

INTRODUCTION

The following section is presented to give the reader a greater appreciation for the complexities involved in operating a government the size of Washtenaw County, and to provide an analysis of the overall health of the County.

Pages C-1 and C-2 present a brief overview of Washtenaw County's government, demographics, and economic status. A trend analysis of select financial indicators as recorded from 1997 through 2006 begins on page C-3. Modeled after a system described in the book, "Financial Trends Monitoring System" (International City Management Association, publisher), many of the measures are benchmarks followed by the national credit rating agencies.

ECONOMIC AND FINANCIAL INFORMATION

BACKGROUND

Washtenaw County is located in the southeast region of Michigan's lower peninsula, approximately 40 miles west of Detroit. It is the 6th largest county in the state of Michigan, having a population of approximately 345,357. Its major cities are Ann Arbor, with a population of approximately 113,271 and Ypsilanti, with a population of approximately 21,832. The County was incorporated on January 1, 1827 - ten years before the Michigan territory was recognized as a State.

ORGANIZATION OF GOVERNMENTAL UNIT

The governmental structure of Washtenaw County is based upon the State Constitution and the general laws of the State of Michigan. The County's legislative and administrative body for many functions is the County Board of Commissioners. Currently, the Board is comprised of eleven commissioners who are elected by direct vote from single-member districts. Also serving within the County are fifteen other elected officials serving as judicial, administrative, or staff officers. The County has annual operating revenues of approximately \$195.9 million (2007 adopted budget as of November 2005).

SERVICES PROVIDED

The County is responsible for the management and financing of many services for its citizens. These services are separated into the following major program areas: Legislative, Judicial, General Government, Public Safety, Public Works, Health, Social Services and Culture and Recreation.

The funds and entities related to Washtenaw County are controlled by the Board of Commissioners or the County Administrator. Control by or dependence on the County was determined on the basis of budget adoption, taxing authority, outstanding debt secured by general obligation of the County, or the County's obligation to fund any deficits that may occur.

SIGNIFICANT LOCAL ECONOMIC EVENTS

The County's labor force reflects the current economic growth that is taking place. An estimated 186,427 people were employed in Washtenaw County in December 2006, an increase of 5.2% from January 2004, when 177,204 people were employed in the County. Unemployment rates have risen from 4.1% to 4.4% between 2003 and 2006.

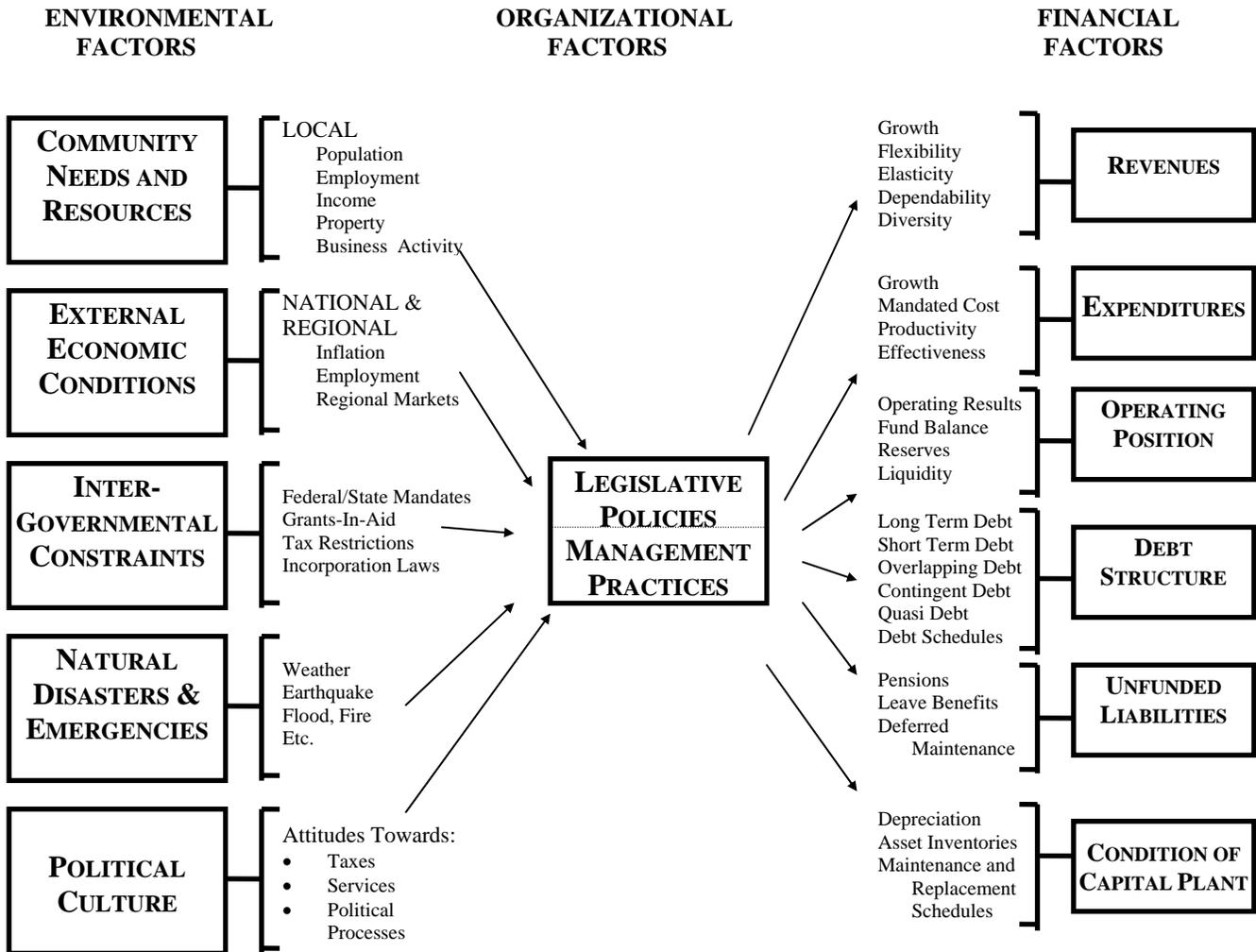
The County consistently reports an unemployment rate that is below both the state and national averages, and currently has one of the lowest unemployment rates in the State of Michigan.

The 2006 assessed value of taxable property to fund the County's operations was approximately \$18.5 billion, an increase of \$1.0 billion, or 5.8%, over the 2005 valuation. The economic base of the County is continuing to increase, although growth has clearly slowed from the >10% annual growth occurring prior to 2003.

FINANCIAL TRENDS MONITORING SYSTEM

There are a multitude of influences and factors that affect a governmental unit's policy formulation and implementation. Some of these factors are reasonably predictable, some are totally unpredictable and most fall between the two extremes. The following chart presents a graphic representation of factors that influence the fiscal health of a government.

FINANCIAL CONDITION FACTOR



The Financial Trend Monitoring System attempts to display the financial factors (on the right side of the chart) in a quantified form to enable analysis. Its purpose is to examine trends that are occurring across time rather than looking at one specific point in time. This allows a governing body to distinguish between legitimate patterns and erratic fluctuations. To facilitate analysis, raw numbers are converted into constant dollars in order to eliminate distortions, and the resulting figures are plotted in charts and graphs.

The indicators presented are neither perfect nor absolute, but they do present quantifiable information, and thus form a basis for analysis. They do not necessarily provide the answers as much as they raise the questions and provide a framework for objective investigation. These indicators are similar to those used by national credit and bond rating agencies.

Indicators from each of the following categories will be presented.

Revenues	Pg. C-4
Expenditures	Pg. C-8
Operating Position	Pg. C-12
Debt Structure	Pg. C-14
Unfunded Liabilities	Pg. C-17
Condition of Capital Plant	Pg. C-19
Community Needs and Resources	Pg. C-21

For each indicator, there will be a graphic representation of the trend that has developed, along with a brief discussion of the trend's potential implications. No single indicator should be considered separately from the others; rather, each indicator needs to be examined as one part of a whole, taking into consideration its interrelation with other indicators, as well as the political and administrative characteristics of the County.

Adjustments have been made to eliminate erratic occurrences or changes in accounting procedures that have occurred during the time frame presented. Unless otherwise stated in the accompanying analysis, all indicators deal with the General Fund. In cases where figures have been adjusted for inflation, the standard used was the Consumer Price Index for All Urban Consumers (CPI-U) US City Average with a 1982 base.

REVENUE INDICATORS

Revenues determine to what extent a governmental entity will be able to provide services for its constituents. Theoretically, a governing body's revenues should be diverse in nature, allow for flexibility, and increase at a rate equal to or greater than expenditures for services. An analysis of revenues will point out a deterioration in tax bases, an over-dependence on soon-to-be-obsolete revenue sources, or poor revenue estimation or collection.

The following indicators are provided for an analysis of the county's revenue picture:

INDICATOR	TREND
1. Revenues per Capita	Favorable
2. Restricted Revenues	Unfavorable
3. Intergovernmental Revenues	Unfavorable
4. Elastic Revenues	Unfavorable
5. Property Tax Revenues	Mixed
6. Uncollected Property Taxes	Favorable
7. Revenue Shortfalls	Favorable

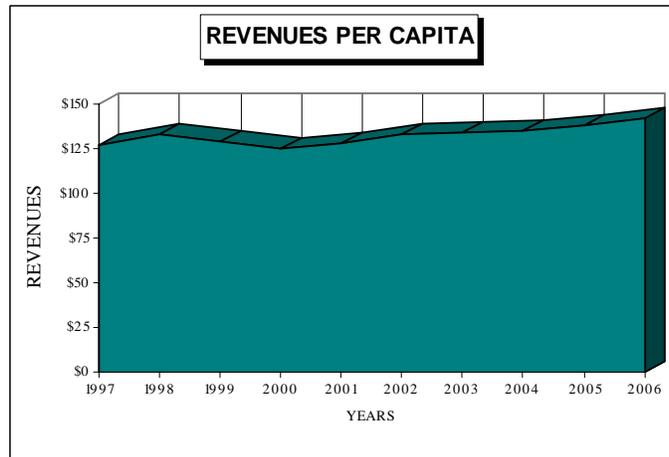
Overall, the County's revenue picture is mixed to favorable.

REVENUES PER CAPITA

This graph shows General Fund revenues per capita after adjusting for inflation. Theoretically, as the population increases, the total amount of service provided must increase in order to maintain the same amount of service per capita. To allow for this increase in service, revenues must increase as well. A decrease in revenues per capita should signal the need to find new revenue sources, or develop cost-cutting strategies to get more mileage out of the existing revenues.

Any analysis of this graph needs to be done in conjunction with Expenditures per Capita (pg. C-9) and Population (pg. C-21).

TREND: Favorable; Revenues per capita have risen over the last five years.



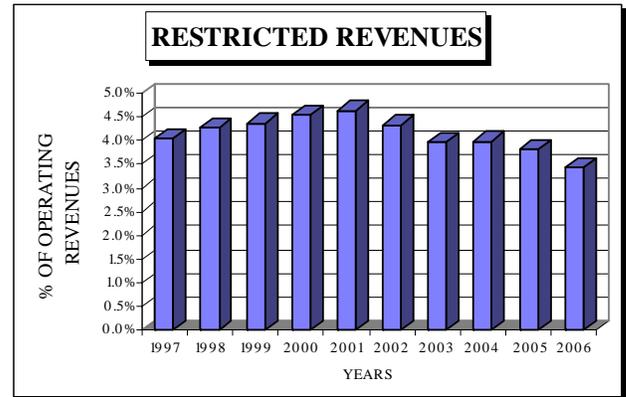
RESTRICTED REVENUES

These are revenues whose use is restricted to specific activities by law, grant or bond covenants. The graph plots these revenues as a percentage of net operating revenues. An increase in reliance on restricted revenues may indicate a reduced ability to fund programs not designated by restricted revenues. Also, the County may experience a reduced freedom to respond to changing conditions, since restricted funding may not be used to support other programs. However, an increase in restricted revenues is not necessarily unfavorable. It may be that programs supported by restricted revenues could not be reduced even if the revenues were eliminated.

12/17ths of the total revenue from the State Cigarette Tax legislation is earmarked for Public Health programming.

TREND: Unfavorable; funding received from

The State has decreased over the years. The largest State funded revenues include the State Cigarette Tax, State Liquor Tax, State Aid Judicial, and State Court Fund Fees. All of these reductions are an impact of the State's financial woes.

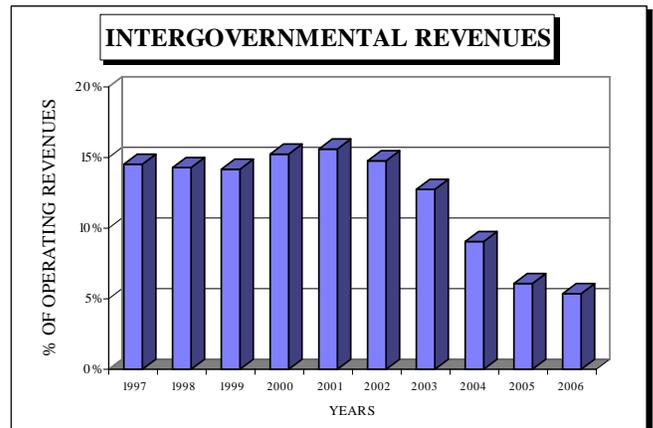


INTERGOVERNMENTAL REVENUES

Intergovernmental revenues are those received from another governmental entity, such as State income and liquor tax and federal funding for the Friend of the Court office. This graph depicts intergovernmental revenues as a percentage of net operating revenues.

Becoming overly dependent on these funds can be dangerous, in that the County must decide whether to discontinue programs or find alternate funding if the intergovernmental funds begin to dry up. Such was the case with Federal Revenue Sharing, which was phased out during 1985 and 1986. Intergovernmental funding may also come with many strings attached, and make the cost of accepting the funding prohibitive. An important analytical point to consider is whether the County is controlling its use of external revenues or if the revenues are controlling the County.

TREND: Unfavorable; The downward trend from 2002 to 2006 results primarily from reductions in State Revenue Sharing, as the State has reduced the distribution to local units (pg. E-11).

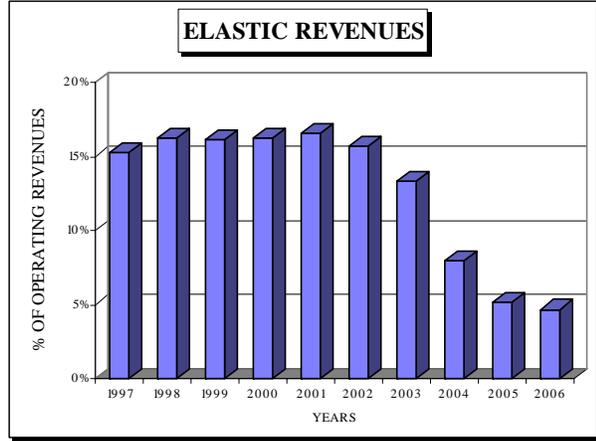


ELASTIC REVENUES

Elastic revenues are those whose yields are highly responsive to changes in the economic base or inflation. This graph looks at elastic operating revenues as a percentage of net operating revenues.

It is desirable to have a balance between elastic and inelastic revenues to limit the impact of sudden fluctuations in the tax base or inflation. But during inflationary periods, it is helpful to have a higher percentage of elastic revenues. As inflationary pressures drive up the cost of doing business, the same pressures will increase the County's revenues, thus offsetting the expenditure increase. These same elastic revenues will work against the County in periods of slow growth or recession; thus, inelastic revenues such as user fees will be more beneficial. The majority of the county's elastic revenues come from State Revenue Sharing, fees, interest income and the real estate transfer tax.

interest earnings kept the level consistently around 15% from 1997 to 2002. The decrease from 2003 to 2006 is due to the reduction in State Revenue Sharing distribution levels (see pg E-11) as well as significantly decreasing fee revenues.



TREND: Unfavorable; The inverse relationship between real estate transfers and

PROPERTY TAX REVENUES

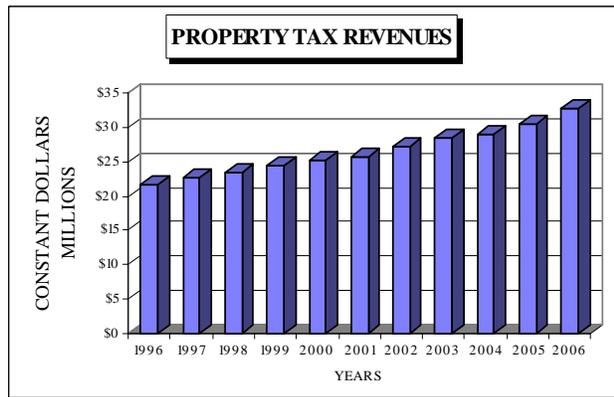
This graph shows property tax revenues, measured in constant dollars.

The growth rate slower than increases in property values can be primarily attributed to TIFA, and Proposal A. The full impact of these effects can be seen in the TIFA/Headlee graph found in the Revenue Discussion section of this book.

value (sale price) of the property. This allows the tax base in the county to grow above inflation in a positive housing market. The challenge will be the opposite in a declining housing market as these tax bases for recently transferred homes will actually be declining. These are unprecedented times ahead with the past levels not being reliable for future projections.

	2001	2002	2003	2004	2005	2006
Growth Rate (Actual)	5.32%	6.85%	6.99%	5.09%	8.68%	11.05%
Growth Rate (Adjusted)	2.40%	5.19%	4.61%	2.36%	5.11%	7.58%

TREND: Mixed; Growth in this area has continued. Some of the contributing factors to this growth rate have been the continued low mortgage rates that have promoted real estate transactions. Once the sale transaction has taken place, tax obligations are set to that of the market



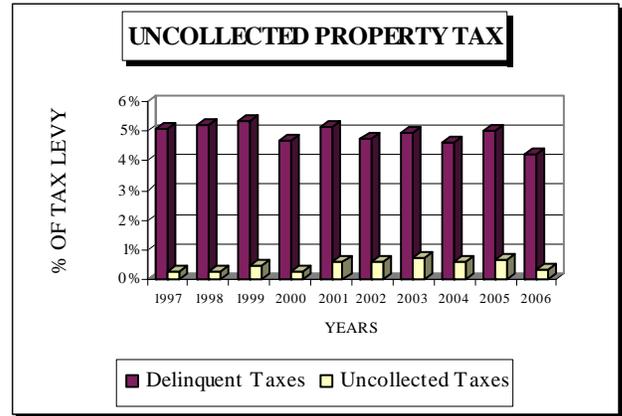
UNCOLLECTED PROPERTY TAX

This graph depicts the amount of uncollected property tax as a percentage of the total tax levy. The taller bar represents the percentage that goes delinquent, the shorter bar is the percentage that is deemed uncollectible.

This trend can signal important information about the general economic condition of the community and the ability of its citizens to finance operations.

TREND: Favorable; The last seven years have seen a steady level in the percentage of taxes that become delinquent and those that are deemed as uncollectible. Uncollected percentages are .62%, .67% and .35% for 2004, 2005 and 2006 respectively. PA 123 of 1999 caused a slight increase in the percentage of

2001 and 2002 uncollected taxes by decreasing the time period in which delinquent taxes are considered uncollectible.



REVENUE SHORTFALLS

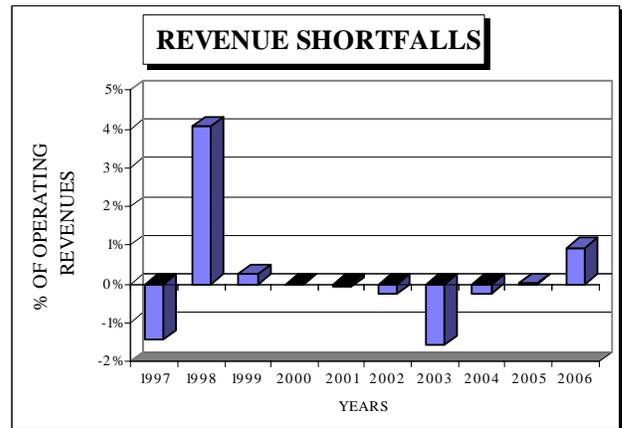
This graph portrays the percentage difference between revenues budgeted and revenues actually received. It is essential that revenue estimates be conservative in order to avoid deficit spending. Consistent shortfalls can indicate a number of things:

1. A declining economy
2. Inefficient collection procedures
3. Inaccurate estimating techniques

On the other hand, if estimates are consistently low it may indicate a need to look more closely at specific revenues.

TREND: Favorable; Surpluses in 1998 through 2001. The higher level in 1998 is due to the addition of State Court funding. In 2003, intergovernmental revenues and interest earnings were lower than budgeted. In 2006, interest earnings significantly exceeded budget.

Overall revenues are being accurately projected and collected, especially in the past eight years.



EXPENDITURE INDICATORS

Expenditures should be expected to be a measurement of services provided; however, the measurement is not always proportional. There are many fixed costs that cannot be easily adjusted, or there may be areas of inefficiency.

Due to the unpredictable nature of a governmental environment, fluctuations in expenditures from one year to the next are somewhat common. It is imperative that in the long run a government's expenditures are within its revenues.

The following indicators are presented for analysis:

	INDICATOR	TREND
1.	Expenditures per Capita	Mixed
2.	Fixed Costs	Mixed
3.	Employees per Capita	Favorable
4.	Personnel Costs	Favorable
5.	Fringe Benefits	Unfavorable

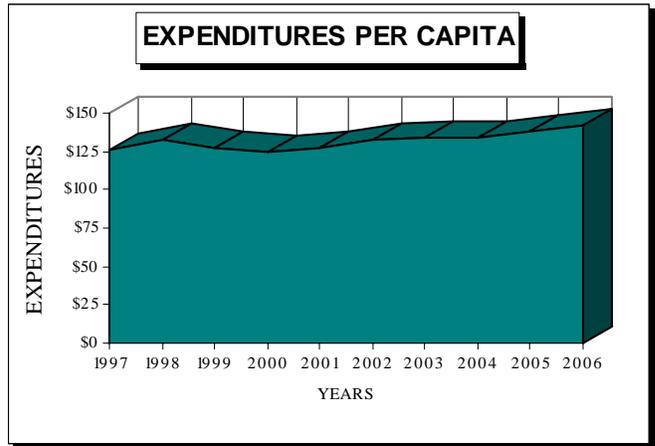
The overall analysis of the County's expenditures is mixed to favorable.

EXPENDITURES PER CAPITA

This graph shows General Fund expenditures per capita after adjusting for inflation.

When expenditures per capita increase at a rate greater than inflation it can be an indication that the cost of providing services is outstripping the community's ability to pay. Increases can result from two primary factors: increase in service or a decline in productivity.

TREND: Mixed; The rate remained relatively stable until 2000, but has grown by an average of 2% from 2001-2006 (after adjusting for inflation). However, this is within the constraints of the Revenues per Capita.



FIXED COSTS

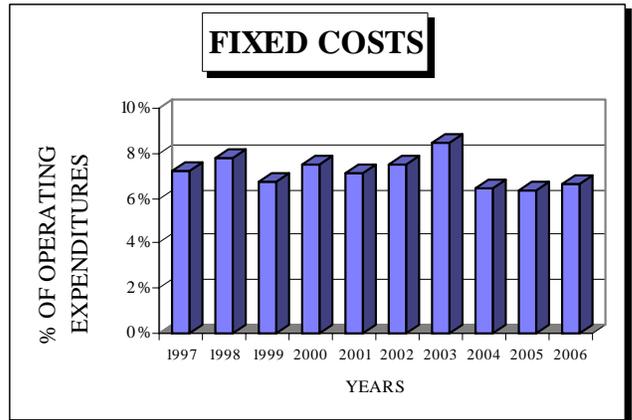
This graph depicts fixed costs as a percentage of total operating expenditures, with fixed costs being defined as:

1. State mandated expenditures
2. Long-term contracts

These are items over which there is little control in the short term. The higher the level of fixed costs, the less flexibility a government has, since these expenditures cannot be reduced proportionately with other expenditures.

TREND: Mixed; Since 1997 the rate has remained relatively stable. The slight increase in 1998 of 0.58% is due to the countywide upgrading of technology and the slight decrease of 1.0% in 1999 is due in part to the fact that debt service is no longer paid out of the General Fund. Increases

in 2000-2003 are due to contractual costs as well as County-subsidized health care services for residents. Starting in 2004, contractual costs were significantly curtailed.



EMPLOYEES PER CAPITA

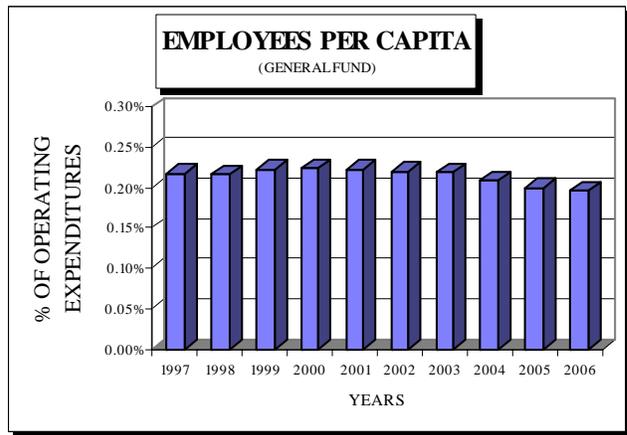
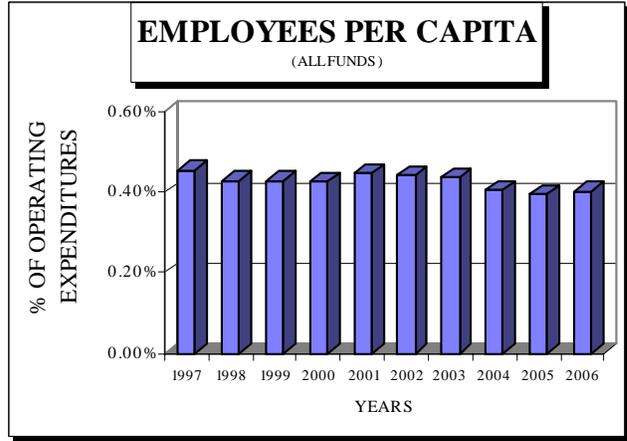
The upper graph represents the trend for employees per capita for the county as a whole, while the lower graph represents the General Fund only.

An increase in employees per capita may indicate that a government is becoming more labor intensive or that productivity is declining. A large decline in the General Fund, without a correspondingly large decline in the All Funds summary, shows a shift of personnel from tax-supported to outside-revenue supported programs.

Since interpreting the numbers for these graphs can be confusing, the chart below shows how many county residents are being serviced by one county employee.

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
All Funds	220	233	234	235	223	227	229	247	254	249
Gen'l Fund	460	462	450	448	451	454	458	481	502	510

TREND: Favorable; From 1997 through 2002 the rate has been relatively flat with a small decrease in 2004-2006 in both charts.

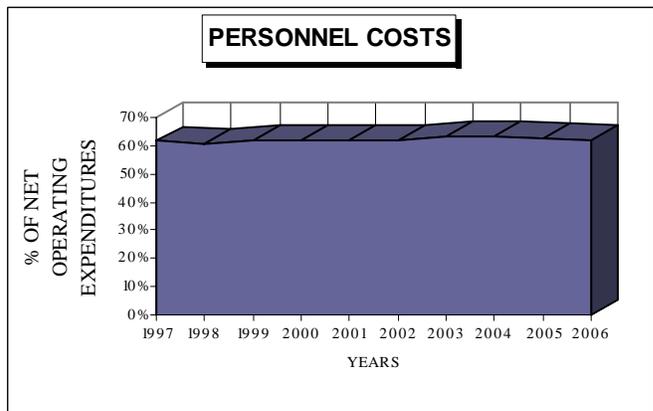


PERSONNEL COSTS

This graph depicts total personnel costs as a percentage of net operating expenditures (i.e., expenditures less Capital Outlays and Internal Service Charges).

Rising personnel costs can indicate that an organization is becoming increasingly labor intensive. It can also indicate that, as labor costs rise, and overall expenditures are forced to remain flat, a government may find itself working with inadequate resources.

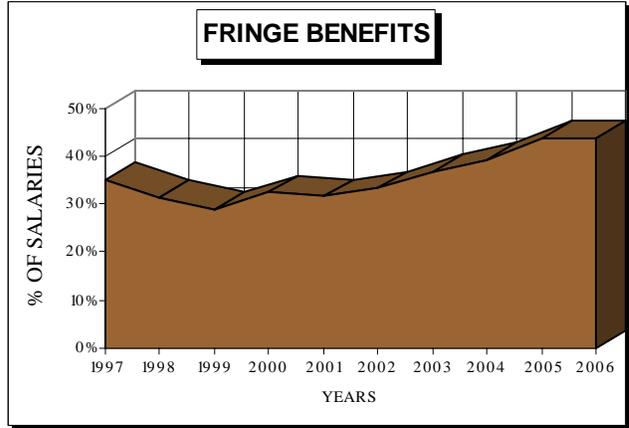
TREND: Favorable; Costs have stabilized since 1997. This is consistent with the fact that the workforce has remained flat as illustrated above.



FRINGE BENEFITS

This graph plots fringe benefits as a percentage of salaries.

TREND: Unfavorable; In 1998 and 1999 a reduction in hospitalization rates took place. Fiscal years 2000 through 2002 saw an increase due primarily to the increased costs of prescription coverage. Throughout this period, medical fringe increases have been contained. The large increases from 2003-2006 are due primarily to funding increases in the County's defined benefit plan.



OPERATING POSITION INDICATORS

These indicators are aimed at analyzing how well a government is managing its fiscal operations over time. In any given year there will likely be either a surplus or a deficit, thus it is necessary to look for trends rather than events. Important questions are: how well is the budget being balanced on an on-going basis; are sufficient reserves being maintained; and how efficiently is cash being managed.

Indicators looked at are:

INDICATOR	TREND
1. Operating Deficits	Favorable
2. General Fund Balances	Favorable
3. Liquidity	Favorable

The overall trend in fiscal operations is favorable.

OPERATING DEFICITS

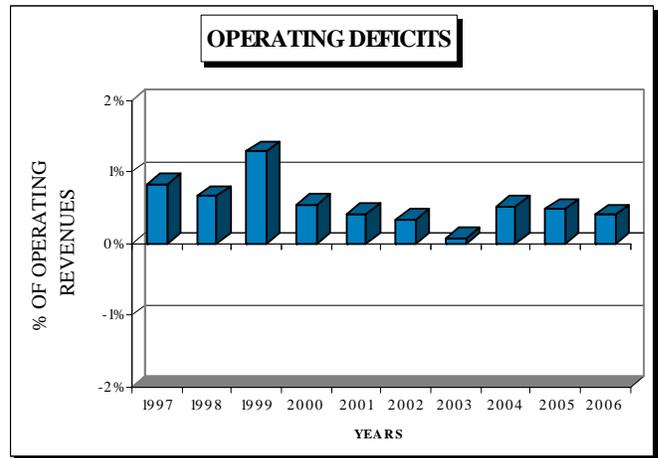
This graph depicts General Fund operating deficits or surpluses as a percentage of the General Fund operating revenues.

maintain the General Fund fund balance at 8% of operating expenditures net of indirect costs.

The credit industry has established benchmarks by which they rate governmental entities. The following indicators are considered unfavorable.

1. Two consecutive years of operating fund deficit
2. Current operating deficit greater than previous year
3. Operating deficits in two or more of the last 5 years
4. Abnormally large deficit (more than 5 - 10%) in one year

TREND: Favorable; The last ten years show surpluses. This is primarily due to a policy that budgets a \$250,000 surplus annually as a means to

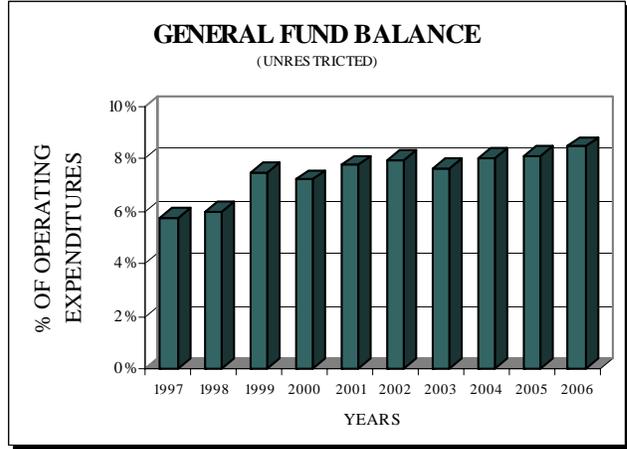


GENERAL FUND BALANCES

This graph shows the amount of unrestricted (or undesignated) fund balance (General Fund) as a percentage of operating revenues.

The general rule of thumb in the credit industry is that fund balances can be used to help government weather bad times but should not be used as a means of funding routine operations.

TREND: Favorable; The County has committed to maintaining a general fund balance that is 8% of operating expenditures.



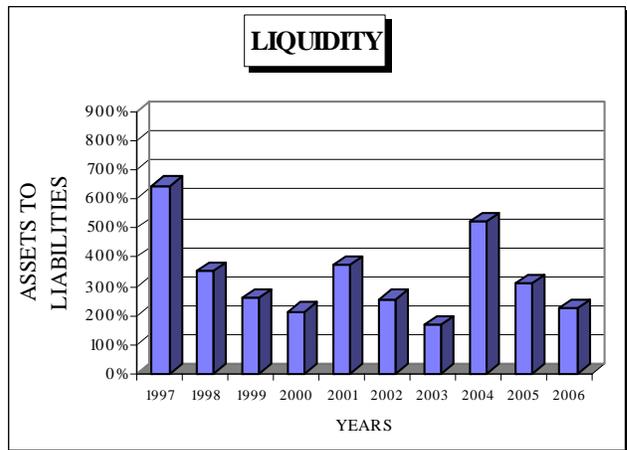
LIQUIDITY

This graph plots the ratio of General Fund cash, short-term investments, and monies due from other funds, to current liabilities. In the private sector, this liquidity ratio is known as the "quick ratio". This ratio measures a government's ability to meet short term obligations in that it matches current liabilities directly with those assets that are available to meet them. However, it should be remembered that this ratio is like a single-frame snapshot - small timing discrepancies can make the ratios look markedly different over time, while the true picture remains relatively stable.

Benchmarks in the credit industry consider a ratio of less than 1 to 1 (100%) a negative factor, with an extended trend lasting 3-5 years being deemed decidedly negative.

TREND: Favorable; Liquidity level has continued to remain stable and well above 100% consistently through out the 1990's and into the 2000's. 1997 was a deviation from the norm as efforts were made to reduce outstanding obligations

to a minimum in preparation for change over to a new financial information system. The increase in 2004 was due to cash from property tax collections being deposited in the General Fund earlier than prior years.



DEBT STRUCTURE INDICATORS

Debt is a common means for financing capital projects and equipment, but a danger exists in becoming overly dependent on debt. It is important to make sure debt levels stay within "reasonable" limits and that debt is not being used as a means to finance operations.

The indicators used for analyzing debt structure are:

INDICATOR	TREND
1. Long-Term Debt	Favorable
2. Debt Service	Favorable
3. Overlapping Debt	Favorable
4. Current Liabilities	Favorable

The County has maintained a healthy debt structure well within the standards recognized in the credit industry.

LONG-TERM DEBT

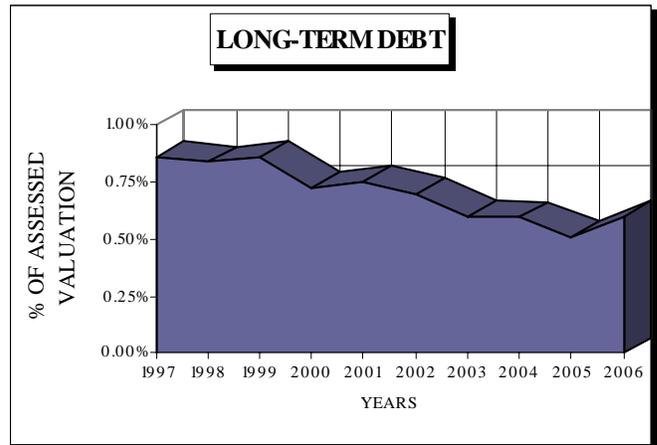
This graph displays net direct long-term debt as a percentage of assessed valuation. Net direct debt is debt (for which the county has pledged "full faith and credit") less self-supporting debt (e.g., special assessment and revenue bonds).

Assessed valuation is used because the county depends primarily on property tax for debt repayment. The decline in percentage has been steady since 1985, aided by a steady increase in property values.

The credit industry considers the following trends to be unfavorable:

1. Net debt exceeding 10% of assessed valuation
2. Net debt percentage increasing by more than 20% in one year
3. Net debt percentage 50% higher than 4 years ago

TREND: Favorable; Since 1997 the rate has been below 1%.

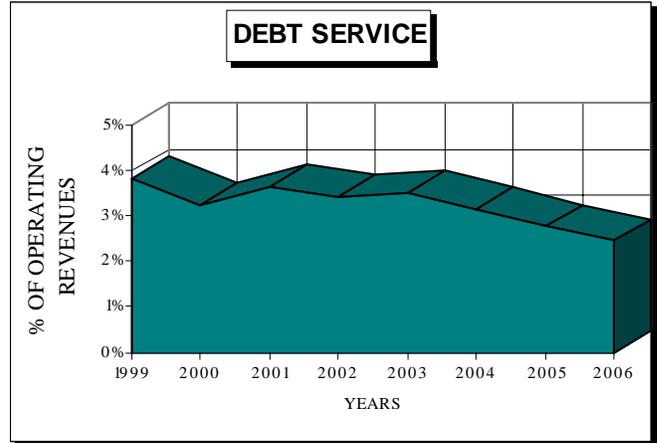


DEBT SERVICE

This graph plots debt service as a percentage of net operating revenue. In this case the figures are derived by combining the General Fund, all special revenue funds and debt service funds. Debt service is defined as both the amount of interest and principal that must be paid each year.

Excess or rising debt service can indicate a number of potential problems, including reduced flexibility and an overburdened tax base. Credit industry benchmarks consider debt service of 10% of operating revenues to be good; in excess of 20% is considered unfavorable.

TREND: Favorable; the rate has been consistently below 5% for over ten years.

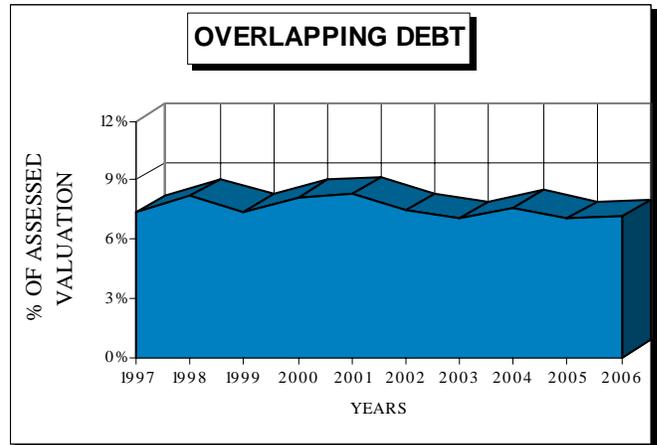


OVERLAPPING DEBT

This graph shows overlapping debt as a percentage of assessed valuation. Overlapping debt is the net direct debt of all governmental entities that is issued against a tax base within the geographic boundaries of the county. As a result, the same tax base is being taxed by multiple units, and even though the county may not be overtaxing its base, the cumulative effect can be burdensome.

This indicator measures the ability of a community's tax base to repay the debt obligations of all organizations and, indirectly, the fiscal health of the community.

TREND: Favorable; Overlapping debt has been well below 10% for quite a number of years and relatively stable, only varying from 7 – 8% from 1997 – 2006. Fluctuations year to year are due to the issuing of debt by school districts for building expansion and technology upgrades.

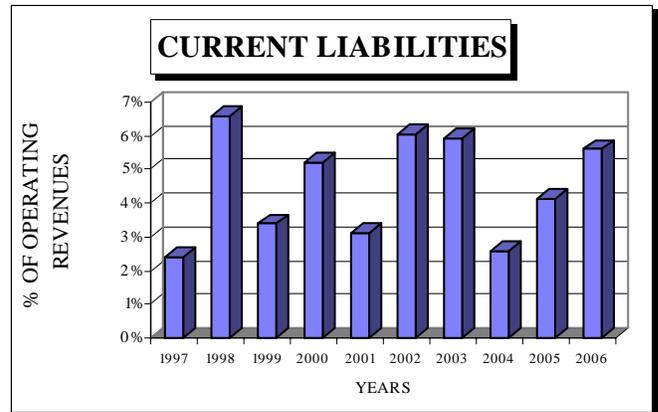


CURRENT LIABILITIES

This graph depicts current liabilities as a percentage of net operating revenues.

If current liabilities are increasing as a percentage of revenues it can be a warning of future problems with fulfilling obligations. Credit industry benchmarks are primarily concerned with the level of short-term debt; however, an extended increase in current liabilities is considered a negative factor. In analyzing this indicator it should be remembered that current liabilities can fluctuate widely from day to day and that we are looking at a snapshot of one point in time.

TREND: Favorable; Current liabilities have remained stable over the last ten years, staying between 2% and 7%.



UNFUNDED LIABILITY INDICATORS

Unfunded liabilities are liabilities incurred during current operations but which will be paid in the future and for which no reserves have been set aside. Unfunded liabilities present the same potential problems as debt. If not monitored they can grow until they are out of control.

Indicators presented are:

INDICATOR	TREND
1. Unfunded Pension Liability	Unfavorable
2. Pension Assets	Favorable
3. Accumulated Employee Leave	Favorable

The overall trend remains mixed to favorable.

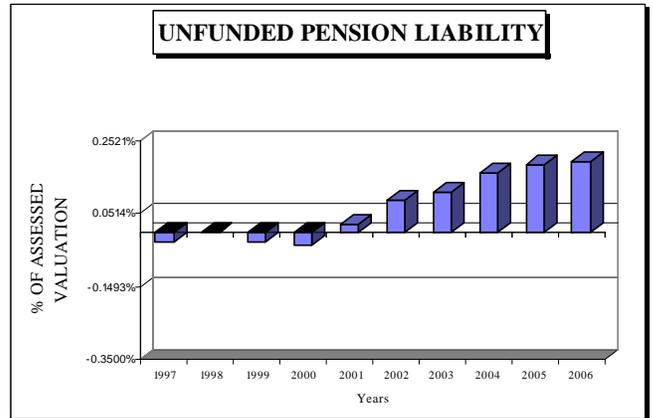
UNFUNDED PENSION LIABILITY

This graph plots unfunded pension plan vested benefits as a percentage of assessed valuation. The rationale behind using assessed valuation is that since property taxes are a primary source of revenue, an unfunded pension plan can present a potential burden on the county's tax base.

Remember that the unfunded liability is a concern, thus a decline is favorable and negative percentages indicate a fully funded position.

Since the Money Purchase Pension Plan is a defined contribution plan, it is excluded from this analysis.

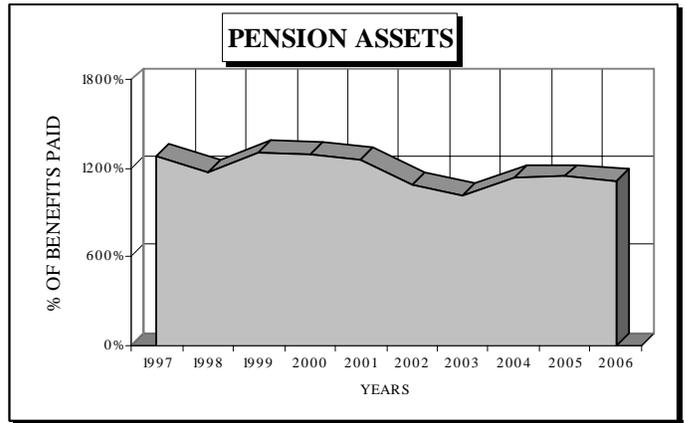
TREND: Unfavorable; The County's pension plan operated at a more-than-fully-funded level through 2000. However, from 2001 to 2006, the pension plan has operated at an increasingly less-than-fully-funded level primarily due to decreases in stock market earnings.



PENSION ASSETS

This graph looks at pension plan assets held as a percentage of benefits paid. A decline in assets as a percentage of benefits can indicate potential shortfalls in the future.

Though the percentage has been falling since 1984, it should be remembered that the inception of the Money Purchase Pension Plan means that there are no new employees entering the old pension plan. The exception to this and part of the accelerated decline from 1997 to 1998 is the one time reentry back into the old pension plan. From 2001 to 2003, stock market decreases affected asset levels. The percentage of assets to benefits paid has remained above 1000% for over ten years, a very healthy condition.

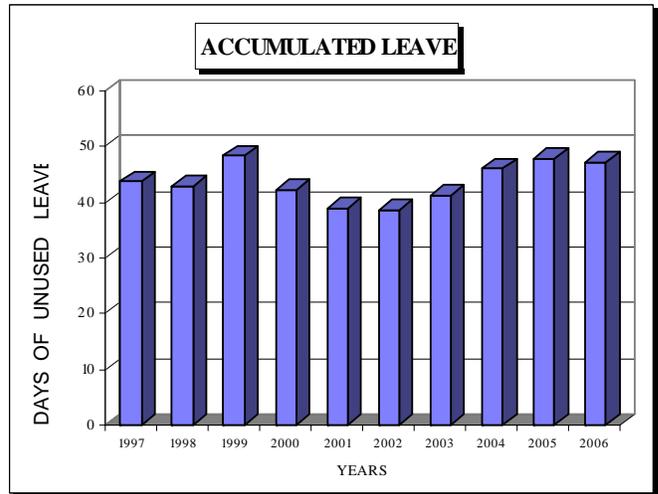


TREND: Favorable
 Source: Washtenaw County Comprehensive Annual Financial Report

ACCUMULATED EMPLOYEE LEAVE LIABILITY

This graph displays the number of days of unused vacation and sick leave per employee. They represent an opportunity cost of time not worked, but eventually they represent a real cost upon departure of the employee. The County does maintain an employee severance fund; thus, the liability is not totally unfunded.

TREND: Favorable; The level has remained relatively stable.



CAPITAL PLANT INDICATORS

Capital plant consists of a government’s buildings, utility networks and equipment. These items are essential to operations, but it is often convenient to forego maintenance and replacement in order to channel monies to more visible current needs. By doing so, an entity is in essence setting up an unfunded liability and gradually decreasing the efficiency and quality of operations.

Indicators examined are:

	INDICATOR	TREND
1.	Level of Capital Outlay	Favorable
2.	Depreciation	Mixed
3.	Maintenance Effort	Mixed

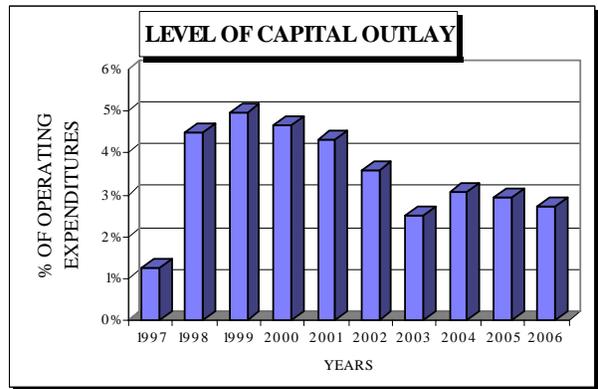
Capital Plant indicators are favorable to mixed overall.

LEVEL OF CAPITAL OUTLAY

This graph measures capital outlay, expressed as a percentage of operation expenditures. The purpose of capital outlay is to replace worn equipment.

A declining rate can indicate a deferral of equipment replacement and may jeopardize operations in the future, both in terms of inadequate equipment and unfunded liability.

TREND: Favorable; The increase from 1998 through 2002 reflects the commitment to upgrading all PC’s countywide and the purchase of the necessary hardware and software for a year 2000 compliant financial system. This commitment is budgeted for the future in the County’s five-year technology plan. Capital outlay since that point has remained relatively stable, due to the county’s Capital Improvement Plan.



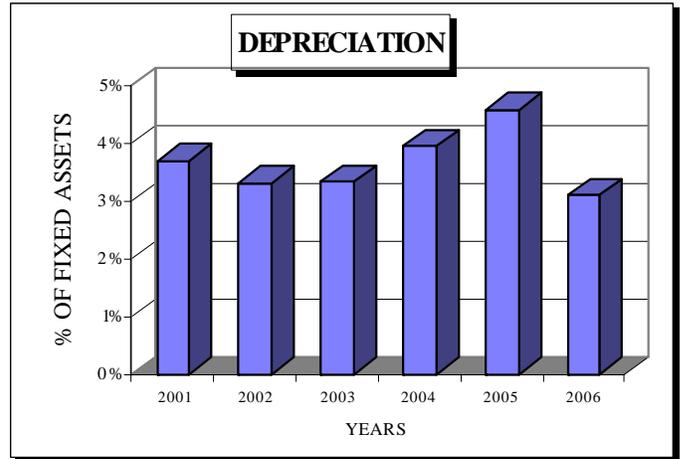
DEPRECIATION

This graph presents depreciation expense as a percentage of the cost of depreciable fixed assets. In Washtenaw County's case this analysis involves the internal service funds.

Depreciation as a percentage should remain fairly constant across time because as fully depreciated items are removed from service newer assets take their place. If the rate begins to decline it could be a sign that assets are being used beyond their useful life.

In 2001, changes in governmental accounting standards required that all capital assets be depreciated rather than just equipment. Subsequently, this new calculation only includes data from 2001 – 2006.

TREND: Mixed: The percentage has remained relatively constant from 2001 - 2004. The percentage has dropped but is still at a reasonable level.

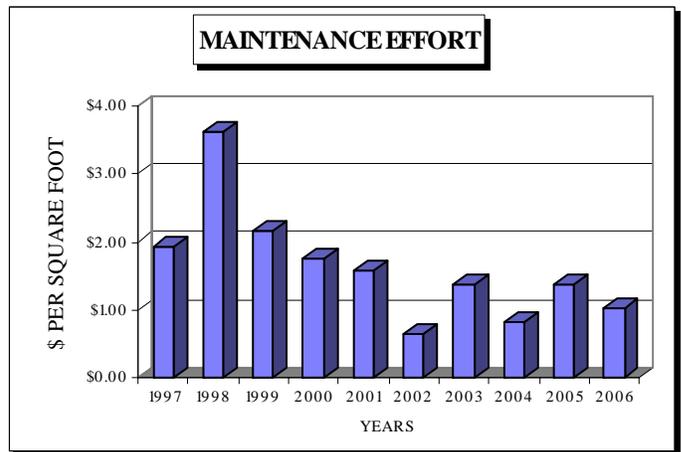


MAINTENANCE EFFORT

This graph shows the expenditures for repair and maintenance of fixed assets per square foot of county space. Theoretically, maintenance effort should remain relatively stable in relation to the amount of assets maintained. In this case we are looking at the square footage of county buildings.

A declining rate of maintenance spending can be dangerous because the deferral of maintenance on assets and their subsequent erosion can create an unfunded liability.

TREND: Mixed; The overall level has been very inconsistent. The 1998 rate of \$3.62 represented a conscious decision to increase spending to catch up on deferred maintenance. The decrease beginning in 2002 is due to increased square footage from new buildings.



COMMUNITY NEEDS AND RESOURCES INDICATORS

There are many factors impacting a government's operations that are out of its control. These factors include economic climate, land development, the makeup of its constituents and the services they require. Although these factors cannot be controlled, it is wise to monitor them so that policies and programs can be proactive rather than reactive.

The indicators offered for analysis are:

INDICATOR	TREND
1. Population	Favorable
2. Birth Rate	Favorable
3. Personal Income	Mixed
4. Public Assistance Recipients	Unfavorable
5. Residential Development	Unfavorable
6. Property Values	Mixed
7. Building Permits	Unfavorable
8. Unemployment Rate	Unfavorable
9. Business Licenses	Favorable

Community indicators have been mixed overall.

POPULATION

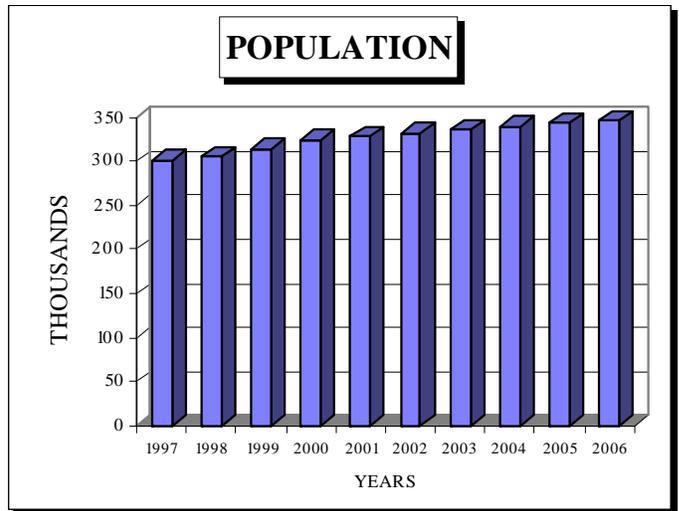
This graph plots population estimates for Washtenaw County, as provided by the Michigan Department of Management and Budget.

The 2006 estimated population of 345,357 is a 6.5% increase over 2000.

Population fluctuations are important because they are tied to many other indicators and statistics as well as levels of service and revenues. A decline in population presents difficulties because expenditures usually cannot be cut proportionally (because of fixed costs), yet revenues decline. An increase in population means an increase in revenues but can also indicate that additional services are needed.

It must also be considered that the nature of population influxes (income range, age, single or family, etc.) can have diverse impacts on a community and the governments that service it.

TREND: Favorable; Estimates show an upward trend since 1995. The 2000 Census provided an adjusted population figure of 324,251, which translates to a 14.6% increase since 1990.

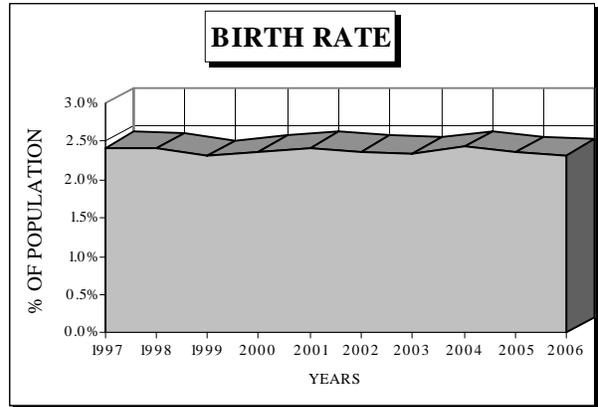


BIRTH RATE

This graph plots birth certificates issued as a percentage of population. The important factor here is not whether the percentage is too high or too low but its course over time. Birth rate fluctuations can give significant insight into the changing nature of a government's constituency.

A declining birth rate percentage can indicate an aging population or signal a population decrease in future years. Increases in the percentage may mean an increasing number of young families in the community, translating into a strong tax base and stable work force. It can also signal an increased need for services geared toward children.

TREND: Favorable; From 1997 through 2006 the birth rate has remained relatively stable, varying from 2.3% to 2.4%.



PERSONAL INCOME

This graph plots personal income per capita, as estimated by the U.S. Bureau of Economic Analysis, after adjusting for inflation.

Personal income is strongly tied to the all-around financial health of a community; however, the range of income between communities with the same average personal income can vary greatly.

Typically, an increase in income indicates a greater ability to pay for services and taxes, and a decrease in dependency on governmental services. Conversely, a decrease in income should indicate the reverse scenario.

TREND: Mixed; 1995 to 1997 showed a strong growth in income. From 1997 to 1999 there was a leveling off and 2000 showed a slight decrease in personal income with a leveling off through 2004. 2005 and 2006 are demonstrating a

reduction again, largely due to the status of the overall economy.

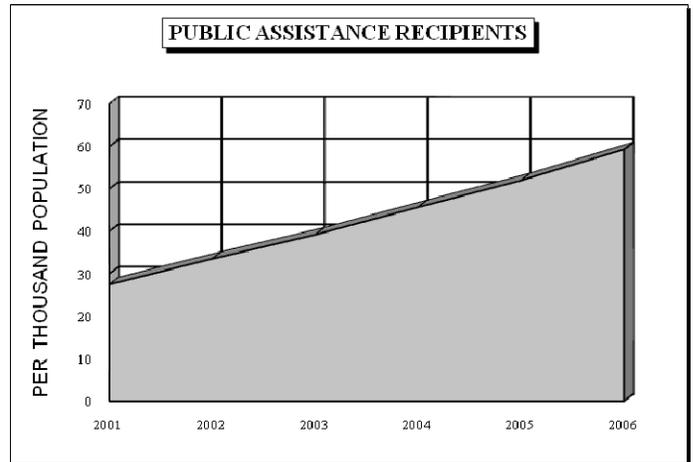


PUBLIC ASSISTANCE RECIPIENTS

This graph shows the number of individuals receiving public assistance from the state. This trend, coupled with personal income, gives a more well-rounded picture of the distribution of wealth within a community. An increase in recipients of state assistance may translate to an increased demand for county services.

Note: Data for the period 1997-2000 is unavailable. Source: Michigan Department of Human Services, Publication 170.

TREND: Unfavorable; Since 2001, the rate has been on the rise. The rate of growth since 2002 has averaged 15%.

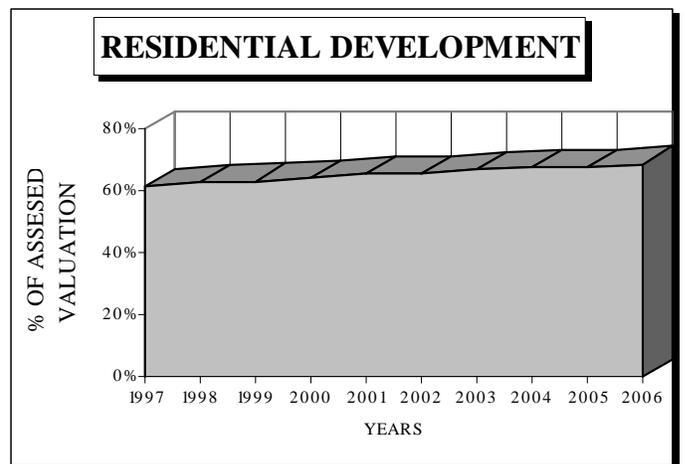


RESIDENTIAL DEVELOPMENT

This graph shows the assessed value of residential property as a percentage of the assessed value of all property.

The cost of servicing residential development is generally greater than commercial or industrial. For governmental entities the rule of thumb is: residential development increases expenditures, industrial creates a revenue surplus, and commercial pays for itself. Thus, an increase in residential development proportionally greater than commercial and industrial can signal a potential problem.

TREND: Unfavorable; Since 1995, the rate has been on the rise. The rate of growth of the value of residential property has slowed from over 10% from 1997-2003 to 7% in 2006.



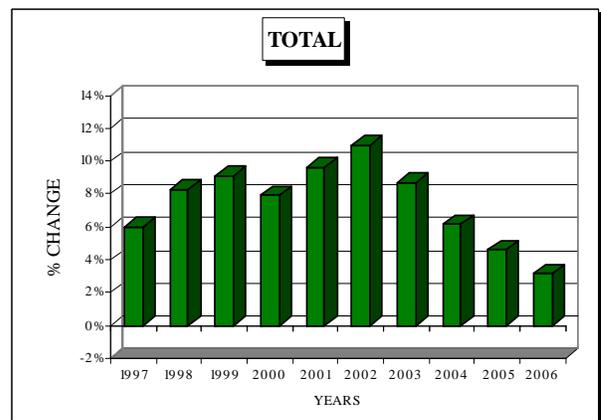
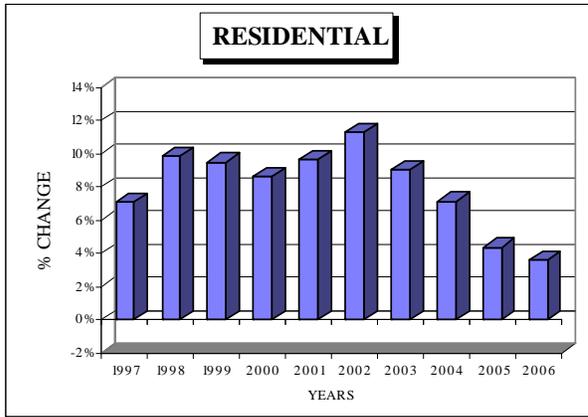
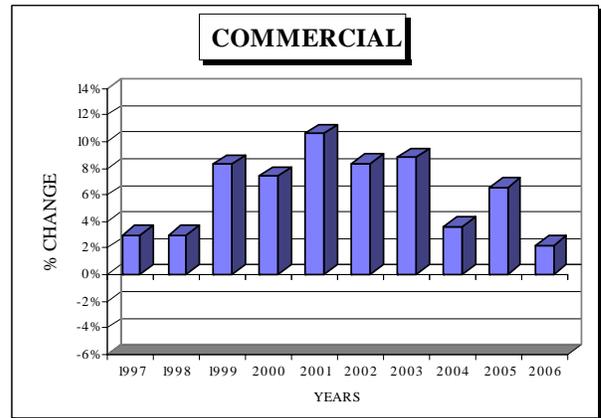
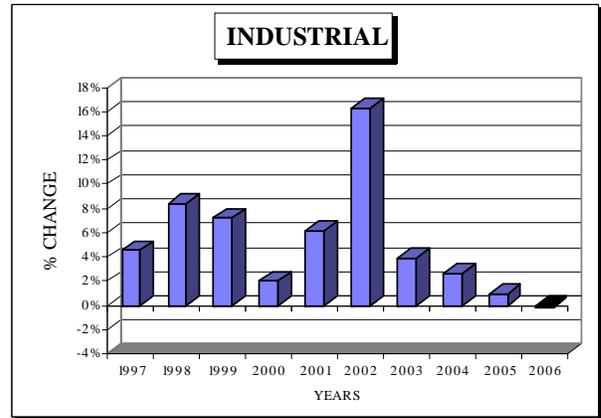
PROPERTY VALUES

This graph plots the percentage change (in constant dollars) in property values from one year to the next. The figures used are assessed valuations by the Washtenaw County Department of Equalization. The first three graphs show separate plots for residential, commercial and industrial, while the last graph displays the cumulative effect of all three.

Property values are obviously important since property tax is the county's largest source of revenue. Further, they indicate much about the fiscal health of a community. Increases in property tax revenues have continued to rise but are slowed by the Headlee amendment and Proposal A.

TREND: Mixed; Overall the total property values have increased from 1997 to 2006 with declines in the rate of growth since 2003. From 2004 to 2006, industrial values experienced slower growth than total property values, but residential values continue to grow faster than total values.

Source: Washtenaw County Equalization Report

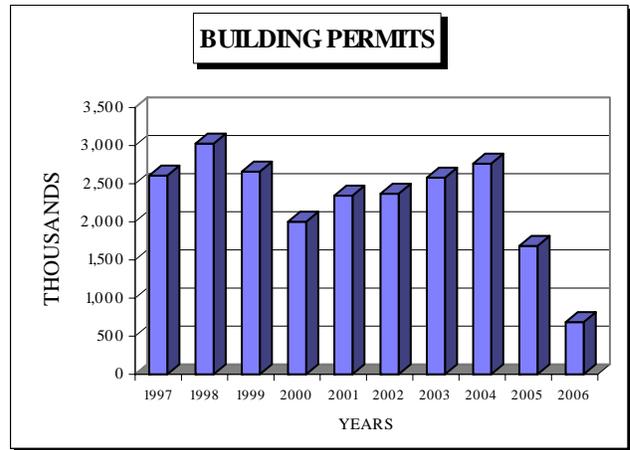


BUILDING PERMITS

This graph depicts the total number of building permits issued per year. This includes residential, commercial and industrial.

Although the number of permits does not reflect the dollar value or size of construction projects, it does give a rough indication of the level of expansion in the County. It also gives some insight into what the future holds for property tax revenues.

TREND: Unfavorable; The number of permits issued increased strongly from 1997 through 1998 and again from 2000 to 2004. However, in 2005 and 2006, the number of permits issued has decreased far below historic values, reflecting economic uncertainties in the Southeast Michigan area.

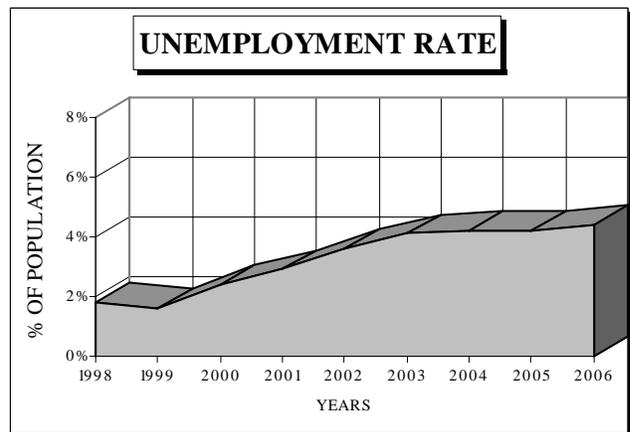


UNEMPLOYMENT RATE

This graph plots the estimated local unemployment rate, as estimated by the Washtenaw County Planning Commission. Unemployment is a significant indicator because it is closely tied to personal income and the level of business activity.

Rising unemployment can lead to a greater need for services and a migration in population. Conversely, lower unemployment rates can bring a population influx, reduce the need for services and bring an increase in revenues.

TREND: Unfavorable; Rising since 1999. However, the 2006 rate of 4.4% is still well below the state rate of 6.9% and on a par with the national rate of 4.6%.



BUSINESS FILINGS

This graph displays the number of assumed names and partnerships filed annually. The number of new businesses started each year can have a number of implications. A declining level may indicate a weakening economy, or that the County is losing its appeal to the business community. Stable or increasing levels may indicate an increased generation in revenues and a decline in services needed as more jobs are generated.

TREND: Favorable; Relatively stable figures through 2006. Over the last ten years, the number of filings has fluctuated around the average of 3,097 annually.

