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June 18, 2021

To the Residents of Washtenaw County:

I am pleased to present the Washtenaw County Resident’s Annual Financial Report for the fiscal year ended December 31, 2020. This type of financial report is called a Popular Annual Financial Report (PAFR). This is Washtenaw County’s fifteenth publication of a PAFR.

Each year the County of Washtenaw publishes a document called the Annual Comprehensive Financial Report (ACFR). The ACFR is comprised of 236 pages of detailed financial statements, note disclosures, supplemental schedules, and statistical tables. The ACFR 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 ACFR 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, 2020 and is presented in conformity with GAAP. This Popular Annual Financial Report has been prepared to provide a less technical discussion of County finances. The PAFR is presented in terms of governmental activities which includes all the County’s basic functions: legislative, judicial, general government, public safety, public works, health, social services, culture and recreation, and debt repayment. Property taxes, intergovernmental revenue for operating grants and contributions, and charges for services finance most of these activities. In addition, 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 ACFR, which is available on the County Website at:

https://www.washtenaw.org/ArchiveCenter/ViewFile/Item/1091
Washtenaw County is empowered to levy a property tax, the primary source of funding, on both real and personal property located within its boundaries. The County Board of Commissioners acts as the County’s legislative and administrative body for many County functions. The Board consists of nine commissioners elected by direct vote from single-member districts every two years. In addition, there are fifteen elected officials serving the County in judicial, administrative, or staff officer roles. Washtenaw County government manages and finances a full range of services.

Mission

To represent the citizens of Washtenaw County and to be responsible for all County services.

DID YOU KNOW?

- Washtenaw County is the sixth largest county in the State of Michigan.
- The estimated 2019 Population Estimate was 367,601.
- Washtenaw County’s two major cities are Ann Arbor and Ypsilanti with estimated populations of 119,980 and 20,171 respectively. The County’s two largest townships are Ypsilanti Township and Pittsfield Township with estimated populations of 55,216 and 38,921 respectively.
- The largest areas of employment (totaling 38.2% of total employees in Washtenaw County as of the most recent 2019 statistics) are educational services, health care, and social assistance.
- The median household income is $72,586 (2019 1 yr. estimate)
- The median home value is $263,300 (2019 1 yr. estimate)
- The median age is 33.6 (2019 1 yr. estimate)
- The Sales Tax rate is 6%
County unemployment had been steadily decreasing from a high of 5.3 percent in 2013 to a low of 2.2 percent in 2019, however, the coronavirus outbreak had a drastic effect in 2020 increasing unemployment to 3.6 percent in 2020. The economic diversity within the County is the largest contributing factor to our low level of unemployment when compared to the state and national average.
A property’s taxable value represents the value to which various tax millage rates are applied. This value is used in determining the amount of County property taxes, and therefore, County revenues. A property’s taxable value is adjusted to market upon purchase or change in ownership. It is adjusted annually thereafter for market value changes. An increase may not exceed 5% or the rate of inflation, whichever is smaller. Washtenaw County’s taxable value increased by 4.8% during 2020.

A property’s assessed value or State Equalized Value (SEV) is required by law to be 50% of the true cash value of the property. Therefore, assessed value figures can be used to gauge the health of a County’s housing market. Washtenaw County’s total assessed property value increased by $1.45B dollars or 6.5% during 2020. This increase represents a healthy economic recovery of the County’s housing market.

Widespread growth in valuation for the entire State of Michigan demonstrates the strength of the continued economic recovery from the Great Recession. Washtenaw County compares favorably in the percentage growth of taxable value and assessed value from 2019 to 2020 of its properties with other counties in the state of similar population and general fund activity.
GENERAL FUND

The General Fund is the primary operating fund of the County. It is used to account for many of the general operations of County government including legislative, judicial, general government (such as administration, finance, human resources, and information technology), and public safety (such as the County jail and road patrol). At December 31, 2020, the fund balance was $44.0 million, an increase of $5.6 million.

GF REVENUES & TRANSFERS IN

General Fund revenues were $129.0 million (excluding any transfers in), an increase over the prior year of $6.0 million. The growth in General Fund revenues was driven by a $5.9 million increase in the County’s Intergovernmental funds reimbursements from Federal and State governments related to the CARES ACT (Coronavirus Aid, Relief, and Economic Security) act and from FEMA (Federal Emergency Management Agency) due to COVID-19.

The General Fund received $2.3 million in transfers from other County funds. The largest portion of this was a transfer of $1.9 million from the E-911 fund, which receives revenues from E-911 assessments on phone bills for telephone lines within the County.

Washtenaw County is home to some of the most sought after colleges and universities in all of Michigan.
General Fund expenditures for 2020 were $91.5 million, an increase of $2.9 million over 2019. The increase was largely the result of an increase to general government of $8.8 million offset by a decrease in public safety of $5.5 million. The 2016 amounts have been recalculated for general government and judicial to make them comparable to 2017 and to reflect the 2017 movement of the clerk-court services division from general government to judicial. The increase in health expenditures in 2018 was caused by a one-time, non-structural, allocation of expenses for the Mental Health Shared Risk Corridor.

The General Fund transferred $34.1 million to other County funds during 2020. Most of these transfers were required to meet State and Federal matching requirements for County programs in the areas of mental health, public health, youth rehabilitation, friend of the court, community development as well as for internal technology and infrastructure projects.

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Legislative</td>
<td>$974,119</td>
<td>$876,151</td>
<td>$788,854</td>
<td>$482,993</td>
<td>$432,230</td>
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<td>Judicial</td>
<td>$17,067,042</td>
<td>$17,745,301</td>
<td>$20,687,385</td>
<td>$20,317,329</td>
<td>$19,522,959</td>
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<tr>
<td>General Government</td>
<td>$17,219,832</td>
<td>$8,412,457</td>
<td>$7,870,970</td>
<td>$7,764,135</td>
<td>$7,143,623</td>
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<tr>
<td>Public Safety</td>
<td>$32,288,096</td>
<td>$37,829,220</td>
<td>$56,009,309</td>
<td>$55,722,015</td>
<td>$54,557,965</td>
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<tr>
<td>Public Works</td>
<td>$115,180</td>
<td>$122,443</td>
<td>$105,132</td>
<td>$122,222</td>
<td>$127,334</td>
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<tr>
<td>Health</td>
<td>$0</td>
<td>$0</td>
<td>$3,696,366</td>
<td>$0</td>
<td>$0</td>
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<tr>
<td>Social Services</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$372,814</td>
</tr>
<tr>
<td>Culture and Recreation</td>
<td>$429,984</td>
<td>$415,351</td>
<td>$441,946</td>
<td>$313,874</td>
<td>$299,457</td>
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<tr>
<td>Debt Service</td>
<td>$0</td>
<td>$359,039</td>
<td>$775,784</td>
<td>$775,784</td>
<td>$416,695</td>
</tr>
<tr>
<td>Other Activities</td>
<td>$3,428,452</td>
<td>$3,481,904</td>
<td>$3,119,939</td>
<td>$2,984,356</td>
<td>$2,715,679</td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>$91,522,703</td>
<td>$89,241,896</td>
<td>$93,496,187</td>
<td>$88,482,938</td>
<td>$85,588,956</td>
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<tr>
<td>Transfers Out</td>
<td>34,104,872</td>
<td>28,577,866</td>
<td>21,515,411</td>
<td>21,401,633</td>
<td>19,659,735</td>
</tr>
<tr>
<td>Grand Total</td>
<td>$125,627,575</td>
<td>$117,819,762</td>
<td>$115,011,598</td>
<td>$109,884,571</td>
<td>$105,248,711</td>
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</table>
Long Term Debt

As of December 31, 2020 the County had total bonded and note debt outstanding of $37,380,000. This entire amount comprises debt backed by the full faith and credit of the County. The general obligation bonds decreased by $3.0 million (13 percent) and the delinquent tax notes increased by $3.3 million (24 percent) from 2019 to 2020. The County issued $15.5 million in new delinquent tax notes during 2020. The County has an “Aaa” rating for general obligation bonds from Moody’s. The County has an “AAA” rating for its general obligation bonds from Standard & Poor’s. Finally, the County has a “F1+” rating for general obligation tax notes and an “AA+” for existing general obligation bonds. The rating outlook for the County from each of these agencies is stable.

Pension and Retiree Healthcare

The County provides postemployment benefits to its employees upon retirement as described herein. General employees hired prior to January 1, 2014 are enrolled in a defined benefit contributory pension plan and are eligible for traditional healthcare benefits funded through the Voluntary Employees’ Beneficiary Association Trust (VEBA) upon retirement. These plans were closed to new general employees effective December 31, 2013. General employees hired on or after January 1, 2014 are enrolled in a defined contribution pension plan and Retirement Health Savings Plan of the Command Officers Association of Michigan (COAM), who were hired prior to January 1, 2016, and Sheriff employees who are members of the Police Officers Association of Michigan (POAM), who were hired prior to January 1, 2015, are eligible for traditional healthcare benefits funded through the VEBA upon retirement. If hired on or after these dates, COAM and POAM Sheriff employees are enrolled in the Retiree Health Savings Plan described above.

WASHTENAW COUNTY LONG-TERM LIABILITIES

<table>
<thead>
<tr>
<th>WASHTENAW COUNTY DEBT</th>
<th>12/30/2020</th>
<th>12/30/2019</th>
<th>12/31/2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>General obligation bonds</td>
<td>$20,580,000</td>
<td>$23,565,000</td>
<td>$27,435,000</td>
</tr>
<tr>
<td>Delinquent tax notes</td>
<td>16,800,000</td>
<td>13,500,000</td>
<td>14,800,000</td>
</tr>
<tr>
<td>Amount owed employees for unused sick and vacation time</td>
<td>19,816,951</td>
<td>17,602,346</td>
<td>16,636,039</td>
</tr>
<tr>
<td>Amount owed on capital equipment leases</td>
<td>6,476,564</td>
<td>5,246,469</td>
<td>6,360,270</td>
</tr>
<tr>
<td>Installment Contracts</td>
<td></td>
<td></td>
<td>19,476</td>
</tr>
<tr>
<td>Loan from State of Michigan</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less net deferred amounts for Issuance discounts / premiums</td>
<td>277,526</td>
<td>323,709</td>
<td>369,892</td>
</tr>
<tr>
<td>Washtenaw County Debt Total</td>
<td>$63,951,041</td>
<td>$60,237,524</td>
<td>$65,620,677</td>
</tr>
</tbody>
</table>

Defined Benefit Pension and Retiree Healthcare

**Net OPEB Liability (GASB 74 & 75)**
Voluntary Employees’ Beneficiary Association (plan fiduciary net position was 83.30 % of total OPEB liability at 12/31/20)
Section Total | $33,592,171 | $57,546,757 | $128,116,823 |

Net Pension Liability (GASB 67 & 68)

Employees Retirement System (plan fiduciary net position was 80.18 % of total pension liability at 12/31/20)
Section Total | 75,550,697 | 88,249,570 | 116,563,252 |

Municipal Employees’ Retirement System (MERS) (plan fiduciary net position was 77.52 % of total pension liability at 12/31/20)
Section Total | 33,588,466 | 32,373,996 | 36,257,382 |

Pension and Retiree Healthcare Total | $142,731,334 | $178,170,323 | $280,937,657 |

Total Primary Government | $206,682,375 | $236,407,847 | $346,558,334 |

**(GASB 74 as of 2017, GASB 75 as of 2019)**
Implemented GASB 74 in 2017.
The Statements of Net Position and Activities

One of the most important questions asked about the County’s finances is, “Is the County as a whole better off or worse off as a result of this year’s activities?” The statements of net position and activities report information about the County as a whole and its activities in a way that helps answer this question. These two statements present financial information on all of the County’s assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in the County’s net position are one indicator of whether its financial health is improving or deteriorating. During 2020, the net position of the County increased by $47.5 million.

Washtenaw County is home to many organic farms that sell food locally. One of the benefits of buying food locally grown is that it supports local farmers and the local economy. With less harmful pesticides and hormones than non-organic food, organics are becoming more popular with consumers as time goes on with many organic converts becoming customers for life.

*The County’s net position increased by $47.5 million from the prior year. The primary drivers of this increase were current year operations with a $47.5 million surplus of revenues over expenditures related to governmental activities. Business-type activities had no material effect on the County’s net position during 2020. The net effect of activity lead to a nominal increase of less than $5,000.
The County’s total revenues increased by 2.42%, or $7.4 million, during 2020 compared to the prior year. Operating grants and revenues increased $16.1 million over the prior year. This included a general government revenue increase of $7.5 million due to various programs being reimbursed under the CARES Act. Property taxes increased $4.8 million over the prior year due to the general operating millage increase of $3.1 million from the continued increase in the taxable value of assessed property in the County and specially voted millages. Accommodations taxes restricted for tourist programs decreased by $4.4 million in 2020 due to the shelter-in-place order by the Governor and the Michigan Department of Health and Human Services (DHHS) throughout the year. Charges for services revenue decreased by $8.0 million over the prior year largely the result of the shelter-in-place order mentioned previously.

The County’s total expenses decreased by 4.24%, or $11.8 million, during 2020 compared to the prior year. Expenses throughout the County related to pensions and OPEB decreased by $23.2 million. Public safety expenses decreased overall $10.6 million due to the decline of the pension and OPEB expenses and a $4.5 million decline from the reduced demand for services in the Road Patrol and Corrections Housing areas. Health expenses decreased $6.2 million primarily due to the change in pension and OPEB expenses. Social services increased $2.0 million largely as a result of expenses related to Home Investment Partnerships. Judicial expenses decreased by $1.7 million due in large part to the reduction of the pension and OPEB expense accounts. Public works expenses increased by $8.0 million by consolidating and utilizing expiring road millage funds. General government expenses increased by $1.2 million due to reimbursements from the CARES act.

By the numbers
Five largest employers in Washtenaw County by number of employees (2020):

<table>
<thead>
<tr>
<th>Employer</th>
<th># of Employees</th>
<th>% of Total County Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) University of Michigan</td>
<td>35,446</td>
<td>18.71%</td>
</tr>
<tr>
<td>2) Trinity Health</td>
<td>7,618</td>
<td>4.02%</td>
</tr>
<tr>
<td>3) U.S. Government</td>
<td>3,062</td>
<td>1.62%</td>
</tr>
<tr>
<td>4) Ann Arbor Public Schools</td>
<td>2,607</td>
<td>1.38%</td>
</tr>
<tr>
<td>5) Faurecia North America</td>
<td>1,820</td>
<td>0.96%</td>
</tr>
</tbody>
</table>
Long Term Financial Planning

The Board of Commissioners adopted the County’s seventh quadrennial (2020-2023) budget on November 20, 2019 per resolution 19-206. The County’s annual budgets are balanced through 2023. Quadrennial budget development occurred in partnership with organizational leaders and with engagement by all employees. The quadrennial budget was developed with an attempt to balance the short-term with the long-term, both from a fiscal perspective but also considering the impact on the community. We must be conservative to set ourselves on a path towards long-term fiscal stability. At the same time, we must be reasonable in our assumptions to maintain as many programs and provide as many services to those in need. The economic impact of COVID-19 has yet to be determined but is likely to affect both revenues and expenditures in the future.

On the revenue side, the major assumption is that property taxes will stabilize at 1.5 percent growth in taxable value each year, 2021 and beyond, to absorb the impact of any applicable Headlee reduction fraction, increased support for tax increment financing authorities and the result of personal property tax reform. These projections assume the State of Michigan will keep reinstated revenue sharing/county incentive program in the amount of $7.2 million per year. This amount is in alignment with the State’s published fiscal year 2020 projected payment amounts. Other revenue including fees and fines are estimated to remain relatively flat.

For expenditures, the assumptions take into consideration conservative wage adjustments in alignment with the labor agreements reached but with growing fringe rates based on trends (currently projected to be 5% annually). Next to personnel, the largest portion of the General Fund budget comes through its appropriations to programs outside the General Fund.
Washtenaw County is one of only two counties in the State of Michigan that holds all three of these GFOA awards simultaneously.

- The Government Finance Officers Association (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the County for its December 31, 2019 ACFR. This was the 30th consecutive year the County has earned this prestigious award (since 1990)!

- In order to qualify, the County must publish an easily readable and efficiently organized ACFR that satisfies both generally accepted accounting principles and applicable legal requirements.

- We believe that our current ACFR meets the award requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

- In addition to the Certificate of Achievement, the County received the GFOA’s Distinguished Budget Presentation Award for its 2019-2022 budget. The County has received this award since 1990!

- In order to qualify for this award, the County's budget document was judged to be proficient as a policy document, a financial plan, an operations guide, and a communication device.

- The County was the proud recipient of the GFOA award for its (PAFR). The fiscal year 2019 PAFR was the County’s fourteenth citation (since 2006).
Washtenaw County Health Department
Washtenaw County, Michigan

All pictures from search “Covid-19 pictures Washtenaw County” except picture bottom pictures from “Events—Washtenaw County 2020.”