessments		\$2,283,608	\$21,876,056	\$51,747		24,211,411
Federal Grants		33,672,323				33,672,323
State Grants		29,360,232		130,493		29,490,725
Other Intergovernmental	36,938,592	2,465,620				39,404,212
Charges for Services	86,624,279	18,840,082	16,823		152,140,043	257,621,227
Investment Income	5,247,228	408,022	147,590	496,730	6,709,124	13,008,694
Other	1,487,766	580,349		3,588	519,297	2,591,000
Total Revenues	\$321,969,987	\$87,610,236	\$22,040,469	\$682,558	\$170,319,146	\$602,622,396
Expenditures/Expenses						
Public Safety	107,652,749	31,450,392		263,050	10,458,334	149,824,525
Justice Administration	65,408,819	15,172,783				80,581,602
Recreation & Leisure	2,683,318	231,042		1,563,574	16,517,237	20,995,171
Direct Citizen Services	27,019,059	58,567,524			10,198,800	95,785,383
Commerce & Community Dev.	19,341,584	24,350,876		8,610	11,741,961	55,443,031
Public Works	23,526,395	1,236,426	29,227,441	12,973,639	101,457,956	168,421,857
General Government	33,516,857	804,389			1,984,852	36,306,098
Total Expenditures/Expenses	279,148,781	131,813,432	29,227,441	14,808,873	152,359,140	607,357,667
Other Financing Sources (Uses)	(45,312,209)	42,648,354	4,608,027	38,735,112	57,238,324	97,917,608
Excess (Deficit) Revenues and Financing Sources	(\$2,491,003)	(1,554,842)	(\$2,578,945)	\$24,608,797	\$75,198,330	\$93,182,337

Many other types of funds are used in accordance with Generally Accepted Accounting Principles (GAAP) to record the programs and services provided by the County. Special revenue funds are used to record the activities that receive monies for restricted purposes such as Health, Friend of the Court and all grant-funded activities. Debt Service funds record the transactions related to the assessment of tax levies and payment of principal and interest of long-term debt, usually bonds. Capital Project funds account for the purchase or construction of major capital facilities, like buildings, drains and sewer projects. Enterprise funds account for functions that are financed primarily through user charges and operate similar to businesses, such as the airports, water and sewer operations and the parks.

The overall 2002 revenues and expenditures for major County activities by individual fund type are derived from the fund statement portion of the Comprehensive Annual Financial Report (CAFR) and shown in figure 8. However, this statement differs from the CAFR Statement of Activities as it does not include any internal service fund revenues or expenditures. In addition, the statement does not reflect the full accrual adjustments made for the CAFR presentation.

The funds of the component units (Road Commission, Community Mental Health Authority, and Chapters 20 & 21 Drainage Districts) are also not presented, as services are provided by another County entity. However, General Fund transfers to the Internal Service funds and component units are included as expenditures to more accurately reflect the use of County tax revenues.

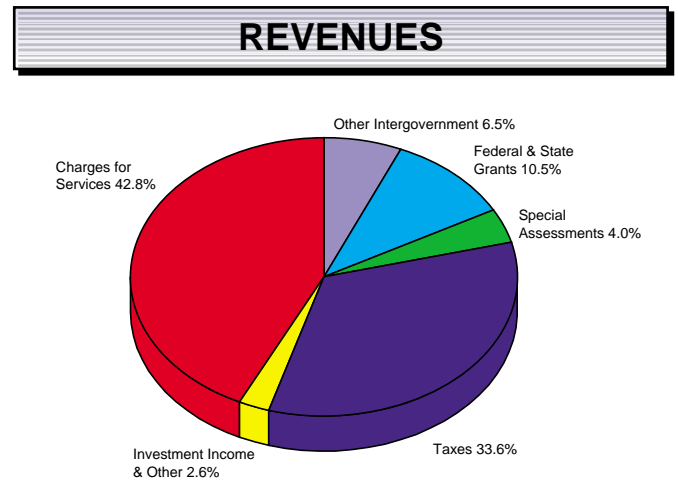


Figure 9

Revenues

The distribution of County revenues are illustrated in Figure 9 and defined as follows:

Taxes: \$202,622,804 - The County’s actual property tax for General Fund operations is based on a rate of 4.19 mills which is less than the maximum authorized millage rate of 4.4805 mills. Parks and Recreation is also supported by taxes of 1/4 mill and is reported as an Enterprise fund.

Special Assessments: \$24,211,411 - Funds received from charges to parties benefiting from the County’s drainage systems, lake level controls and lake improvements.

Federal and State Grants: \$63,163,048 - Restricted funding provided by the federal or state governments.

Other Intergovernmental: \$39,404,212 - Revenue from state or local governments in the form of shared revenue or payments in lieu of taxes.

Charges for Services: \$257,621,227 - Revenue from fees received for time and material services.

Investment Income and Other: \$15,599,694 - Interest on investments, revenue from rebates, refunds of prior years expenditures and miscellaneous sources.

Information Technology programs that support local community law enforcement.

Justice Administration: \$80,581,602, includes the Circuit, 52nd District and Probate Courts as well as the Prosecuting Attorney’s Office. The County Clerk, the official recorder of County records and Clerk to the Circuit Court, is also included.

Recreation and Leisure: \$20,995,171 includes services that promote recreational, leisure and cultural activities for County citizens which are provided by Parks and Recreation, the Libraries and the Office of Art, Culture and Film.

Direct Citizen Services: \$95,785,383, represents all areas which provide direct services to individual citizens. Included in this program are the Human Services and Public Services Departments and various Prosecutor and Circuit Court family services.

Commerce and Community Development: \$55,443,031, reflects all efforts to promote and sustain a strong business and economic climate, a healthy environment and vibrant communities. The Department of Economic and Community Development, Drain Commissioner, Register of Deeds and Equalization provide services in this area.

Public Works: \$168,421,857, refers to all operating systems that form the foundation of basic County functions. Included are Facilities Management, Airport, Drain Commissioner, Information Technology, the majority of capital projects and all debt service expenditures associated with each program.

The final program, **General Government:** \$36,306,098, includes all areas of the County involved in the administration and financial aspects of County business. Included in this program are the County Executive, Board of Commissioners, Treasurer, Management and Budget, Personnel and Central Services Departments. The Election Division, which oversees Countywide elections and records Board of Commissioners’ minutes, is also included.

MAJOR PROGRAM EXPENDITURES

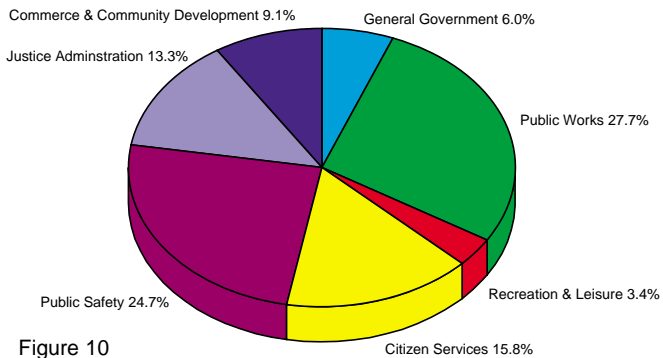


Figure 10

Expenditures

For discussion purposes, County expenditures have been broken into seven broad program areas: Public Safety, Justice Administration, Recreation and Leisure, Direct Citizen Services, Commerce and Community Development, Public Works and General Government.

Public Safety: \$149,824,525, consists of all aspects of law enforcement including the Sheriff’s Department, Community Corrections, Probation, Children’s Village, Emergency Response and Preparedness and some Circuit Court programs. It also includes Animal Control, which has investigative and enforcement responsibilities, and

PUBLIC SAFETY

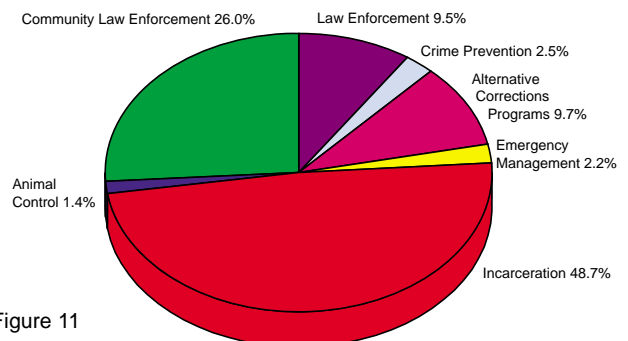


Figure 11

Public Safety

A major goal for County government is to insure a safe environment for its residents. As a result of this focus, many new initiatives have been implemented to protect citizens and their communities.

Law Enforcement: This program provides police protection to the citizens of Oakland County including traffic control, alcohol enforcement and marine safety. The Marine Unit patrols 450 lakes within the County and maintains a 12 member, highly-trained, dive and rescue team. The department also provides centralized investigative services including arson investigation, forensic analysis, auto theft prevention and narcotics enforcement to 42 local police agencies, reducing the cost to local government. The Narcotics Enforcement Team (NET) is a multi-agency task force comprised of County and federal law enforcement agencies working cooperatively for the apprehension and conviction of those involved in the use, sale and distribution of illegal drugs and narcotics. Since supervision of the team transferred to the Sheriff's Department, the number of officers and participating agencies has increased by 75%. As a result, street drugs worth \$4.9 million were seized in 2002. The County retained approximately \$420,000 in forfeited funds for future narcotics enforcement.



Community Law Enforcement Support: The Sheriff's Department serves over 250,000 County residents through contract patrol with 14 communities and dispatch services. Oakforce, a multi-jurisdictional task force comprised of members of the Sheriff's Department and federal, state and local law enforcement agencies, assists in major criminal investigations throughout the County. Professional expertise is provided to local police departments who retain control of the case. These resources help smaller agencies and those with higher caseloads to function more effectively, insuring all County residents receive the same quality of service.

The Computer Crimes Unit has been expanded to investigate the increased number of crimes being perpetrated over the

Internet. Originally, the primary focus was identifying and apprehending offenders who used the Internet to sexually exploit children through chat rooms or to distribute child pornography. The unit now investigates crimes involving homicide, extortion, fraud, identity theft and stalking. The wide use of personal computers and the Internet has increased computer crime. Seizure and examination of digital evidence is essential to successful prosecution of these cases. To address this need, an officer was trained in forensic computer examination. As a result, the Sheriff's Department has the only certified examiner in the State of Michigan. The unit also conducts educational programs on Internet safety for parent and civic groups.

Through a \$17.1 million COPS-MORE federal grant and \$7.4 million in County funds, the Court and Law Enforcement Management Information System (CLEMIS) has been upgraded. The new system significantly enhances law enforcement's ability to wage a high-tech war against crime. Oakland County has a computer system superior to all other counties in Michigan. A number of surrounding communities and the counties of Livingston and Macomb have also connected to the system, resulting in a truly regional system. Implementation of the system has improved data communications between dispatchers and police officers in patrol vehicles. In addition, a \$6.7 million multi-point video arraignment system is being implemented at 75 sites throughout the County including the Sheriff's Department, Prosecutor's Office, Circuit Court, District Courts and local police departments. The system allows defendants at multiple locations to be arraigned from a single site.

Another major countywide initiative is the implementation of an \$876,000 Fire Records Management System to provide uniform records management throughout the County. The system captures fire and emergency medical information directly from the computer-aided dispatch system. Oakland County is funding 75% of the operating and capital costs with local units of government funding the remaining 25%.

Incarceration: The Contract Coordinator for the Sheriff's Department, working in conjunction with the Health Division, has reduced the cost of inmate hospitalization by \$473,000. Contracts authorizing the same discounts as those received by health care providers have been negotiated with local hospitals. The new contracts eliminate the need for a third party administrator, considerably reducing health care costs.

Alternatives to Incarceration: A number of alternatives to incarceration of nonviolent offenders have been developed to protect the public, punish the offender, increase restitution to victims and provide needed rehabilitative services. Most of these programs are in lieu of jail time and assist in reducing prison and jail overcrowding.

The Weekend Alternative for Misdemeanants (WAM), a nationally recognized program, requires offenders to perform

community service on weekends while maintaining their regular employment. In FY2002, 1,963 defendants performed 11,592 days of community service valued at \$741,888, while also saving taxpayers \$904,176 for jail expenses.

In conjunction with two school districts and several local agencies, the InStep program provides a variety of services to parents and adolescents at a single location within each district. Staff mentor students while providing extensive case management, tutoring, peer discussion groups, substance abuse and impulse control education, drug/alcohol testing, and individual/family counseling. Based on professional assessments, programs are designed to meet the special needs of each youth and their family members. Parents are required to participate in therapy sessions and other programs. Adolescents with more severe problems are referred to residential programs.



Photo courtesy David Van de Grift

Emergency Response and Preparedness: In light of the terrorist attacks on the World Trade Center and the Pentagon, the emergency management function was transferred to the County Executive Department. Since that time, staff have been meeting with local communities to insure quick response units are available in the event of a hazardous material incident. Firefighters throughout the County have received hazardous material and special pharmacology training. The creation of three mutual aid consortiums insures that 100% of the County is covered 100% of the time. A specially equipped response vehicle, costing \$360,000, has been ordered for each consortium. In addition, one field decontamination trailer and four inflatable decontamination tents have been ordered to assist in decontaminating victims who have been exposed to hazardous materials at the site of an incident.

The County also contracted with Sandia National Laboratories to train County, local community and select private organization personnel on conducting vulnerability assessments of key facilities such as the Palace of Auburn

Hills, Oakland County International Airport and other public facilities. Staff also meet weekly to coordinate activities with the FBI's Joint Terrorism Task Force, Michigan Office of Homeland Security and U.S. Attorney's Anti-terrorism Task Force to insure the County is fully prepared for possible terrorist activity.

Crime Prevention: The Prosecutor's School Violence program proactively addresses potential school violence incidents by training educators in early detection and resolution skills. Working with Oakland Schools, staff provide hands-on training to elementary and middle school principals, counselors and administrators. Over 1,000 educators throughout Oakland County have been trained on "bullyproofing" their schools benefitting more than 22,000 students. Participants learn how to create a positive, supportive climate; identify bullies; eliminate fear in the classroom; support victims while decreasing the power of bullies; and develop intervention skills and strategies.

The Early Truancy Intervention program is the result of a collaborative effort between the Prosecutor's Office, 28 school superintendents and Oakland Schools. Truancy is the first sign that a student is in trouble at home or school and an early indicator of juvenile delinquency. The program targets students in the second and third grades, notifying parents that the truancy has come to the attention of the Prosecutor and the possible consequences should the child not attend school. Of the 234 cases reviewed since the program's inception, 66 resulted in Prosecutor intervention ranging from meetings with the parents to preparing Court petitions.

Justice Administration

Oakland County's justice administration services have undergone major changes in the past few years. The new Family Division utilizes personnel from the Circuit and Probate Courts to hear all cases relating to family matters including divorce, child custody, juvenile delinquencies, abuse and neglect.

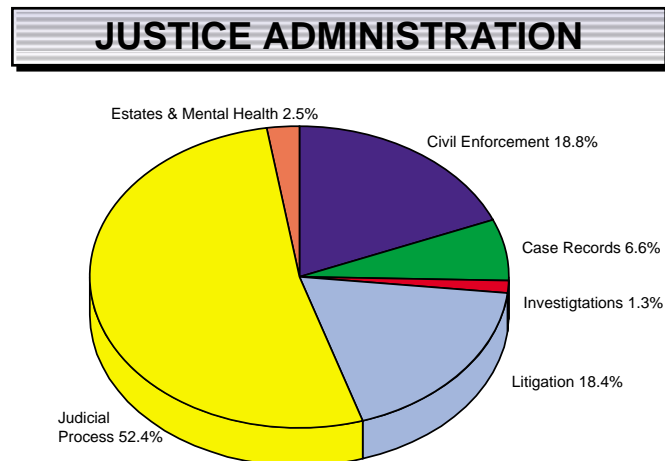


Figure 12

Judicial Process: A Juvenile Drug Treatment Court helps juvenile offenders overcome their substance abuse through community-based supervision and intensive counseling and treatment. Offenders participate in lieu of incarceration or placement outside of the home. It is anticipated that early intervention will keep offenders out of the criminal justice system when they become adults.

Adult Drug Treatment Courts have also been implemented in both Circuit and District Courts. The focus of the program is to approach chemical and alcohol dependency with intensive counseling and treatment regimens. Based on eligibility, a limited number of nonviolent, habitual felons are provided the opportunity to participate in an intensive drug-treatment program supervised by the Court. Participants regularly appear in Court to discuss their progress. As they progress through each of the program's four phases, they are applauded and receive small incentives to recognize their achievement. Those failing to meet program requirements are subject to immediate sanctions ranging from short jail terms to expulsion from the program. Because of the difficulties in breaking the addiction cycle, setbacks are common on the road to recovery. Participants who relapse may be required to repeat specific portions of the program before moving to the next phase. To date, 39 defendants have entered the program, 2 have successfully completed all four phases and 14 have been expelled, having their original jail or prison sentences reinstated.



In 2002, the Circuit Court held an Intensive Settlement Conference in an effort to resolve civil cases that had been pending for more than a year. More than 125 attorneys, specializing in civil litigation, volunteered to assist litigants resolve their issues during a three-day period in 2002. Of the 877 cases reviewed, 73% were settled within 60 days. Those who failed to settle were scheduled for immediate trial dates.

An evaluation by the State Court Administrative Office determined there were insufficient judicial resources to meet the Circuit Court's current caseload. As a result, two new judgeships have been created, one in the General Jurisdiction Division and one in the Family Court Division. The new judges will be seated in 2003.

Case Records: The Circuit, Probate and District Courts have been working with the Information Technology Department to develop a data warehouse of court information to increase

reporting capabilities. In addition, all documents relating to Probate Court cases are now being scanned and stored electronically.

Litigation: Members of the Prosecutor's staff receive intensive training to help them assist vulnerable victims through the litigation process and insure successful prosecution of offenders. For example, a prosecutor and social worker are assigned to each child who is a victim of criminal sexual assault for the duration of the case. These assignments promote collaboration among all of the professionals involved. In cases involving senior citizens who are victims of assaultive crimes or financial exploitation, a prosecutor and victim advocate are also assigned to each case. This team approach provides a supportive relationship and helps reduce the intimidation and fears many seniors experience during a criminal prosecution.

Civil Enforcement: Federal law requires each state to develop and implement computer systems for the collection and disbursement of child support payments. Conversion to Michigan's Child Support Enforcement System provides the Friend of the Court with access to child support enforcement information statewide.

The Friend of the Court's SMILE (Start Making It Livable for Everyone) program is a two-hour educational program required for divorcing parents with children under the age of 18. This program helps parents

understand the effects of divorce, the needs of their children and how to promote their children's healthy adjustment to divorce.

Estates and Mental Health: The "Estates and Protected Individuals Code" (EPIC) substantially changed probate procedures regarding the administration of estates, trusts and wills. Estate administration can now be customized based on the particular facts of each case. The revised code also provides flexibility in matters of estate supervision, admitting the will to probate, appointing personal representatives and the closing of the estate.

Recreation and Leisure

Parks and Recreation: The Parks Commission operates 11 County parks, 5 golf courses, 2 wave-action pools, 2 campgrounds and a nature center. New features at the Red Oaks Waterpark include a 950-foot adventure action river and

RECREATION AND LEISURE

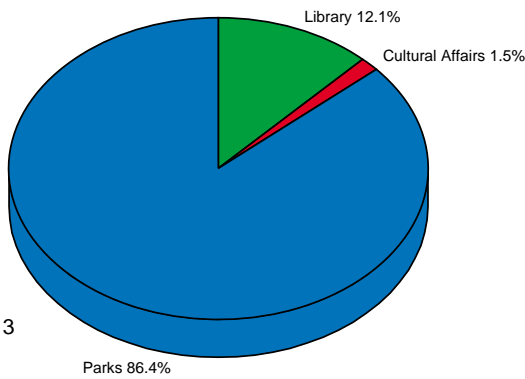


Figure 13

a children's interactive play area with a tipping bucket. It also includes an area with fountains and bubbles for small children and infants. The County's newest park, Lyon Oaks, provides golf, hiking, picnicking and nature interpretation. The park preserves 985 acres of woodlands and wetlands with 60% of the park remaining in its natural state. These hardwood forests and natural wetlands increase the challenge of the 18-hole golf course designed by Arthur Hills.



Libraries: One of the four County operated libraries is the Library for the Visually and Physically Impaired. Free library services are provided to County residents who are unable to read standard printed material because of a visual impairment or physical limitation. Materials such as talking books, recorded magazines and Braille publications are delivered directly to a patron's home by mail.

DIRECT CITIZEN SERVICES

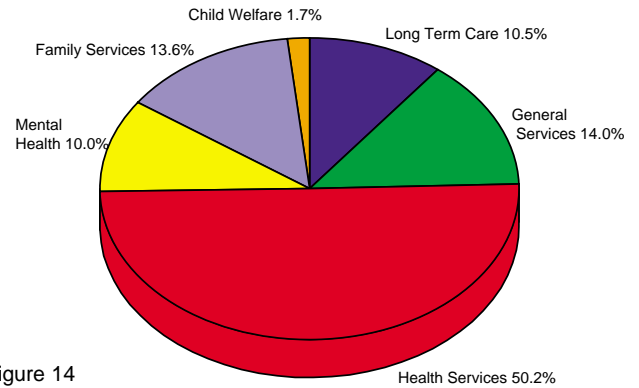


Figure 14

Direct Citizen Services

Governmental and enterprise funds totaling \$95.8 million have been expended on direct services to County residents.

Child Welfare: The Family Division of Circuit Court works to strengthen families and reduce the incidents of child abuse, neglect and delinquency. The County's Shelter Care program provides temporary housing until a child is able to return home or is placed in a more permanent situation such as foster care. Other services are designed to meet the needs of children, while keeping them in their home and community environment. The Sanctuary program provides around-the-clock intervention to runaways and their families. Services include peer counseling, family counseling and short-term respite care. The Wraparound program coordinates individualized, intensive services for youth with serious emotional disturbances. Research indicates that 90% of youth with psychiatric disorders re-offend in the absence of intervention.

The Circuit Court has implemented two programs to assist parents living separately. The COPE (CO-Parenting Effectively) program is a voluntary dispute resolution alternative offered to parents involved in divorce and paternity actions. The Forget Me Not program is a free educational program to help unwed parents who live separately understand their parental roles and the needs of their children.

Public Health: It is the role of the Health Division to protect the public's health through health promotion, disease prevention and protection of the environment. To meet this goal, the Health Division provides a number of health care services including child health clinics, immunizations, hearing and vision screenings, health education and nutrition services, substance abuse services, and AIDS prevention and control. Some services are provided at no charge; others use a sliding fee scale. In addition, a number of services cover the



environmental aspects affecting public health: air, water, food, shelter, land protection and community environment.

In 2002, there were 200 confirmed cases of West Nile Virus in Oakland County, including 20 fatalities. This mosquito-borne virus causes an infection that results in the swelling of the brain similar to encephalitis. In

most cases, symptoms are mild and flu-like, often accompanied by skin rash or swollen lymph glands; in extreme cases, paralysis or death may result. In response to the outbreak, the division developed and disseminated information on virus symptoms, possible dangers and preventative measures to the public. The virus was most prevalent in the southeastern urban area of the County due to the mosquito larvae's preference for water with high organic content, such as sewer drains, catch basins and similar situations. An action plan for 2003 has been developed to prevent spread of the disease through aggressive measures to reduce the mosquito population and strong personal protection measures.

The Health Division also develops emergency preparedness plans to address major epidemic outbreaks and other public health threats resulting from chemical, biological, radiological or nuclear incidents; terrorism or natural disaster. During 2002, plans to mitigate health risks, illnesses and casualties resulting from bioterrorist activities were developed. Bioterrorism refers to activities directed at the civilian population utilizing biological agents such as anthrax or contagious viruses. Under the direction of the Centers for Disease Control and Prevention, a plan of action has been prepared to administer smallpox vaccinations in three stages to ensure that residents are protected should an incident occur. In the event of an actual outbreak, mass vaccination would be implemented immediately.

Mental Health: The County provides \$9.6 million to an independent Mental Health Authority which manages and provides community mental health services to residents.

Medical Examiner: The Family Services Counseling program provides crisis intervention services to family members of decedents whose death is under investigation by the Medical Examiner. The program is the only one of its kind in the nation. The family counselor works in conjunction with police agencies in the notification of the next of kin and to assist family members at the scene of the death. Families

are also provided short-term grief counseling, mediation of family disputes, direction for obtaining funds for burial expenses and referrals for long-term counseling. In 2001, Oakland County received a NACo award in recognition of the innovative program's contribution to county government.

Commerce and Community Development

The Commerce and Community Development function contributes significantly to the quality of life for County residents and creates an environment beneficial to business and industry.

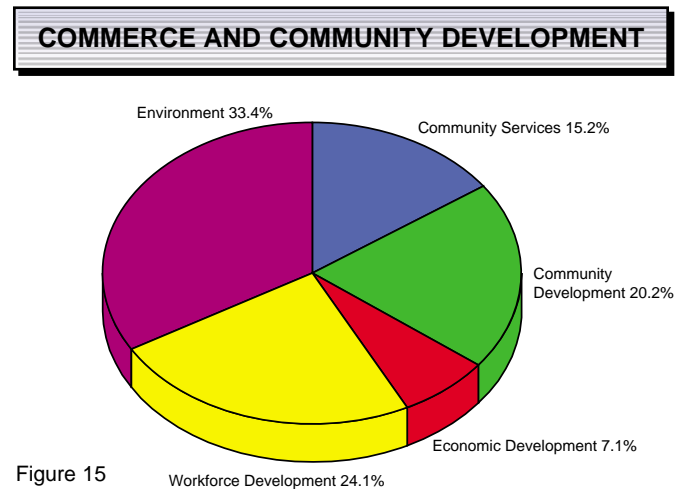


Figure 15

Economic Development: Because the economic vitality of a community is critical to the success of its operations, the County Executive has formed a number of partnerships with the private sector to leverage Oakland County and insure the services provided are conducive to economic growth within Oakland County.

The award winning Automation Alley is a consortium of high-tech firms located along the I-75 and I-696 corridors. The consortium is developing new marketing strategies to leverage the combined strength of the County's private sector and increase their ability to compete in the international arena. These companies have products or processes that are dependent on continual scientific or technological innovation. Members of Automation Alley range from the largest global companies, such as Chrysler and Delphi, to the newest and emerging technology driven firms. Leadership comes from the commitment of members from the County's business, government and education sectors - Automation Alley's partners for the 21st century.

The consortium has grown to a more than 500-member organization in less than 4 years. Automation Alley has gained local, national and international recognition as one of

the premiere centers for technology in the world. Further information on this initiative can be obtained at www.automationalley.com.

The County's Trade Mission/Export program helps small and medium sized Oakland County businesses increase sales through exporting. Trade missions to Germany, China and Mexico are being financed by a three-year, \$400,000 federal grant. Working with the Department of Commerce (DOC), participants attend prescreened, pre-qualified meetings with foreign firms based on their company's goals. Export and DOC staff assist trade mission participants before, during and after the trade mission. Services include market research, marketing materials, business culture and etiquette seminars, sponsorship funds, networking receptions and translators. The first mission to Germany resulted in initial contracts for trade mission participants totaling \$1.5 million. Since then, one firm signed a contract with a software reseller worth an estimated \$2.5 million per year. The trade mission to China resulted in \$4 million in total business contracts. One company opened an office in China and one signed a contract worth \$2 million.

Workforce Development: Federal funds in the amount of \$13.3 million were spent on workforce placement programs, which provide job training and other services for disadvantaged youth and adults. These programs are designed to increase employment, educational skills, occupational skills and to decrease welfare dependency. Programs include on-the-job training, occupational classroom training, basic skills training, work experience and internships, as well as basic readjustment services for dislocated workers.



Community Development: Oakland County has the first countywide National Main Street Program in the United States. The Washington, D.C. program includes a staff of preeminent urban planners, downtown redevelopment specialists, and a 35-year history of providing successful technical assistance to over 40 states and 2,000 downtown areas. The program helps communities develop their central business districts which are a symbol of historic development, economic health and

community pride. Currently, eight communities (Rochester, Walled Lake, Royal Oak, Ferndale, Holly, Lake Orion, Pontiac and Farmington) are working on comprehensive community planning programs to preserve the historic fabric that enriches the quality of life for our residents.



Environmental Protection: The County recently received a national award for its Shiawassee and Huron Headwaters Resource Preservation project. The unique topography and distinctive landscapes of the headwaters were studied to identify their ecological significance. Field inventories revealed pristine ecological areas, including rare wetlands. Strategies have been developed to maintain, improve or restore the water quality of the rivers. One site, containing unique and sensitive natural habitats, has been purchased by the Nature Conservancy. The purpose of the preservation project was to accommodate future development while protecting the natural resources of the area. As a result, several new subdivisions incorporate natural resource sensitive designs into their developments. The project provides a model to be used by other communities in balancing development with resource preservation.

The County has received \$1.25 million in federal grants to assist in brownfield redevelopment. Brownfields are properties with perceived or real environmental contamination that prevents the site from being fully utilized. Properties are cleaned up so they can be redeveloped for a new use. Michigan's legislature has created liability and regulatory relief for new owners who did not contribute to the contamination. The new owners are required to investigate and assess the existing contamination and bring the property to a level that meets risk-based cleanup standards, without exacerbating the problem. Risk-based standards set different levels of required cleanup for future industrial, commercial and residential land use. A new revolving loan fund of \$700,000 will provide "gap" financing for cleanup projects at a low interest rate. In addition, a Brownfield Redevelopment Authority was established to qualify projects for Single Business Tax credits or other financial incentives when completed.

PUBLIC WORKS

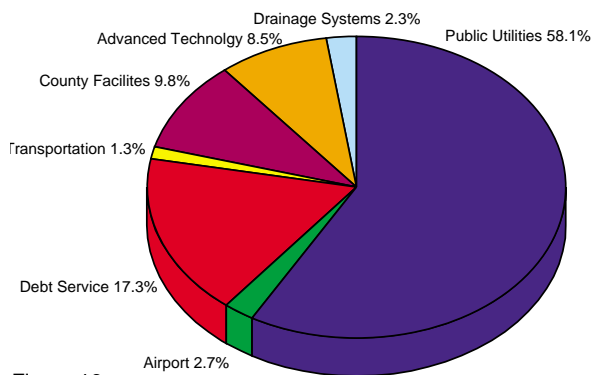


Figure 16

Public Works

Dependable public works systems and a solid infrastructure are necessary to support a growing economy and community. Oakland County has been at the forefront of implementing systems to meet these needs.

Advanced Technology: The County continues to focus on the development of a state-of-the-art technological infrastructure to support County, business and local government operations. A number of the new technologies will also expand services to County residents. More than \$7.7 million has been appropriated to develop a Geographic Information System to be used by County departments, local municipalities and the private sector. Of this appropriation, over \$1.9 million was spent on low-flight digital orthophotography of the entire County to provide building, wetland and floodplain data. In addition, the photos can support crime analysis, computer-aided dispatch and the identification of natural drainage flows.

A new system, eHealth, is being developed to assist in file maintenance and the processing of over 143,000 pieces of paper annually in the Environmental Health Unit. The new program will streamline and significantly reduce labor associated with restaurant, well, sewer and swimming pool field inspections by integrating GIS, global positioning systems, imaging, data warehousing and web-based technology.

County Facilities: Construction of an \$11.4 million, 300-bed work release facility next to the existing jail should be completed in 2003. The County is also constructing a new District Court building and Sheriff Substation in Rochester Hills at a total estimated cost of \$23.3 million. The 45,000 sq. ft. Court facility will more than double the space available for Court operations, improving services to the public as well as allowing for future growth. The County will be reimbursed by Rochester Hills for construction cost of the substation.

Transportation: The County has three general aviation airports, two small satellite airports in Troy and New Hudson, and the Oakland County International in Waterford. The International Airport accommodates corporate and business jet air traffic as well as smaller private aircraft. It is the nation's fifth busiest general aviation reliever airport, with about 300,000 landings and takeoffs per year. In 2002, increased security measures were implemented including a Waterford Police Department mini-station located on the International Airport premises. In addition, \$3.3 million was spent on land acquisition for noise mitigation and \$860,000 in capital improvements, of which \$3.8 million was provided by federal and state grants.

In order to alleviate transportation problems experienced by residents and commuters, Oakland County initiated meetings with the Michigan Department of Transportation (MDOT). As a result of an I-75 corridor study, the expressway will be widened to a minimum of four lanes in each direction from the Detroit-Eight Mile line to the Genesee County line and several interchanges will also be improved at a cost of approximately \$500 million. These improvements will be funded by MDOT. Plans to improve adjacent arterial roads have also been developed and will be funded by the Oakland County Road Commission and local units of government.

Water and Sewer: Services are provided to approximately 38,000 customers through 16 municipal sewer systems, 16 municipal water systems, 31 well water pumping facilities and 126 sewage pumping facilities.

GENERAL GOVERNMENT

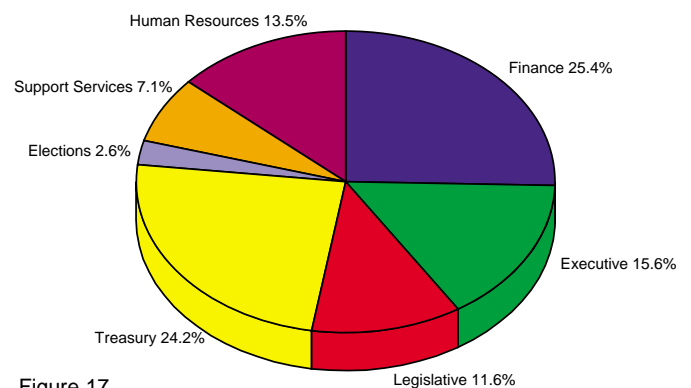


Figure 17

General Government

Treasury: Under the provisions of Public Act 123, the Oakland County Treasurer now controls the entire delinquent tax process and the delinquency period has been reduced from over 6 years to 30 months. The act insures that no resident in Oakland County will lose their property to a land sale without having received a minimum of five written notices and an administrative and Circuit Court hearing. Purchasers of land

now receive clear title to the property and will have the ability to purchase title insurance. The first land sale under this act was held in July, 2002. More than 500 parcels were sold and 55 unsold vacant parcels were deeded back to the City of Pontiac. It is believed this act will bring growth and stability to Michigan's cities by getting vacant land and abandoned houses back into productive use and on the tax rolls.

Executive / Legislative / Finance / Human Resources:

Oakland County's general fund balance increased by a total of \$41 million from 1993 through 2001, but dropped by \$2.4 million in FY2002. The shortfall was due to reduced investment income and state revenue sharing. In preparation of the FY2003-2004 biennial budget, it was anticipated that such shortfalls would continue if drastic measures were not undertaken.

The budget shortfall for FY2003 was estimated to be \$14.4 million, again due to reductions in state revenue sharing and investment income as well as a substantial increase in the cost of hospitalization insurance. To meet this shortfall, the County reduced the general salary increase by \$4.1 million, capital improvements by \$3.5 million and other expenditures by \$2.3 million. The remaining shortfall was offset by reductions in fund balance of \$2.5 million in the general fund and \$2.0 million in the fringe benefit fund. While some of the actions taken were one-time in nature, the FY2003 budget was balanced.

Despite these actions, the County was still left with a \$13.9 million anticipated shortfall for FY2004. Through the preparation of a two-year financial plan, the County was able to begin addressing this issue in the early fall of 2002. Budget reduction targets for each functional area were established. The County Executive requested that all elected officials and department heads review their programs and services to identify specific budget cuts which could be made to meet their targets. Unfortunately, as the year progressed, it became apparent that the \$13.9 million dollar shortfall could be a minimum reduction due to State budget problems and continued concerns about the economy. The most recent estimate indicates that the County's budget shortfall for 2004 may approach \$23 million.

Recent forecasts from Lansing indicate the State may be facing as much as a \$1.8 billion deficit. It is likely the FY2003 budget may have to be reduced even further. State contributions to the County go beyond revenue sharing as 14.56% (\$53 million) of the general fund/general purpose budget is supported by State revenues. The County also receives \$8.5 million in State grants. It is expected that the State will decrease funding to local units of government, including the County, in order to balance its budget.

The County Executive is committed to ensuring balanced budgets for FY2003 and FY2004. A budget task force was formed to review all County programs and services, both mandated and unmandated. It is anticipated that program reductions or deletions, as well as employee layoffs, will be necessary to achieve a balanced budget.

To reduce personnel costs and minimize the number of layoffs required, the County has taken a three pronged approach: In July, a hiring freeze went into effect for all areas except special revenue funded positions and those with 24/7 operations. A new administrative leave policy has been implemented which allows employees to take 120 days of leave without pay within 12 months, if approved by the department and if the leave will not adversely effect County operations. In addition, an incentive program for early retirement was also initiated for approximately 500 eligible employees. It is anticipated about 250 employees will opt for the early retirement. County plans to refill only 50% of the retirement vacancies (excluding special revenue funded positions) will provide an estimated savings of \$7.4 million annually.

Prior to the incentive, 33% of management personnel were eligible for retirement. With the incentive, the County will be losing a significant amount of institutional memory and talent. While this provides significant opportunity for re-engineering and reorganization of County departments, it also provides a significant challenge - finding the best, most qualified individuals to continue to provide quality services to County citizens. The County is prepared to meet this challenge through its succession management program, including the establishment of a leadership academy, revisions to the management and supervisory training programs, and implementation of new recruitment and promotion strategies.

Oakland County Internet Website

A wealth of information on County services is available on the website at www.co.oakland.mi.us. The new website, launched in January 2002, contains approximately 6,000 pages of information on County departments, divisions and agencies. Many business transactions can be processed through the website, including online employment applications and vendor registrations. In addition, financial institutions, realtors, appraisers and the public are able to obtain property information from @ccess Oakland through the website. A copy of the County's financial summary in PDF format is also available.

Comprehensive Annual Financial Report

Complete financial statements of Oakland County with additional demographic and economic information are provided in the County's Comprehensive Annual Financial Report. To obtain a copy, send a written request to:

Oakland County
Fiscal Services Division
Executive Office Building
1200 N. Telegraph, Dept. 403
Pontiac, MI 48341-0403

