



Washtenaw County
Popular Annual
Financial Report
Year Ended December 31, 2006



Prepared by the
Finance Department
Peter Ballios, Director

Washtenaw County Board of Commissioners 2007-2008



From left to right

Bottom row: Karen Lovejoy Roe (4), Conan Smith (10), Barbara Levin Bergman (8), Mark Ouimet (1), and Leah Gunn (9). **Top row:** Mandy Grewal (7), Ronnie Peterson (6), Ken Schwartz (2), Jeff Irwin (11), Rolland Sizemore Jr. (5), and Jessica Ping-Mills (3).
(Elected District)



County Administrator
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May 1, 2007



To the Citizens of Washtenaw County:

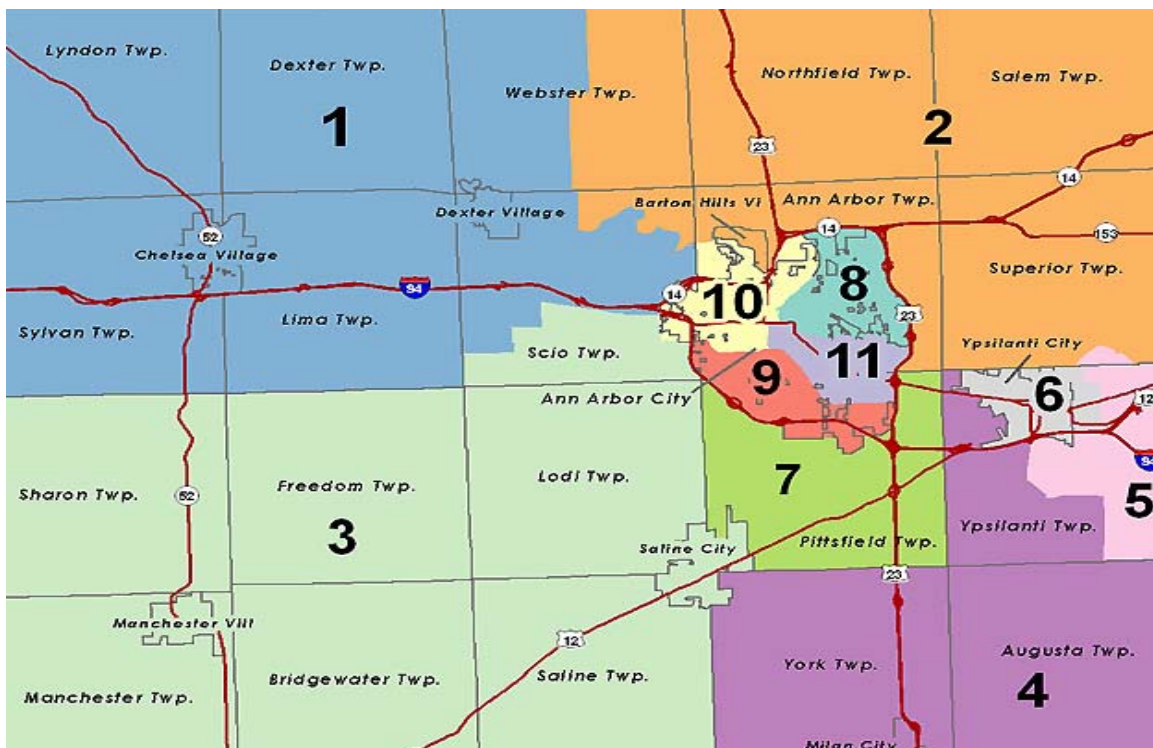
I am pleased to present the Washtenaw County Citizen's Annual Financial Report for the fiscal year ended December 31, 2006. This type of financial report is called a Popular Annual Financial Report (PAFR). This is Washtenaw County's first publication of a PAFR.

Each year the County of Washtenaw publishes a document called the Comprehensive Annual Financial Report (CAFR). The CAFR is comprised of 140 pages of detailed financial statements, note disclosures, supplemental schedules, and statistical tables. The CAFR 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 audited 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.

The information presented here has been taken from the Washtenaw County Comprehensive Annual Financial Report for the fiscal year ended December 31, 2006. This Popular Annual Financial Report 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 Washtenaw's residents gain a better understanding of County government. It is not intended to replace the CAFR, which is available from the Finance Department.

Bob Guenzel, County Administrator

Map of Washtenaw County, Michigan



Washtenaw County, incorporated in 1827, is located in the southeast region of Michigan's Lower Peninsula, approximately 40 miles west of Detroit. The county encompasses 28 cities, villages and townships, settings range from urban to rural and small town to suburban. It is the sixth largest county in the State of Michigan, with an estimated 2006 population of 347,111. Sixty-five percent of the County's population resides in four main areas. Its major cities are Ann Arbor and Ypsilanti, with estimated populations of 53,017 and 34,530, respectively. It covers an area of approximately 710 square miles. The county seat is located in the City of Ann Arbor.

Local Economy

Washtenaw County's vibrant economy is centered on seven business sectors. Major industries located within the government's boundaries or in close proximity include alternative energies, automotive research and development, engineering and production, homeland security and defense, imaging and vision, information technologies, life sciences, and printing and online information. In addition, many high quality educational institutions, most notably the University of Michigan and Eastern Michigan University, and healthcare facilities are located within our borders. The county also is a significant economic presence thanks to the vast array of services provided by more than 1,200 employees. The innovative-based economy in the County is thriving.

Unemployment

Because of its location in a region with a varied economic base, unemployment has been consistently below the state and national averages, 6.8 and 4.6 percent respectively. Although Washtenaw County has one of the healthiest economies in the state, manufacturing layoffs and job losses in trade, transportation, and utilities affected the local unemployment rate. Since 2000, the unemployment rate steadily rose to a decade high and current rate of 4.4 percent (2006).

Unemployment is expected to increase above the national average in the wake of Pfizer Global Research & Development's decision to close its Ann Arbor operations and eliminate 2,100 positions. As the County realizes the full impact of Pfizer's departure, the trickle-down effect could result in 2,000 to 4,000 additional job eliminations for contract workers, temporary employees and lost business in the surrounding retail industries.

Strong Population Growth

Washtenaw County has maintained strong population growth over the past two decades. This growth is expected to continue in the foreseeable future. Over 48% of our residents 25 years and older have completed four or more years of college. The median household income of our residents is over 17% higher than that of the State of Michigan and over 25% higher than the United States as a whole. Personal income figures for our residents have risen significantly in recent years, over 38% since 1995. This indicates a healthy economy and a higher standard of living for our residents.

Strong Growth in Taxable Values / Property Tax Revenues

Washtenaw County's total equalized value of taxable property has more than doubled over the last ten years. The equalized value of taxable property has realized an average 8.8% increase in growth per year for the past five consecutive years. The County's total equalized value of taxable property for 2006 was approximately \$18.5 billion, an increase over the prior year of \$1.0 billion, or roughly 5.8%. The economic base of the County is continuing to increase.

Property tax revenue not only increased in amount, 88.9 percent from six years ago, but also as the percentage of total revenue (a six year average of 42.9 percent), almost half of the revenue collected during 2006. Property taxes increased by approximately \$7.4 million (8.4 percent over the prior year). This increase is the product of increased taxable values and residential growth. An increase of \$19.5 million or 37.4 percent that occurred over prior years was a result of accelerated revenue recognition pursuant to Public Act 357 of 2004, which serves as a substitute for state revenue sharing payments.

Washtenaw County's Net Assets

December 31, 2006

| | Governmental activities | | Business-type activities | | Total | |
|---|-------------------------|-----------------------|--------------------------|---------------------|-----------------------|-----------------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Current and other assets | \$ 146,437,976 | \$ 128,440,906 | \$ 22,615,409 | \$ 20,037,428 | \$ 169,053,385 | \$ 148,478,334 |
| Capital assets | 123,301,798 | 116,410,463 | - | - | 123,301,798 | 116,410,463 |
| Total assets | 269,739,774 | 244,851,369 | 22,615,409 | 20,037,428 | 292,355,183 | 264,888,797 |
| Long-term liabilities outstanding | 69,458,113 | 47,905,323 | 12,011,586 | 10,011,207 | 81,469,699 | 57,916,530 |
| Other liabilities | 24,938,695 | 42,723,293 | 517,950 | 303,403 | 25,456,645 | 43,026,696 |
| Total liabilities | 94,396,808 | 90,628,616 | 12,529,536 | 10,314,610 | 106,926,344 | 100,943,226 |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 90,342,374 | 80,296,301 | - | - | 90,342,374 | 80,296,301 |
| Restricted | 6,812,864 | 6,676,094 | - | - | 6,812,864 | 6,676,094 |
| Unrestricted | 78,187,728 | 67,250,358 | 10,085,873 | 9,722,818 | 88,273,601 | 76,973,176 |
| Total net assets | \$ 175,342,966 | \$ 154,222,753 | \$ 10,085,873 | \$ 9,722,818 | \$ 185,428,839 | \$ 163,945,571 |

Washtenaw County's Changes in Net Assets

Year ended December 31, 2006

| | Governmental activities | | Business-type activities | | Total | |
|---|-------------------------|-----------------------|--------------------------|---------------------|-----------------------|-----------------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Revenue: | | | | | | |
| Program revenue: | | | | | | |
| Charges for services | \$ 29,738,776 | \$ 32,766,765 | \$ 3,566,189 | \$ 3,048,951 | \$ 33,304,965 | \$ 35,815,716 |
| Operating grants and contributions | 61,329,306 | 60,027,293 | 11,960 | 27,424 | 61,341,266 | 60,054,717 |
| Capital grants and contribution | 76,441 | 211,159 | - | - | 76,441 | 211,159 |
| General revenue: | | | | | | |
| Property taxes | 95,271,757 | 87,864,506 | - | - | 95,271,757 | 87,864,506 |
| Grants and contributions not restricted to specific program | 366,250 | 457,637 | - | - | 366,250 | 457,637 |
| Other | 4,150,209 | 2,558,336 | 763,766 | (141,666) | 4,913,375 | 2,416,670 |
| Total revenue | 190,932,739 | 183,885,696 | 4,341,915 | 2,934,709 | 195,274,654 | 186,820,405 |
| Expenses: | | | | | | |
| Legislative | 539,323 | 722,185 | - | - | 539,323 | 722,185 |
| Judicial | 24,021,026 | 22,588,152 | - | - | 24,021,026 | 22,588,152 |
| General government | 17,350,638 | 18,760,566 | - | - | 17,350,638 | 18,760,566 |
| Public safety | 46,907,810 | 45,341,263 | - | - | 46,907,810 | 45,341,263 |
| Public works | 869,372 | 608,029 | - | - | 869,372 | 608,029 |
| Health | 38,859,023 | 35,694,857 | - | - | 38,859,023 | 35,694,857 |
| Social services | 30,222,984 | 26,681,106 | - | - | 30,222,984 | 26,681,106 |
| Culture and recreation | 7,998,879 | 6,891,231 | - | - | 7,998,879 | 6,891,231 |
| Other activities | 4,506,919 | 4,336,497 | - | - | 4,506,919 | 4,336,497 |
| Interest on long-term debt | 1,375,511 | 1,027,653 | - | - | 1,375,511 | 1,027,653 |
| Delinquent tax collections and related activities | - | - | 1,218,973 | 905,801 | 1,218,973 | 905,801 |
| Total expenses | 172,651,485 | 162,651,539 | 1,218,973 | 905,801 | 173,870,458 | 163,557,340 |
| Increase in net assets before transfer | 18,281,254 | 21,234,157 | 3,122,942 | 2,028,908 | 21,404,196 | 23,263,065 |
| Transfers | 2,838,959 | 2,546,616 | (2,759,887) | (1,921,574) | 79,072 | 625,042 |
| Increase in net assets | 21,120,213 | 23,780,773 | 363,055 | 107,334 | 21,483,268 | 23,888,107 |
| Net assets - beginning | 154,222,753 | 130,441,980 | 9,722,818 | 9,615,484 | 163,945,571 | 140,057,464 |
| Net assets - end of year | \$ 175,342,966 | \$ 154,222,753 | \$ 10,085,873 | \$ 9,722,818 | \$ 185,428,839 | \$ 163,945,571 |

This data is derived from the County's 2006 Comprehensive Annual Financial Report.

Washtenaw County Statement of Revenues, Expenditures, and Changes in Fund Balances Year Ended December 31, 2006

| | General | Community Support & Treatment Services | Parks and Recreation | Revenue Sharing Reserve | County Debt Service | County Capital Projects | Other Governmental Funds | Total Governmental Funds |
|---------------------------------------|---------------------|---|-------------------------|-------------------------------|---------------------------|-------------------------------|--------------------------------|--------------------------------|
| Revenues | | | | | | | | |
| Taxes | \$ 66,237,030 | \$ - | \$ 9,738,192 | \$ 19,296,535 | \$ - | \$ - | \$ - | \$ 95,271,757 |
| Licenses and permits | 174,530 | - | - | - | - | - | 2,662,811 | 2,837,341 |
| Intergovernmental | 5,308,246 | 19,731,075 | - | - | 470,151 | - | 32,397,459 | 57,906,931 |
| Charges for services | 16,911,965 | 365,040 | 3,221,211 | - | - | 574,489 | 3,600,326 | 24,673,031 |
| Fines and forfeits | 1,118,938 | - | - | - | - | - | 66,530 | 1,185,468 |
| Investment income | 1,145,749 | - | 1,061,538 | 448,842 | 1,134 | 875,171 | 226,765 | 3,759,219 |
| Other | 917,865 | 446,493 | 214,014 | - | - | 418,663 | 3,322,943 | 5,319,978 |
| Total revenues | 91,814,323 | 20,542,608 | 14,234,975 | 19,745,377 | 471,285 | 1,868,323 | 42,276,834 | 190,953,725 |
| Expenditures | | | | | | | | |
| Current: | | | | | | | | |
| Legislative | 527,328 | - | - | - | - | - | - | 527,328 |
| Judicial | 16,216,012 | - | - | - | - | - | 6,682,837 | 22,898,849 |
| General government | 11,648,323 | - | - | - | - | - | 312,245 | 11,960,568 |
| Public safety | 40,911,096 | - | - | - | - | - | 5,087,227 | 45,998,323 |
| Public works | - | - | - | - | - | - | 832,179 | 832,179 |
| Health | - | 21,681,372 | - | - | - | - | 16,139,353 | 37,820,725 |
| Social services | 1,574,522 | - | - | - | - | - | 28,190,894 | 29,765,416 |
| Culture and recreation | 654,343 | - | 12,340,075 | - | - | - | 844,653 | 13,839,071 |
| Other | 4,506,919 | - | - | - | - | - | - | 4,506,919 |
| Debt service: | | | | | | | | |
| Principal | - | - | - | - | 1,369,476 | - | 1,615,000 | 2,984,476 |
| Interest and fiscal charges | - | - | - | - | 825,866 | - | 374,385 | 1,200,251 |
| Bond issuance costs | - | - | - | - | - | 183,585 | - | 183,585 |
| Capital outlay | - | - | - | - | - | 7,136,562 | 67,375 | 7,203,937 |
| Total expenditures | 76,038,543 | 21,681,372 | 12,340,075 | - | 2,195,342 | 7,320,147 | 60,146,148 | 179,721,627 |
| Revenues over (under) expenditures | 15,775,780 | (1,138,764) | 1,894,900 | 19,745,377 | (1,724,057) | (5,451,824) | (17,869,314) | 11,232,098 |
| Other financing sources (uses) | | | | | | | | |
| Issuance of bonds | - | - | - | - | - | 23,750,000 | - | 23,750,000 |
| Premium on bonds | - | - | - | - | - | 236,004 | - | 236,004 |
| Transfers in | 6,958,254 | 1,280,906 | - | - | 1,723,248 | 18,829,469 | 19,513,999 | 48,305,876 |
| Transfers out | (22,332,075) | - | - | (5,920,969) | - | (15,288,372) | (2,623,732) | (46,165,148) |
| Total other sources (uses) | (15,373,821) | 1,280,906 | - | (5,920,969) | 1,723,248 | 27,527,101 | 16,890,267 | 26,126,732 |
| Net change in fund balances | 401,959 | 142,142 | 1,894,900 | 13,824,408 | (809) | 22,075,277 | (979,047) | 37,358,830 |
| Fund balances: | | | | | | | | |
| Beginning of year, as restated | 8,091,326 | 904,322 | 17,234,808 | 29,192,442 | 1,745 | 14,890,649 | 7,374,474 | 77,689,766 |
| End of year | \$ 8,493,285 | \$ 1,046,464 | \$ 19,129,708 | \$ 43,016,850 | \$ 936 | \$ 36,965,926 | \$ 6,395,427 | \$ 115,048,596 |

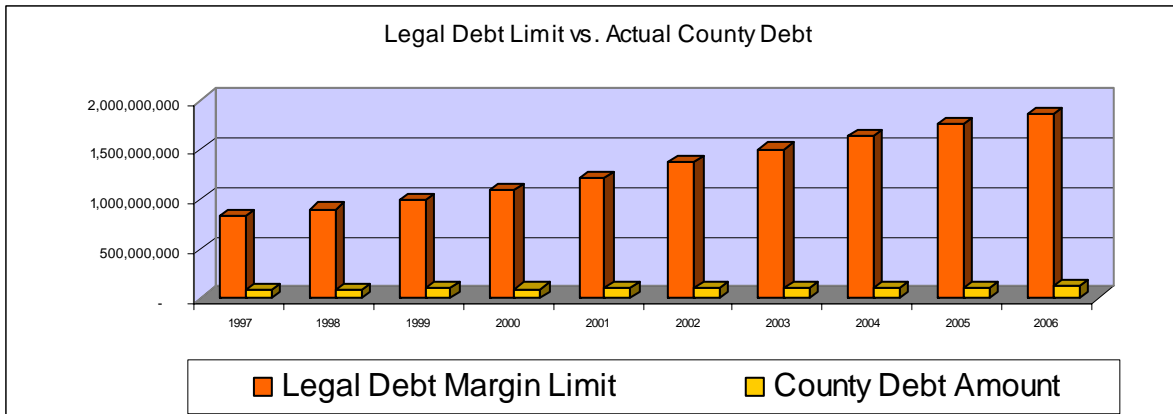
This data is derived from the County's 2006 Comprehensive Annual Financial Report. It does not include the proprietary or fiduciary funds.

- At the close of fiscal year 2006, the County's governmental funds reported combined ending fund balances of \$115,048,596, an increase of \$37,358,830 in comparison with the prior year.
- 8% of the ending fund balances, or \$8,352,216, is available for spending at the governments discretion (Undesignated fund balance).
- 92% of the ending fund balances are subject to the underlying limitations applicable to the particular special revenue, debt service, and capital project funds.

Washtenaw County Debt

| | Governmental activities | | Business-type activities | | Total | |
|--------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| General obligation bonds | \$ 56,400,000 | \$ 35,615,000 | \$ - | \$ - | \$ 56,400,000 | \$ 35,615,000 |
| Delinquent tax notes | - | - | 12,000,000 | 10,000,000 | 12,000,000 | 10,000,000 |
| Total | \$56,400,000 | \$ 35,615,000 | \$ 12,000,000 | \$ 10,000,000 | \$ 68,400,000 | \$ 45,615,000 |

This data is derived from the County's 2006 Comprehensive Annual Financial Report.



Washtenaw County has received excellent marks when it comes to credit risk. The primary reason is that we keep our number one goal of ensuring long term fiscal stability at the forefront of every decision. By keeping the future our focus we have been able to keep borrowing to a minimum year after year.

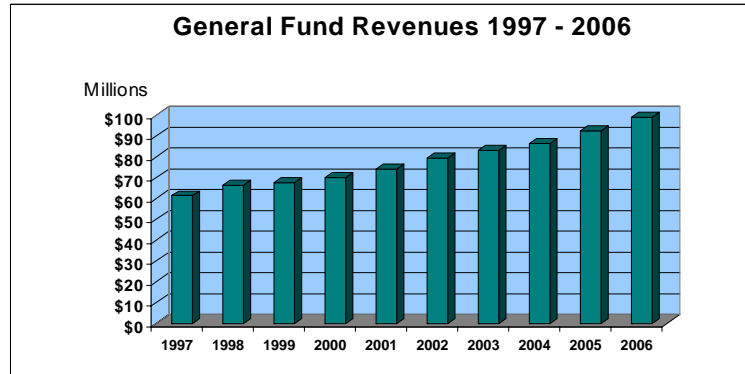
Our County Bond Rating:

Standard & Poor's = AA+
Moody's = Aa2

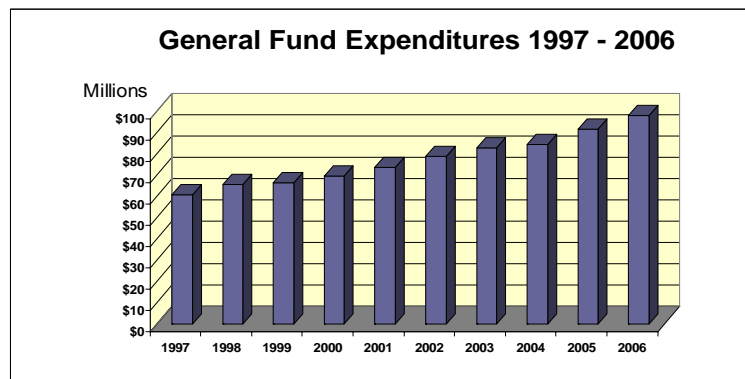


Ensuring Washtenaw County's Long Term Fiscal Stability

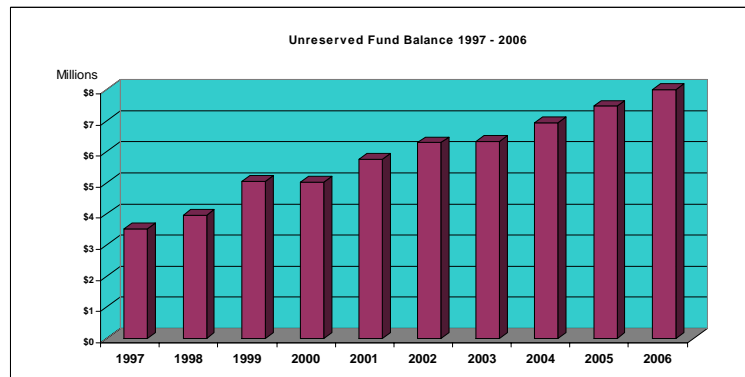
- Washtenaw County General Fund Revenues have maintained steady growth despite a struggling state/national economy.



- Washtenaw County General Fund Expenditures have remained in check in order to allow our General Fund Unreserved fund balance to stay healthy.



- At the end of 2006 the General Fund had a surplus of \$401,959 bringing the Unreserved balance fund to a total of \$8,352,216 or approximately 8 percent of total fund expenditures and transfers out.



- The Government Finance Officers Association (GFOA) recommends that general purpose governments maintain unreserved fund balance in their general fund of no less than 5-15 percent of regular general fund operating revenues.

Washtenaw County Initiatives

Wireless Washtenaw:

- Wireless Washtenaw is a County community coming together to provide free or lower-cost access to the Internet for anyone in Washtenaw County, regardless of their location or economic status.
- Perhaps the most exciting aspect of Wireless Washtenaw is that the extraordinary collaboration of the private and public sectors will mean that this wireless network will be available county-wide, with no taxpayer dollars spent on its construction, maintenance, nor operation.



Other Local Collaborations:

- Community Collaborative of Washtenaw County
- Dispute Resolution Center of Washtenaw County
- Food System Economic Partnership
- Humane Society of Huron Valley
- Huron River Watershed Council
- Project Outreach (PORT)
- River Raisin Watershed Council
- Shelter Association of Washtenaw County
- SOS Community Services
- Southeast Michigan Council of Governments
- Southwest Washtenaw Council of Governments
- Washtenaw Area Teens for Tomorrow

Washtenaw County Initiatives (cont.)

Other Local Collaborations (cont.)

- Washtenaw Area Transportation Study
- Washtenaw County Bar Association
- Washtenaw County Conservation District
- Washtenaw Development Council
- Washtenaw Housing Alliance
- Washtenaw Intermediate School District
- Washtenaw Literacy
- Washtenaw Success by 6

(for information pertaining to each collaboration please visit the county web site at www.ewashtenaw.org/government/collaborations.html)

