



OAKLAND COUNTY MICHIGAN



2003 Financial Summary



Prepared by
Department of Management & Budget
Laurie Van Pelt, Director



To the Citizens of Oakland County:

I am pleased to present the Financial Summary for Fiscal Year 2003. 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 2002 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, 2002



Edward Hanna, Jr.
President

Jeffrey L. Esser
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, 2002. 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 six consecutive years (fiscal years ending 1997-2002). 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 2003



Thomas A. Law
Chairperson
West Bloomfield



David L. Moffitt
Vice-Chairperson
Farmington Hills

COMMISSIONERS CITY/TWP. OF RESIDENCE

Bill Bullard, Jr.	Highland
Eric Coleman	Southfield
David Coulter	Ferndale
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Sue Ann Douglas	Rochester
Vincent Gregory	Southfield
Mattie M. Hatchett	Pontiac
Greg Jamian	Bloomfield Hills
Martin J. Knollenberg	Troy
Eileen T. Kowall	White Lake
Christine Long	Commerce
Tom McMillin	Auburn Hills
Thomas F. Middleton	Clarkston
Chuck Moss	Birmingham
Charles E. Palmer	Clawson
William R. Patterson	Oxford
Jeff Potter	South Lyon
Mike Rogers	Farmington Hills
John A. Scott	Waterford
George W. Suarez	Madison Heights
Peter H. Webster	Royal Oak
Eric S. Wilson	Lake Orion
Helaine Zack	Huntington Woods

AN OVERVIEW OF OAKLAND COUNTY

Incorporated in 1820, Oakland County covers an area of approximately 900 square miles with a population of 1.2 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 14 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 NBA's Detroit Pistons and Detroit Shock of the WNBA. The County's eight museums include the world renowned Cranbrook Academy of Art Museum, the Cranbrook Institute of Science and the W.P. Chrysler Automotive Museum. Golf enthusiasts enjoy over 61 public and 26 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 1.2 million attended the 2003 funfest. People from all over the world also came to participate in the largest celebration (1.7 million) of the car culture, the WOODWARD DREAM CRUISE. On it's 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 2002, County employment grew about 82% faster than the State of Michigan as a whole. Private sector job growth was 24.8%. Oakland is the number one job producing county in Michigan, responsible for 30% of all new jobs in the last decade. In a strong rebound from the recession of the early 1990s, Oakland gained 32,400 jobs in 1994 and continued to add an average of 18,500 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 of 23,900. This was the first year of decline since 1991.

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.

EMPLOYMENT SHIFT

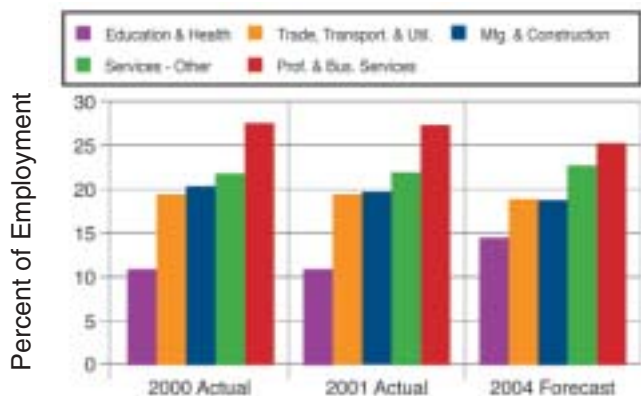


Figure 1

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. The national classification coding system used to define businesses within industry sectors has changed, preventing comparison of data prior to 2000. Figure 1 presents a recent shift in employment sectors using the new categories.

EMPLOYMENT TRENDS

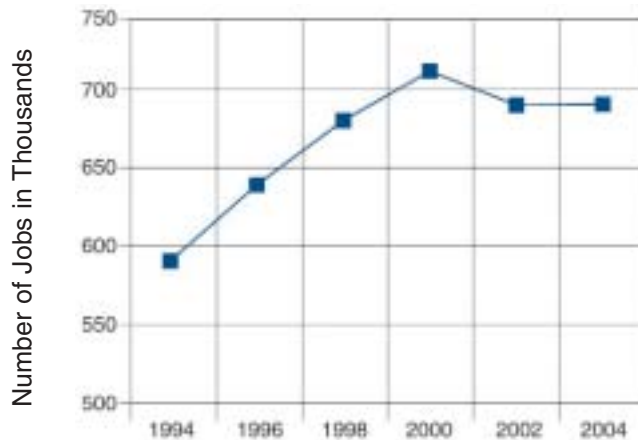


Figure 2 (Private non-farm employment)

The national recession hit particularly hard in the manufacturing and high-technology sectors, which are more concentrated in Oakland County. The manufacturing sector lost a total of 13,600 jobs and the professional and business services sector lost 14,800 during 2001-2002. Other parts of the local economy, particularly health care services, added jobs which partially offset the losses. While recovery from the recession is proceeding slowly, it is anticipated that Oakland will add about 10,000 jobs in 2004. Figure 2 illustrates this trend and a forecast for the year 2004.

In 2003, Oakland's unemployment rate increased as it did in every major labor market in Michigan. However, Oakland's September unemployment rate of 5.0% is still much lower than Michigan's 6.8% and the nation's 5.8%. Unemployment rates for the past decade are illustrated in Figure 3.

UNEMPLOYMENT RATES

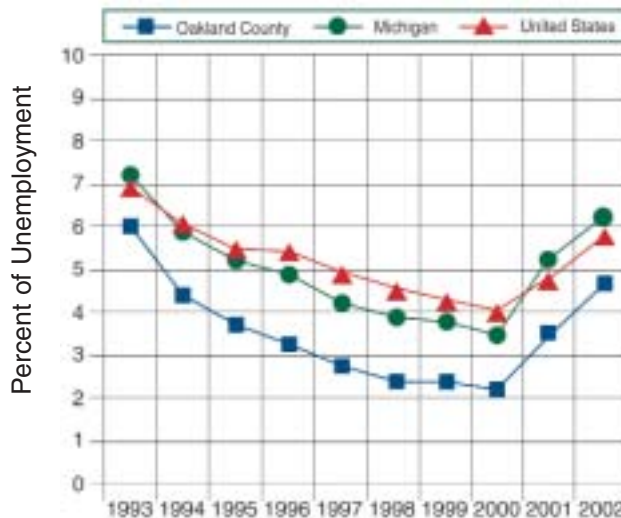


Figure 3

Business growth has accelerated at the same pace as job growth. From 1992 to 2001, the number of businesses in the County rose by 27% to 42,000 with the total annual payroll increasing by 99.1% to \$33.5 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 648 companies representing 24 countries. Of the foreign-owned firms in southeast Michigan, 58% are located in Oakland County.

Oakland's per capita income of \$46,300 is the highest among Michigan's 83 counties and is ranked within the top 1% of the nation's counties, ranking 29th out of 3,110. In fact, its per capita income is more than 50% greater than both the nation (\$30,400) and the state (\$29,600).

This wealth manifests itself in the housing market. Between 1997 and 2002, the average price of single family homes increased by 41% from \$159,900 to \$225,700.

STATE TAXABLE VALUE

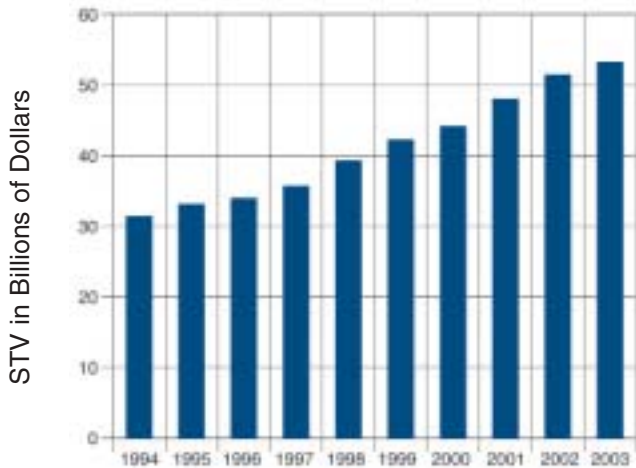


Figure 4

Oakland County's Tax Base

A decade of a booming economy has produced a 115% increase in the true cash value and a 71% increase in the taxable value of real and personal property in the County since 1994. 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, 2003 property tax levy remained at 4.19 mills for operations, the third lowest county tax rate in the State of Michigan. 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

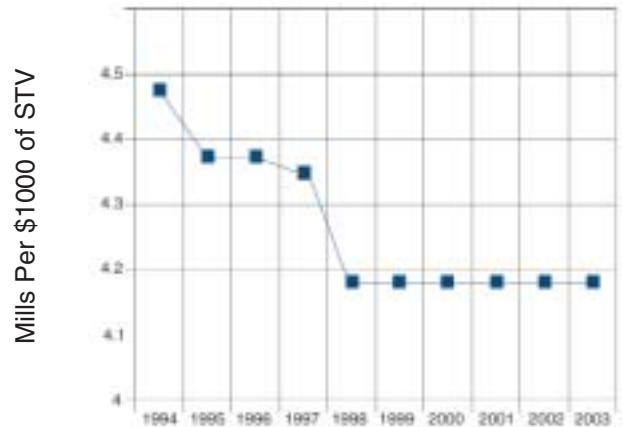


Figure 5

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 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

TAX LEVY

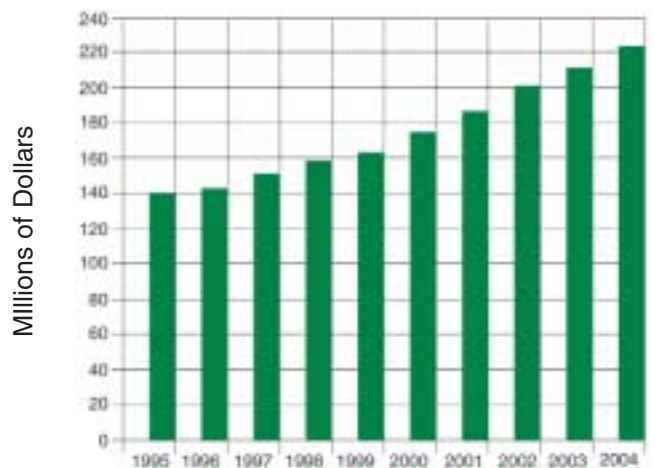


Figure 6

County's 4,424 authorized positions. Should vacancies occur or positions be filled at a level lower than authorized, the resulting favorable variance falls to fund balance.

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 a 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 \$51.5 million when comparing 1994 to FY2003. (This figure does not reflect the one-time \$41.7 million increase in deferred property tax revenue in 2001 due to a change in State of Michigan reporting requirements.) The fund balance increase in FY2003 was primarily due to a hiring freeze and departmental efforts to contain spending. Increased revenue was attributable to higher than expected fees from mortgage activity in the Clerk's office. However, this revenue increase was substantially offset by a reduction in investment income.

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 costs 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 \$6.7 billion in debt (10% of its State Equalized Value); however the actual outstanding debt is \$307.9 million, 4.6% 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 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.

GENERAL FUND REVENUE AND EXPENDITURES

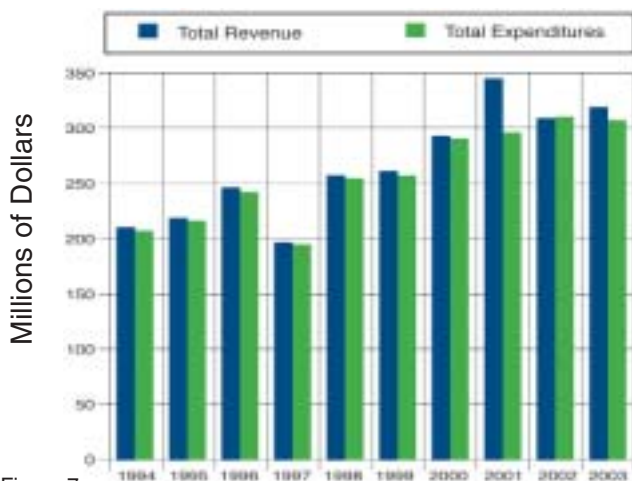
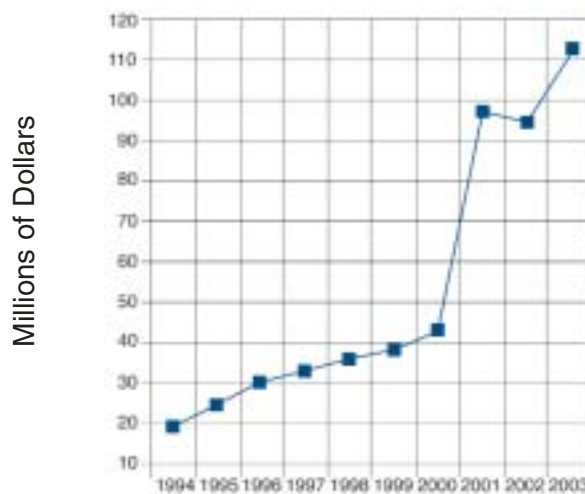


Figure 7

CHANGE IN GENERAL FUND EQUITY



Revenue and Expenditures (millions):

	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997*</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001**</u>	<u>2002</u>	<u>2003</u>
Total Revenue	\$218.5	\$232.8	\$243.7	\$193.0	\$268.4	\$276.4	\$287.4	\$344.7	\$322.0	\$334.8
Total Expenditures	<u>213.6</u>	<u>227.6</u>	<u>238.2</u>	<u>190.7</u>	<u>264.7</u>	<u>273.9</u>	<u>282.9</u>	<u>290.6</u>	<u>324.4</u>	<u>317.0</u>
Excess (Shortfall)	4.9	5.2	5.5	2.3	3.7	2.5	4.5	54.1	(2.4)	17.8
Beginning Equity	<u>14.4</u>	<u>19.3</u>	<u>24.5</u>	<u>30.0</u>	<u>32.3</u>	<u>36.0</u>	<u>38.5</u>	<u>43.0</u>	<u>97.1</u>	<u>94.7</u>
Ending Equity	\$19.3	\$24.5	\$30.0	\$32.3	\$36.0	\$38.5	\$43.0	\$97.1	\$94.7	\$112.5
As a % of Revenue	8.83%	10.52%	12.31%	16.74%	13.41%	13.93%	14.96%	28.17%	29.41%	33.60%

Source: Oakland County Comprehensive Annual Financial Reports

* Nine months reported in 1997 due to change in fiscal year

** 2001 Increase in fund equity reflects recognition of \$41.7 million in property tax revenue due to change in State reporting requirements.

Figure 8

OAKLAND COUNTY
Statement of Activities
For the Year Ended September 30, 2003

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Total</u>
Revenues:						
Taxes	\$204,057,370				\$12,196,371	\$216,253,741
Special Assessments		\$3,500,402	\$23,420,370	\$135,743		27,056,515
Federal Grants		33,735,597				33,735,597
State Grants		27,757,277		369,031		28,126,308
Other Intergovernmental	35,691,130	2,665,860				38,356,990
Charges for Services	89,118,818	23,889,827	50,237		158,811,601	271,870,483
Investment Income	3,894,854	411,622	73,872	755,713	5,262,876	10,398,937
Other	<u>2,033,572</u>	<u>381,649</u>		<u>866,257</u>	<u>3,961,658</u>	<u>7,243,136</u>
Total Revenues	\$334,795,744	\$92,342,234	\$23,544,479	\$2,126,744	\$180,232,506	\$633,041,707
Expenditures/Expenses						
Public Safety	113,231,791	34,142,189		689,708	10,527,159	158,590,847
Justice Administration	68,492,009	16,213,988				84,705,997
Recreation & Leisure	2,519,831	75,488		109,831	16,875,233	19,580,383
Direct Citizen Services	23,796,003	51,314,893			10,820,455	85,931,351
Commerce & Community Dev.	20,192,777	33,194,996		7,271	9,864,167	63,259,211
Public Works	16,587,683	2,045,908	34,005,057	34,873,781	101,720,479	189,232,908
General Government	<u>30,907,781</u>	<u>2,325,067</u>			<u>1,409,967</u>	<u>34,642,815</u>
Total Expenditures/Expenses	\$275,727,875	\$139,312,529	\$34,005,057	\$35,680,591	\$151,217,460	\$635,943,512
Other Financing Sources (Uses)	<u>(41,207,932)</u>	<u>42,957,268</u>	<u>8,397,507</u>	<u>10,042,975</u>	<u>11,354,760</u>	<u>31,544,578</u>
Excess (Deficit) Revenues and Financing Sources	\$17,859,937	(\$4,013,027)	(\$2,063,071)	(\$23,510,872)	\$40,369,806	\$28,642,773

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 2003 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 these services are provided by other County entities. However, General Fund transfers to the Internal Service funds are included as expenditures to more accurately reflect the use of County tax revenues.

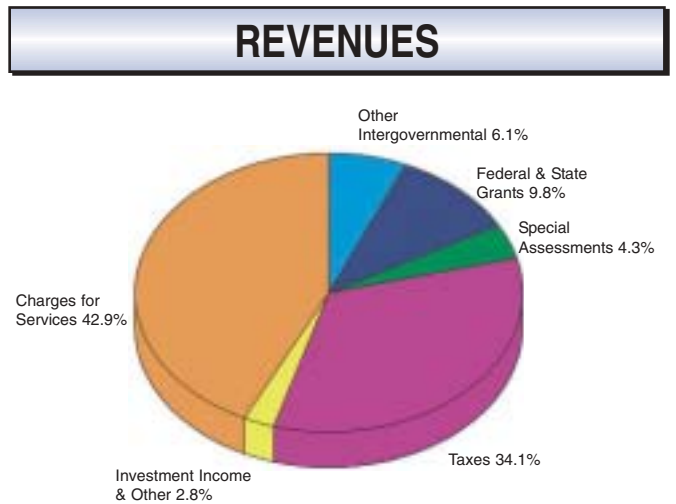


Figure 9

Revenues

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

Taxes: \$216,253,741 - 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 4.2604 mills. Parks and Recreation is also supported by taxes of 1/4 mill and is reported as an Enterprise fund.

Special Assessments: \$27,056,515 - Funds received from charges to parties benefiting from the County's drainage systems, lake level controls and lake improvements.

Federal and State Grants: \$61,861,905 - Restricted funding provided by the federal or state governments.

Other Intergovernmental: \$38,356,990 - Revenue from state or local governments in the form of shared revenue.

Charges for Services: \$271,870,483 - Revenue from fees received for time and material services.

Investment Income and Other: \$17,642,073 - Interest on investments, revenue from rebates, refunds of prior years expenditures and miscellaneous sources.

of County business. Included in this program are the County Executive, Board of Commissioners, Treasurer, Management and Budget, Human Resources and Central Services Departments. The Election Division, which oversees Countywide elections and records Board of Commissioners' minutes, is also included.

Public Safety: \$158,590,847, 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 Information Technology programs that support local community law enforcement.

Justice Administration: \$84,705,997, 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: \$19,580,383 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: \$85,931,351, 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: \$63,259,211, 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.

The final program, **Public Works:** \$189,232,908, 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.

MAJOR PROGRAM EXPENDITURES

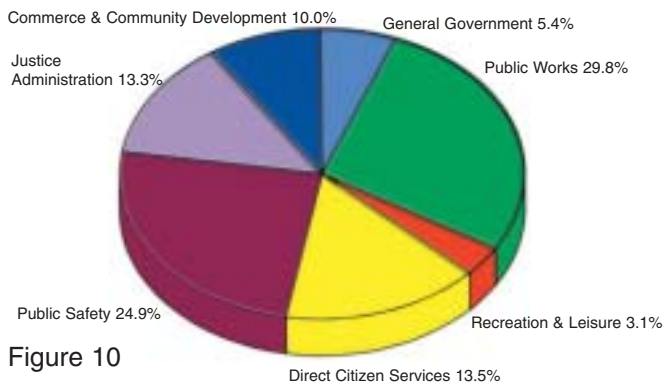


Figure 10

Expenditures

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

General Government: \$34,642,815, includes all areas of the County involved in the administration and financial aspects

General Government

Treasury: Under the provisions of Public Act 123 of 1999, 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.

GENERAL GOVERNMENT

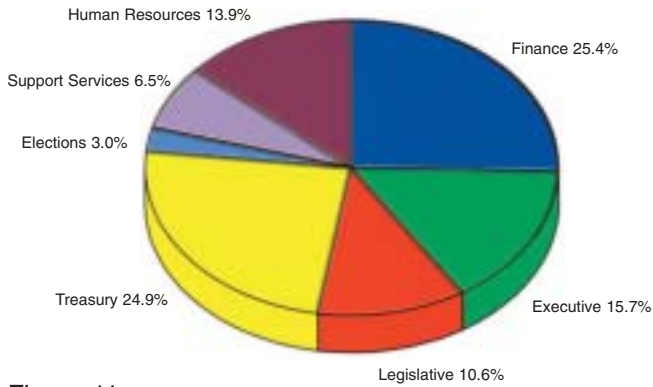


Figure 11

Executive / Legislative / Finance / Human Resources: Oakland County's general fund balance increased by \$17.8 million in FY2003, despite a sluggish economy and reductions in state revenue sharing. The biennial budget process and long range forecasting procedures alerted County officials of potential budget problems before they could affect services. As a result, proactive measures taken to solidify the County's fiscal position provided the flexibility required to maintain quality services to County citizens.

The FY2003 budget was balanced by reducing \$14.4 million in expenditures; however, a \$13.9 million shortfall was anticipated for FY2004. To ensure the County's fiscal flexibility, the hiring freeze instituted in 2002 was continued throughout the majority of FY2003. In addition, the County implemented an early retirement incentive program. As a result, 225 employees elected to retire from County employment. The County also instituted a new administrative leave policy allowing employees to take 120 days of leave without pay within 12 months, if approved by the department and if the leave would not adversely effect County operations.

The retirement incentive program provided the basis for balancing the FY2004 budget. The early retirements led to the elimination of 173 County funded positions. In addition, a budget task force was formed to evaluate all County programs. The County's elected officials and departments also identified additional areas where budget cuts could be made. These combined efforts led to the adoption of budget amendments by the Board of Commissioners which reduced the FY2004 budget by \$16.7 million. Furthermore, many of these efforts were accelerated to provide an additional \$12.4 million savings in FY2003. These savings were placed in a Budget Transition Fund to offset possible future budget reductions. In fact, \$3.5 million was used to balance the FY2004 and \$4.6 million to balance FY2005 budgets. The County's proactive approach resulted in balanced budgets through FY 2005 with \$4.3 million remaining in the Budget Transition Fund to address future budget issues.

Clearly the state's budget difficulties will continue for some time. The private non-profit Citizen's Research Council estimates that the state's budget difficulties will continue through FY 2009 and lead to additional reductions in state revenue sharing and other state payments. Because of this, County Administration and policy makers will continue to be proactive in preserving the County's fiscal position and flexibility. In addition to a continuing review of current programs, the County has begun shifting the use of state revenue sharing from the support of on-going operations to the support of one-time activities. This action will reduce the County's dependency on state revenues and increase the County's fiscal flexibility.

Prior to the retirement incentive, 33% of management personnel were eligible for retirement. With the incentive, the County has lost a significant amount of institutional memory and talent. While this provided significant opportunity for re-engineering and reorganization of County departments, it also provided a significant challenge - finding the best, most qualified individuals to continue to provide quality services to County citizens. The County was 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.

PUBLIC SAFETY

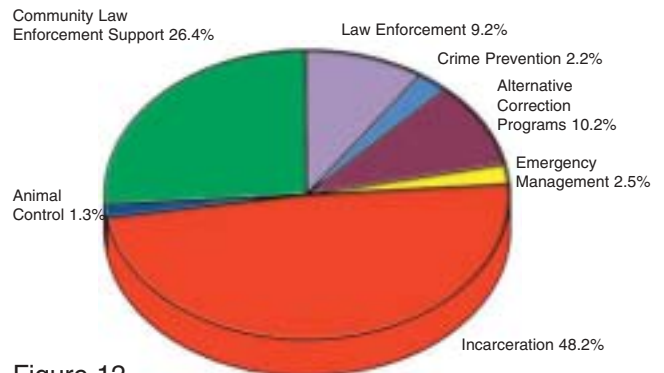


Figure 12

Public Safety

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

Law Enforcement: The Patrol Services Division provides police protection to the citizens of Oakland County including traffic enforcement, alcohol enforcement and marine safety. The Marine Unit patrols 450 lakes and maintains a 12 member, highly-trained, dive and rescue team. Oakland County skies are also patrolled daily by two helicopters

utilizing state-of-the-art equipment. Live video images can be downloaded from the helicopters to help in the assessment of emergency situations. Traffic control and enforcement is enhanced by the use of 26 Harley Davidson motorcycles. Oakland County pays one dollar for each motorcycle annually. The Fugitive Apprehension Team's role is to seek out and arrest criminals that are wanted on outstanding felony warrants, with an emphasis on violent offenders.

Community Law Enforcement Support: The Oakland County Sheriff's Office serves over 250,000 County residents through contracted patrol with 14 communities and dispatch services. Two multi-jurisdictional task forces assist local police departments with investigations. The Auto Theft Task Force specializes in auto theft related crimes. As a result of its efforts, auto theft rates have dropped 65% since 1987. The Narcotics Enforcement Team (NET) works with federal law enforcement agencies in the apprehension and conviction of those involved in the use, sale and distribution of illegal drugs and narcotics. In 2003, NET experienced a 20% increase in the number of investigations initiated, search warrants issued and arrests. NET also distributed \$750,000 in forfeited assets and collaborated with the federal Drug Enforcement Agency by sharing personnel and caseload.

The Sheriff's Forensic Science Laboratory recently moved into a new state-of-the-art facility designed to enhance Forensic Services to the 67 law enforcement agencies the lab serves. The 11,000 square foot facility houses Latent Prints, Firearms, Drug, Serology, and Forensic Art Sections. These resources help smaller agencies function more effectively, insuring all County residents receive the same quality of service.

The Computer Crimes Unit investigates crimes being perpetrated over the Internet. Originally, the primary focus was identification and apprehension of offenders who used the Internet to sexually exploit children through chat rooms or to distribute child pornography. Investigations now include crimes involving homicide, extortion, fraud, identity theft and stalking. Seizure and examination of digital evidence is essential to successful prosecution of these cases. To address this need, the Computer Crimes Unit has two of the six certified forensic computer examiners in Michigan.

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 local communities and the counties of Wayne, Livingston, Macomb and Washtenaw have also connected to the system, resulting in a truly regional system.

In addition, a \$6.7 million multi-point video arraignment system is being implemented at 75 sites throughout the County. The new system will be unique among systems currently in use. Video conferencing equipment and associated peripherals will be used to connect the District, Circuit and Probate Courts, Prosecutor's Office, County Jail, Community Corrections, local jail booking facilities and law enforcement agencies across the county. The system allows defendants at multiple locations to be arraigned from a single site. The goal is to minimize the transportation of prisoners between facilities, improve court security and reduce the cost of law enforcement. Community Corrections investigators will also use the system to interview prisoners. Conducting interviews from their offices will allow a single investigator to cover multiple courts. A variation of the new system was implemented in 2003 for bench warrant proceedings in the Circuit Court.

Incarceration: In recent years, the increased number of inmates at the jail has been a major problem. A declaration of "jail overcrowding" results in the release of prisoners prior to completion of serving their time as sentenced by the court. During FY2003, the jail exceeded its 1,640 rated bed space on two separate occasions for more than seven days. Cooperative efforts between the Sheriff's Office, Circuit Court and the four District Courts reduced the jail population preventing the early release of prisoners.

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 Wednesdays or weekends while maintaining their regular employment. In FY2003, 2,203 defendants performed 13,745 days of community service valued at \$879,680 while also saving taxpayers \$1,072,110 for jail expenses.

In conjunction with the Pontiac and Troy 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.



Emergency Response and Preparedness: Four Hazardous Material Mutual Aid Consortia are now in place to respond to single or multiple incidents throughout the County. Each consortium received a state-of-the-art HAZMAT (hazardous materials) vehicle equipped with the latest in technology and equipment.



In 2003, a Total Operational Preparedness Exercise was held at three County locations. The exercise involved 550 participants from County fire departments, mutual aid consortiums, Sheriff's Department, FBI, Michigan State Police, Medical Control Authority, hospitals, US Army Civil Support Team, Amateur Radio Public Service Corps, CN Railroad, and numerous County departments and other agencies. It was the largest and most comprehensive exercise ever conducted in the State of Michigan.

During the 2003 ice storm and the multi-state electrical blackout in August, the Emergency Operations Center (EOC) was activated and remained operational on a 24-hour basis during the crisis. The EOC was staffed by personnel from within the County Executive office and all divisions of County government as well as public utilities, the Road Commission and the Medical Control Board. Support was provided to cities, villages and townships until full power was restored to all areas of the county. Major activities included the emergency evacuation and transfer of patients from an area hospital, direct logistical support to several police and fire agencies, as well as providing drinking water or meals to citizens and facilities for the elderly around the County.

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 1,200 educators throughout Oakland County have been trained on "bullyproofing" their schools benefitting more than 26,000 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 Prosecutor and Oakland Schools have also produced an educational video addressing the legal consequences of underage consensual sex. The partnership arose in an effort to educate teens that sexual relations involving a person under the age of 16 constitutes a felony and subjects participants to significant criminal penalties. The educational video utilized volunteer teen actors to explain the legal consequences in a way kids can easily understand. The video will be made available to every high school in Oakland County for use in sexual education programming.

Youth Assistance, which is the largest and oldest court based diversion program in the nation, recently celebrated its 50th birthday. Established to help youngsters stay out of the criminal justice system, the program is a partnership between the Courts, local communities, school boards, the private sector and thousands of volunteers. Youth Assistance sponsors parent training programs, mentoring programs, teen centers, drug and alcohol abuse prevention programs and many other programs. In addition, professional case workers work with children and families referred by police, schools or the courts to help build strong families and keep children out of the criminal justice system.

JUSTICE ADMINISTRATION

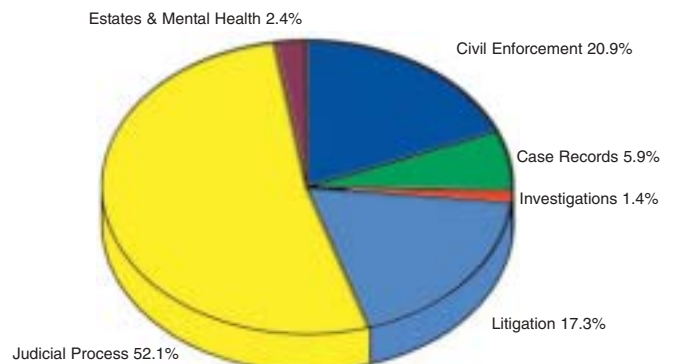


Figure 13

Justice Administration

Oakland County's justice administration services have undergone major changes in the past few years to address the everchanging issues facing the criminal justice system.

Judicial Process: In response to the declarations of jail overcrowding, Circuit Court judges reviewed court processes to determine improvements or enhancements that could be made to reduce the jail population. Improvements included an expansion of the Drug Treatment Court, automatic sentence reduction credits for trustees on work detail, reduction in the time from a defendant's conviction or plea to their sentencing by seven days, reduction in the pending criminal docket, implementation of best practice case management techniques, and new procedures to expedite

review and approval of sentence reduction requests. The judges have reduced their pending dockets by 17% which equates to a decrease in the daily jail population by 104 inmates.

The Circuit Court now has two Adult Drug Treatment Courts, increasing the number of participants by more than 60%. The Courts approach chemical and alcohol dependency with intensive counseling and treatment regimens. Based on eligibility, a limited number of nonviolent, habitual felons, facing jail or prison, are given the opportunity to participate in an intensive drug-treatment program supervised by the Court. In 2003, eligibility was expanded to include those guilty of substance abuse probation violations. Participants regularly appear in Court to discuss their progress. 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



Photo courtesy of Jeffrey C. Phelps

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. At present, 54 offenders are enrolled in the program. Recent background checks using the Law Enforcement Information Network (LEIN) show that none of the graduates have recidivated since completing the Drug Court program.

In addition, 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. To date, 18 offenders have completed the program with a 11% recidivism rate.

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 assault 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.

RECREATION AND LEISURE

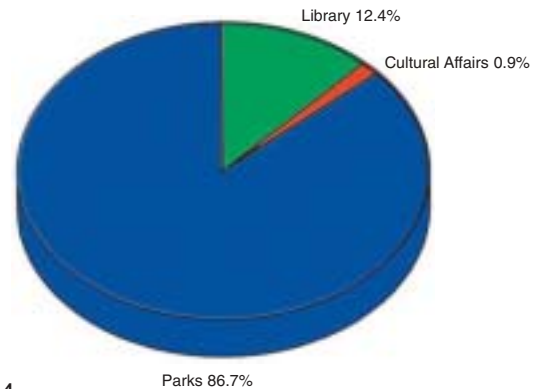


Figure 14

Recreation and Leisure

Libraries: The Library for the Visually and Physically Impaired is one of four County operated libraries. Free library services are provided to residents who are unable to read standard printed material because of a visual impairment or physical limitation. Materials are delivered directly to a patron's home by mail.

Parks and Recreation: The Parks Commission operates 11 County parks, including 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 a children's interactive play area with a tipping bucket.



An area with fountains and bubbles is designed 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. Re-opening in 2004 is the new Jerry Matthews designed Red Oaks Golf Course in Madison Heights. Rolling terrain, new bunkers, larger greens and a new 2,700 square foot clubhouse with an outdoor terrace make Red Oaks a must-play nine-hole course.

DIRECT CITIZEN SERVICES

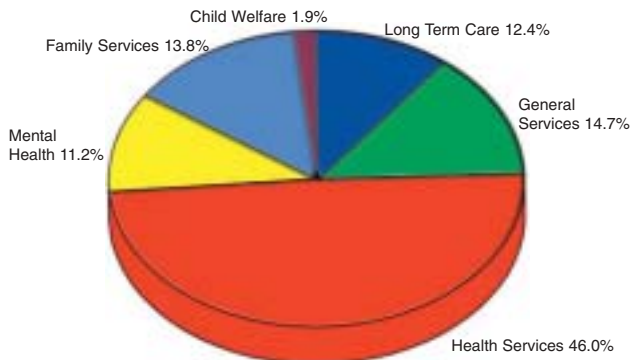


Figure 15

Direct Citizen Services

Governmental and enterprise funds totaling \$85.9 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 C.H.O.I.C.E. program is designed to help parents of juvenile probationers improve their parenting effectiveness. Sessions teach parents how to consistently handle difficult behavioral problems while increasing the youngster's self esteem. The Wraparound program coordinates 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 Friend of the Court's SMILE (Start Making It Livable for Everyone) program is an 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.

Public Health: It is the role of the Health Division to protect the community 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 2003, there were two confirmed cases of West Nile Virus in Oakland County, including one fatality. 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 2002 outbreak, the Health Division developed and disseminated information on virus symptoms, possible dangers and preventative measures. 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. The County appropriated \$500,000 to assist local municipalities in the elimination of larval habitats, larviciding and the focused spraying of insecticides in large green spaces. As a result, the County saw a 99% reduction in the number of confirmed cases and 95% reduction in the number of deaths.

The Health Division also develops emergency preparedness plans to address major epidemic outbreaks and other public health threats resulting from terrorism, natural disaster as well as chemical, biological, radiological or nuclear incident. During 2003, 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. Isolation and quarantine plans are now

in place in case of a SARS (Severe Acute Respiratory Syndrome) or other communicable disease outbreak. In addition, the Health Division now has a Radiological Response Team that can respond to any biological, chemical or radiological event. Mutual aid agreements are also in place with every hospital in the County.

Veterans' Services: Oakland County worked with the US Department of Veterans Affairs in the development and location of a 544-acre National Cemetery in the northern part of the County. About three acres will be developed to allow burials by the summer of 2004. The remaining cemetery development will be completed by Veteran's Day, 2005. Approximately 82,000 burials are expected by 2030, including an estimated 11,000 spouses and dependents. It is anticipated that this National Cemetery will provide burials for the next 50 years for veterans and their dependents. Approximately 460,000 veterans live in Southeastern Lower Michigan and within a 75-mile radius of the new cemetery.

COMMERCE AND COMMUNITY DEVELOPMENT

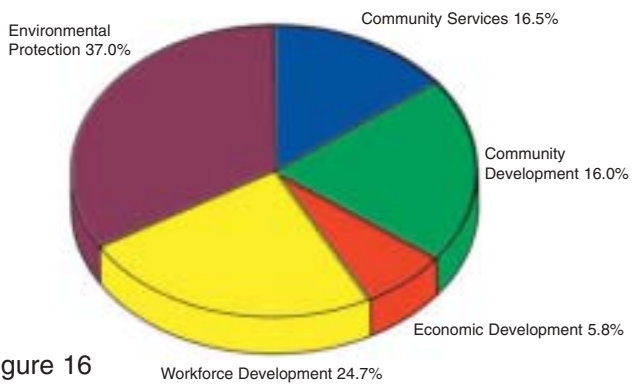


Figure 16

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.

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 grew to more than 500-members 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 were financed by a three-year, \$400,000 federal grant which ended in 2003. 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 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 trade mission to Germany resulted in initial contracts totaling \$1.5 million for participating companies. Since then, a contract with a software reseller worth an estimated \$2.5 million per year was signed. The trade mission to China resulted in \$4 million in total business contracts. One company opened an office in China and another signed a contract worth \$2 million. Over \$21 million in new contracts were written by small companies in the region as a result of these very successful trade missions. Automation Alley will continue to promote global export trade missions in order to create new markets for local businesses.



Workforce Development: Federal funds in the amount of \$15.6 million were spent on workforce placement programs, to 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: Planning and Economic Development Services continues to expand its web site by including land use information. Maps, charts, and tables show County areas that have been developed and those areas preserved as park and recreation land. The information can be easily printed for use by the development community or by local municipalities to prepare master plans, saving time and money for local government.

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 37-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: Oakland County residents share the natural bounty of more than 1,450 lakes and 4 headwaters, all located within 5 watershed districts. With the highest vulnerable soil profile in Michigan, the protection of these waters is vital to the health and safety of County residents and the County’s natural habitat. The County’s NO HAZ program strives to protect this environment through the proper disposal of hazardous waste. Working with 19 local communities, the County has contracted with a hazardous waste material handler to conduct and oversee collection events. Residents can now take hazardous waste materials to collection sites within 20 miles of home. In 2003, more than 94,000 pounds of household hazardous waste was collected for disposal.



The County has continued to map and distribute information on important natural resources. As an extension of the award winning Shiawassee and Huron Headwaters Resource Preservation project, the County provides natural resource information to local governments, developers and property owners so that they can be better stewards of the environment. The maps and data are used to prepare local master plans and design residential neighborhoods in a way that is sensitive to critical natural systems. These natural systems interconnect throughout the County and region contributing to the high quality of life enjoyed by both residents and businesses.

Through \$1.25 million in federal grants, the County has leveraged significant private investment for brownfield redevelopment. Brownfields are properties with perceived or real environmental contamination that prevents the site from being fully utilized. 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 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 industrial, commercial or residential land use. A \$700,000 revolving loan fund provides low-interest “gap” financing for cleanup projects.

PUBLIC WORKS

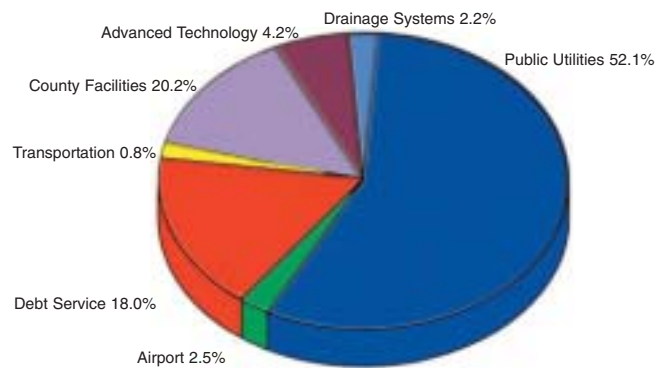


Figure 17

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.

County Facilities: Construction of a new \$12.2 million, 398-bed work release facility was completed in 2003. The work release program allows low-risk minimum-security prisoners to remain employed while serving their sentences. Inmates are charged room and board with fees based on a sliding scale as determined by their income. The County also completed

construction of a 15,000 sq. ft. Sheriff's substation in Rochester Hills. The County will be reimbursed by the city for all construction costs. Construction of a new District Court adjoining the substation is expected to be completed in 2004.

Water and Sewer: Services are provided to approximately 38,000 customers through 17 municipal sewer systems, 16 municipal water systems, 34 well water pumping facilities and 123 sewage pumping facilities. Four interceptors carry sewage to Detroit and Wayne County for treatment. Four retention treatment basins capture combined sewage and storm water for treatment to prevent contamination of rivers and basement flooding. Rates are adjusted annually to give customers credit for any operating surplus.

Transportation: In order to alleviate transportation problems experienced by residents and commuters, Oakland County helped facilitate an agreement with the Michigan Department of Transportation (MDOT), Southeastern Michigan Council of Governments (SEMCOG) and the Road Commission of Oakland County to construct a \$40 million extension to Northwestern Highway. The extension will help relieve traffic congestion in communities located in southwest Oakland County.



The Oakland County International Airport in Waterford celebrated its 75th anniversary in 2003. The airport accommodates corporate and business jet air traffic as well as smaller private aircraft. It is the nation's sixth busiest general aviation airport with about 280,000 landings and takeoffs per year. As part of its noise reduction program, construction of a \$3.5 million ground run-up enclosure began in 2003. The three-sided structure surrounds planes undergoing maintenance and is expected to reduce noise from jet engines by up to 75%. During maintenance, an engine may run for as long as 15 minutes. The new facility is part of a 10-year, \$48 million effort to reduce noise at the airport. About 90% of the money for these measures will come from Federal Aviation Administration grants.

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 also expand services to County residents. 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.

Through its eGovernment initiative, County information and services are provided through the County Website. By providing "online" services rather than "in line" services, costs are reduced and customer satisfaction is improved. A three-month study shows that an average of 31,600 files are downloaded monthly, saving County taxpayers \$750,000 annually. These files included various County forms, handbooks and fact sheets. Each one represents one car trip not made to the County seat; one line not waited in; one phone call not made - or answered; one letter or document that did not have to be mailed or faxed. As eGovernment grows, additional services will be offered resulting in additional savings for Oakland County Website visitors and residents.

Oakland County Internet Website

A wealth of information on County services is available on the website at www.co.oakland.mi.us. The website contains more than 10,000 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. Property information can be obtained through @ccess Oakland, and online credit card payments, which are to be paid at one of the 52nd District Courts, can be made for certain civil infractions, such as traffic tickets. The new system processes credit cards in a "secure" environment ensuring privacy and security for the customer. Copies of the County's Financial Summary, Program Budget and Comprehensive Annual Financial Report are also available in pdf format.

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. A printed version of this report can be obtained by sending a request to:

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

