

FINAL OFFICIAL STATEMENT DATED MAY 28, 2014

NEW ISSUE

Ratings: Standard & Poor's : AAA
Moody's: Aa1

Subject to compliance by the County with certain tax-related covenants, in the opinion of Axe & Ecklund, P.C., Bond Counsel, under present law (i) interest on the Refunding Bonds is excluded from gross income of the owners of the Refunding Bonds for federal income tax purposes, but must be taken into account in computing the alternative minimum tax imposed on certain corporations, as more fully described under the heading "Tax Matters" herein, and (ii) the Refunding Bonds and interest thereon are exempt from all taxation provided by the laws of the State of Michigan except inheritance and estate taxes and taxes on gains realized from the sale, payment or other disposition of the Refunding Bonds.

\$15,920,000
COUNTY OF WASHTENAW
Washtenaw County, Michigan
CAPITAL IMPROVEMENT REFUNDING BONDS, SERIES 2014

DATED: JUNE 1, 2014
NOT QUALIFIED TAX-
EXEMPT OBLIGATIONS

GENERAL OBLIGATION LIMITED TAX BONDS

REGISTRATION: Book entry only system

INTEREST: Paid from June 1, 2014 - 1st Paid January 1, 2015 - Semi-Annually Thereafter

REGISTRAR, TRANSFER and PAYING AGENT: The Huntington National Bank, Grand Rapids, Michigan

DENOMINATIONS: \$5,000 or a Multiple of \$5,000, Numbered From 1 Upwards

AUTHORITY: Act No. 34, Public Acts of Michigan, 2001, as amended

REDEMPTION PROVISIONS: Maturities on July 1, 2021 or Prior - Non-Callable

Maturities on July 1, 2022 or After as follows:

Bonds called for redemption on or after July 1, 2021 shall be redeemed at par.

PURPOSE AND SECURITY: See "Security for the Refunding Bonds" and "Description of the Refunding Bonds" herein

BOOK ENTRY CUSTODIAL DEPOSITORY: The Depository Trust Company, New York, N.Y.

THE ABILITY OF THE COUNTY TO RAISE FUNDS WITH WHICH TO MEET ITS
FULL FAITH AND CREDIT PLEDGE IS SUBJECT TO CONSTITUTIONAL AND
STATUTORY LIMITATIONS ON THE TAXING POWER OF THE COUNTY.

MATURITY SCHEDULE

(Base CUSIP: 940893)

<u>Due</u> <u>July 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP</u>	<u>Due</u> <u>July 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP</u>
2015	\$1,030,000	2.00%	0.20%	TK6	2022*	\$1,250,000	2.00%	2.15%	TS9
2016	1,080,000	2.00	0.35	TL4	2023*	1,315,000	2.125	2.30	TT7
2017	1,090,000	2.00	0.70	TM2	2024*	1,350,000	2.375	2.40	TU4
2018	1,125,000	2.00	1.00	TN0	2025*	1,360,000	2.625	2.60	TV2
2019	1,165,000	2.00	1.35	TP5	2026*	1,350,000	2.75	2.70	TW0
2020	1,200,000	2.00	1.60	TQ3	2027*	1,390,000	3.00	2.85	TX8
2021	1,215,000	2.00	1.90	TR1					

* Callable-See "Description of the Refunding Bonds-Prior Redemption" herein.

Information prepared in cooperation with:

KELLY BELKNAP
County Finance Director

VERNA MCDANIEL
County Administrator

Bond Counsel:
AXE & ECKLUND, P.C.
Grosse Pointe Farms, Michigan

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.



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NO DEALER, BROKER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORIZED BY THE COUNTY OF WASHTENAW OR THE WASHTENAW COUNTY TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN AS CONTAINED IN THIS OFFICIAL STATEMENT, AND IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COUNTY OR THE COUNTY.

THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT HAS BEEN PREPARED FROM SOURCES WHICH ARE DEEMED TO BE RELIABLE, BUT IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS.

THE INFORMATION AND EXPRESSIONS OF OPINION IN THIS OFFICIAL STATEMENT ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER THE DELIVERY OF THE OFFICIAL STATEMENT NOR ANY SALE MADE UNDER IT SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COUNTY OR THE COUNTY SINCE THE DATE OF THIS OFFICIAL STATEMENT.

**OFFICIAL STATEMENT
OF THE
\$15,920,000
County of Washtenaw, State of Michigan

COUNTY OF WASHTENAW CAPITAL IMPROVEMENT
REFUNDING BONDS, SERIES 2014**

The purpose of this Official Statement is to set forth information concerning the Washtenaw County's (the "County") proposed County of Washtenaw Capital Improvement Refunding Bonds, Series 2014 (the "Refunding Bonds"). This Official Statement has been prepared in connection with the sale of the Refunding Bonds and for the information of those who initially become holders of the Refunding Bonds. Information summarized on the cover page is part of this Official Statement.

INTRODUCTION

The County, by adoption of a refunding bond resolution (the "Resolution"), has authorized the refunding of a portion of the outstanding County of Washtenaw Capital Improvement Bonds, Series 2006A, dated February 1, 2007, in the original principal amount of \$21,675,000 (the "Prior Bonds"), by the issuance of the Refunding Bonds described hereafter. This refunding issue will provide funds which will pay and/or redeem, when callable, the following Prior Bonds:

**Prior Bonds
Outstanding**
\$16,900,000
maturing in the
years 2014-2027

**Prior Bonds
Being Refunded**
\$15,975,000
maturing in the years 2015-
2027, redeemed on July 1, 2014
at a 0% call premium
(the "Refunded Bonds")

DESCRIPTION OF THE REFUNDING BONDS

The Refunding Bonds, aggregating the principal sum of \$15,920,000 shall be known as "County of Washtenaw Capital Improvement Refunding Bonds, Series 2014" and shall be dated June 1, 2014. The Refunding Bonds shall be fully registered Refunding Bonds, both as to principal and interest, in any one or more denominations of \$5,000 or a multiple of \$5,000 numbered from 1 upwards. The Refunding Bonds shall mature on July 1, 2015 and each July 1 thereafter as provided on the cover page of this Official Statement.

Adjustment In Principal Amount

The aggregate principal amount of the Refunding Bonds has been determined as the amount necessary to retire the Refunded Bonds and pay a portion or all of the costs of issuance of the Refunding Bonds, assuming certain conditions and events exist on the date of sale. The County reserves the right, following receipt of proposals and prior to final award, to increase or decrease the aggregate principal amount of the Refunding Bonds by any amount. The increase or decrease will be in increments of \$5,000 and may be made in any one or more maturities. The purchase price will be adjusted proportionately to the increase or decrease of the principal amount of the Refunding Bonds, but the interest rates specified by the successful proposer for all maturities will not change. In the case of a proposal with a premium, the aggregate amount of the Refunding Bonds will generally be reduced by at least the amount of the premium offered. The successful proposer may not withdraw the proposal as a result of any adjustment made within the limits herein described.

Rejection of Proposals-Negotiation

If no proposal results in present value debt service savings acceptable to the County, the County may reject all proposals and negotiate with one or more of the proposers for the sale of the Refunding Bonds on terms which will enable the County to achieve acceptable present value debt service savings.

Qualification Under Section 265(b)(3) of the Internal Revenue Code of 1986

The Refunding Bonds have not been designated by the County as "Qualified Tax-Exempt Obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986.

Interest Payment and Interest Rate

The Refunding Bonds shall bear interest payable January 1, 2015 and semi-annually thereafter on each July 1 and January 1, until maturity, with an average interest rate not exceeding 6% per annum. Interest shall be paid by check or draft mailed to the registered owner of each Refunding Bond as of the applicable date of record.

Term Bond Option

Refunding Bonds maturing in the years 2020-2027, inclusive, are eligible for designation by the original purchaser at the time of sale as Serial Refunding Bonds or Term Refunding Bonds, or both. There may be more than one Term Refunding Bond maturity. However, principal maturities designated as Term Refunding Bonds shall be subject to mandatory redemption, in part, by lot, at par and accrued interest on July 1st of the year in which the Refunding Bonds are presently scheduled to mature. Each maturity of Term Refunding Bonds and Serial Refunding Bonds

must carry the same interest rate. Any such designation must be made at the time the proposals are submitted.

Paying Agent and Bond Registrar

The Huntington National Bank, Grand Rapids, Michigan, has been selected as bond registrar and paying agent (the "Bond Registrar") for the Refunding Bonds. The Bond Registrar will keep records of the registered owners of the Refunding Bonds, serve as transfer agent for the Refunding Bonds, authenticate the original and any re-issued Refunding Bonds and will pay principal and interest to the registered owners of the Refunding Bonds as shown on the registration books of the Issuer maintained by the Bond Registrar on the applicable date of record. The principal of each Bond will be paid when due upon presentation and surrender thereof to the Bond Registrar. The date of record shall be the 15th day of the month before such payment is due.

Book-Entry-Only

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Refunding Bonds. The Refunding Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered Bond certificate will be issued for each maturity of the Refunding Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE REFUNDING BONDS AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS, HOLDERS OR REGISTERED OWNERS OF THE REFUNDING BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE REFUNDING BONDS.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations ("Direct Participants"). DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Refunding Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Refunding Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Refunding Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in Refunding Bonds, except in the event that use of the book-entry system for the Refunding Bonds is discontinued.

To facilitate subsequent transfers, all Refunding Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Refunding Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Refunding Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Refunding Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Refunding Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Refunding Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Refunding Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments made by or on behalf of the County to DTC or its nominee shall satisfy the County's obligations under the Bond Resolution to the extent of the payments so made.

Principal and interest payments on the Refunding Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on a payment date in accordance with their respective

holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on such payment date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the paying agent (the "Paying Agent"), or the County subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the County or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Refunding Bonds at any time by giving reasonable notice to the County or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered. THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE COUNTY BELIEVES TO BE RELIABLE, BUT NEITHER THE COUNTY, BOND COUNSEL, FINANCIAL ADVISOR NOR THE UNDERWRITERS ASSUME ANY RESPONSIBILITY FOR THE ACCURACY THEREOF.

THE COUNTY AND THE COUNTY'S BOND COUNSEL OR FINANCIAL ADVISOR, THE UNDERWRITERS AND THE PAYING AGENT CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE REFUNDING BONDS (i) PAYMENTS OF PRINCIPAL OF OR INTEREST AND PREMIUM, IF ANY, ON THE REFUNDING BONDS (ii) ANY DOCUMENT REPRESENTING OR CONFIRMING BENEFICIAL OWNERSHIP INTERESTS IN REFUNDING BONDS, OR (iii) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE REFUNDING BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH THE PARTICIPANTS ARE ON FILE WITH DTC.

NEITHER THE COUNTY, THE UNDERWRITERS NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OF ANY OTHER PERSON WITH RESPECT TO: (1) THE REFUNDING BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC TO ANY PARTICIPANT, OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO ANY BENEFICIAL OWNER OF ANY AMOUNT DUE WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE REFUNDING BONDS; (4) THE DELIVERY BY DTC TO ANY PARTICIPANT, OR

BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO ANY BENEFICIAL OWNER OF ANY NOTICE WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE BOND RESOLUTION TO BE GIVEN TO BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE REFUNDING BONDS; (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

Discontinuation of Book-Entry-Only System

DTC may determine to discontinue providing its service with respect to the Refunding Bonds at any time by giving notice to the County and the Transfer/Paying Agent and discharging its responsibilities with respect thereto under applicable law. Upon the giving of such notice, the Transfer/Paying Agent shall attempt to have established a securities depository/book-entry system relationship with another qualified depository. If the Transfer/Paying Agent does not or is unable to do so, the book-entry-only system shall be discontinued.

Transfer Outside Book-Entry-Only System

In the event the book-entry-only system is discontinued, the following provisions would apply to the Refunding Bonds. The Transfer Agent shall keep the registration books for the Refunding Bonds (the "Bond Register") at its corporate trust office. Subject to the further conditions contained in the Resolution, the Refunding Bonds may be transferred or exchanged for one or more Refunding Bonds in different authorized denominations upon surrender thereof at the corporate trust office of the Paying Agent by the registered owners or their duly authorized attorneys; upon surrender of any Refunding Bonds to be transferred or exchanged, the Paying Agent shall record the transfer or exchange in the Bond Register and shall authenticate replacement Refunding Bonds in authorized denominations; during the 15 days immediately preceding the date of mailing ("Record Date") of any notice of redemption or any time following the mailing of any notice of redemption, the Paying Agent shall not be required to effect or register any transfer or exchange of any Bond which has been selected for such redemption, except the Refunding Bonds properly surrendered for partial redemption may be exchanged for new Refunding Bonds in authorized denominations equal in the aggregate to the unredeemed portion; the County and Paying Agent shall be entitled to treat the registered owners of the Refunding Bonds, as their names appear in the Bond Register as of the appropriate dates, as the owner of such Refunding Bonds for all purposes under the Resolution. No transfer or exchange made other than as described above and in the Resolution shall be valid or effective for any purposes under the Resolution.

Plan of Refunding

The proceeds of the Refunding Bonds will be used to pay the principal and interest on the Prior Bonds when due, to and including July 1, 2014 (the "Redemption Date"); to pay on said Redemption Date the principal of, premium, if any, on the

Refunded Bonds maturing in the years 2015 through 2027; and to pay the costs of issuance.

Simultaneously with the issuance and delivery of the Refunding Bonds, sufficient amounts of the proceeds of the Refunding Bonds will be deposited in an escrow fund (the "Escrow Fund") held by The Huntington National Bank, Grand Rapids, Michigan as escrow agent (the "Escrow Agent") and shall be used to pay principal of, redemption premiums, and interest on the Refunded Bonds as stated above.

Prior Redemption

Refunding Bonds maturing prior to July 1, 2022, shall not be subject to redemption prior to maturity. Refunding Bonds maturing on and after July 1, 2022 shall be subject to redemption in whole or in part on any date on and after July 1, 2021, and in any order, at the option of the County, at par, plus accrued interest to the date fixed for redemption.

With respect to partial redemptions, any portion of a refunding bond outstanding in a denomination larger than the minimum authorized denomination may be redeemed provided such portion and the amount not being redeemed each constitutes an authorized denomination. In the event that less than the entire principal amount of a refunding bond is called for redemption, upon surrender of the Refunding Bond to the bond registrar, the bond registrar shall authenticate and deliver to the registered owner of the Refunding Bond a new refunding bond in the principal amount of the principal portion not redeemed.

Notice of redemption shall be sent to the registered holder of each refunding bond being redeemed by first class mail at least thirty (30) days prior to the date fixed for redemption, which notice shall fix the date of record with respect to the redemption if different than otherwise provided in the resolution authorizing the issuance of the Refunding Bonds. Any defect in such notice shall not affect the validity of the redemption proceedings. Refunding Bonds so called for redemption shall not bear interest after the date fixed for redemption provided funds are on hand with the bond registrar to redeem the same.

Transfer or Exchange of Refunding Bonds

In the event the Book-Entry-Only System should be discontinued any Refunding Bond shall be transferable on the bond register maintained by the Bond Registrar with respect to the Refunding Bonds upon the surrender of the Refunding Bond to the Bond Registrar together with an assignment executed by the registered owner or his or her duly authorized attorney in form satisfactory to the Bond Registrar. Upon receipt of a properly assigned Refunding Bond the Bond Registrar shall authenticate and deliver a new Refunding Bond or Refunding Bonds in equal aggregate principal amounts and like interest rate and maturity to the designated transferee or transferees.

Refunding Bonds may likewise be exchanged for one or more other Refunding Bonds with the same interest rate and maturity in authorized denominations aggregating the same principal amount as the Refunding Bond or Refunding Bonds being exchanged. Such exchange shall be effected by surrender of the Refunding Bond to be exchanged to the Bond Registrar with written instructions signed by the registered owner of the Refunding Bond or his or her attorney in form satisfactory to the Bond Registrar. Upon receipt of a Refunding Bond with proper written instructions the Bond Registrar shall authenticate and deliver a new Refunding Bond or Refunding Bonds to the registered owner of the Refunding Bond or his or her properly designated transferee or transferees or attorney.

The Bond Registrar is not required to honor any transfer or exchange of the Refunding Bonds during the 15 days preceding an interest payment date. Any service charge made by the Bond Registrar for any such registration, transfer or exchange shall be paid for by the County, unless otherwise agreed by the County and the Bond Registrar. The Bond Registrar may, however, require payment by a bondholder of a sum sufficient to cover any tax or other governmental charge payable in connection with any such registration, transfer or exchange.

CUSIP Numbers

It is anticipated that CUSIP identification numbers will be printed on the Refunding Bonds, but neither the failure to print such numbers nor any improperly printed number shall constitute cause for the purchaser to refuse to accept delivery of or to pay for the Refunding Bonds. All expenses for printing CUSIP numbers on the Refunding Bonds will be paid by the County, except that the CUSIP Service Bureau charge for the assignment of such numbers shall be the responsibility of and shall be paid for by the purchaser.

SECURITY FOR THE REFUNDING BONDS

Authorization

The Refunding Bonds are being issued pursuant to Act No. 34, Public Acts of Michigan, 2001, as amended ("Act 34") and the County's Resolution.

Primary Security

The County agrees to pay the principal of and premium, if any, and interest on the Refunding Bonds (and on any additional bonds of equal standing which may be issued by the County) from its general fund which amount will not be in excess of the cash rental payments and other payments pledged to the payment of the principal of, premium, if any, and interest on the Refunded Bonds and shall be and remain subject to the statutory lien until the principal of, premium, if any, and interest on the Refunding Bonds have been paid in full. The County hereby pledges its full faith and credit for the payment of the Bonds when due and agrees that it will levy each year such ad valorem taxes as shall be

necessary for the payment of such Bonds, which taxes, however, will be subject to applicable constitutional and statutory limitations on the taxing power of the County, and which shall not be in an amount or at a rate exceeding that necessary to pay its contractual obligation pursuant to the Bond Resolution. If the County, at the time prescribed by law for the making of its annual tax levy, shall have other funds on hand which have been set aside and earmarked for payment of its obligations under the Bond Resolution for which a tax levy would otherwise have to be made, then the tax levy shall be reduced by the amount of such other funds. Such other funds may be raised from any lawful source.

Debt Retirement Fund

The County shall establish and maintain a debt retirement fund (the "Debt Retirement Fund") to be used solely for the purpose of (i) paying principal of, premium, if any, and interest on the Refunding Bonds as well as costs, including the fees and expenses of the Bond Registrar, incidental to the Refunding Bonds, and (ii) the fees and expenses of the paying agent or paying agents for the Refunding Bonds. Into said Fund there shall be deposited sufficient ad valorem property taxes or other funds lawfully available therefor to pay and be used solely for the purpose of paying the principal of, interest on and redemption premiums, if any, for the Refunding Bonds, which levy shall be without limitation as to rate or amount. The accrued interest and premium, if any, received upon delivery of the Refunding Bonds shall also be deposited in the Debt Retirement Fund.

All proceeds from taxes levied for the Debt Retirement Fund shall be deposited as collected into the Debt Retirement Fund. The Refunding Bonds shall be payable as from the general funds of the County, including the levy of ad valorem taxes. Commencing with the year 2014, there shall be levied upon the tax rolls of the County for the purpose of the Debt Retirement Fund each year, in the manner required by the provisions of Act 34, an amount sufficient so that the estimated collection therefrom will be sufficient to promptly pay, when due, the principal of, premium, if any, and interest on the Refunding Bonds becoming due next following the levy and before the time of collection of the next following tax levy. If at the time of making any such annual tax levy there shall be surplus moneys on hand in the Debt Retirement Fund for the payment of principal of, premium, if any, and interest on the Refunding Bonds, then credit therefor may be taken against such annual levy for said fund. The taxes levied hereunder shall be subject to applicable constitutional, statutory and charter limitations.

COMPETITIVE SALE OF REFUNDING BONDS

After competitive bidding on May 28, 2014, the Refunding Bonds were awarded by the County of Washtenaw to Citigroup Global Markets Inc., as underwriter.

UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities and Exchange Act of 1934 (the "Rule"), the County shall covenant pursuant to resolutions adopted or to be adopted by their governing bodies to enter into an undertaking (the "Undertaking") for the benefit of beneficial owners of the Refunding Bonds to provide certain financial information and operating data relating to the County to certain information repositories annually, and to provide notices of the occurrence of certain events enumerated in the Rule to certain information repositories or the Municipal Securities Rulemaking Board and to any state information depository. The details and terms of the Undertaking, as well as the information to be contained in the annual report or the notices of material events, are set forth in the Continuing Disclosure Certificate to be executed and delivered by the County at the time the Refunding Bonds are delivered. Such Certificate will be in substantially the form attached hereto as Appendix A. The County has never failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of materials events. A failure by the County to comply with the Undertaking will not constitute an event of default on the Refunding Bonds (although beneficial owners will have any available remedy at law or in equity). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Refunding Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Refunding Bonds and their market price.

BOND RATINGS

Standard & Poor's

The County has received a municipal bond rating of **AAA** from Standard & Poor's Ratings Services. The County furnished to such rating agency certain materials and information in addition to that provided herein. Generally, rating agencies base their ratings on such information and materials and investigations, studies and assumptions made by the rating agencies. There is no assurance that such rating will prevail for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Refunding Bonds.

The definitions of a rating furnished by Standard & Poor's Ratings Services are as follows:

AAA Debt rated "AAA" has the highest rating to a debt obligation. Capacity to pay interest and repay principal is extremely strong.

- AA** Debt rated "AA" has a very strong capacity to pay interest and repay principal and differs from the higher rated issues only in small degree.
- A** Debt rated "A" has a strong capacity to pay interest and repay principal although it is somewhat more susceptible to the adverse effects of changes of circumstances and economic conditions than in debt in higher rated categories.
- BBB** Debt rated "BBB" is regarded as having an adequate capacity to pay interest and repay principal. Whereas it normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for debt in this category than in higher debt rated categories.
- BB-CC** Debt rated "BB", "B", "CCC" or "CC" is regarded, on balance, as predominantly speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. "BB" indicates the lowest degree of speculation and "CC" the highest degree of speculation. While such debt will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions.
- C** This rating is reserved for income bonds on which no interest is being paid.
- D** Debt rated "D" is in default, and payment of interest and/or repayment of principal is in arrears.

Plus (+) or minus (-): The ratings "AA" to "BBB" may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

Moody's

The County has received a municipal bond rating of **Aa1** from Moody's Investors Service, Incorporated (hereafter "Moody's"). The rating will be the sole view of the rating agency. There is no assurance that such rating will prevail for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Refunding Bonds.

A brief definition of the ratings furnished by Moody's are as follows:

Aaa Bonds which are rated "Aaa" are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edge." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

Aa Bonds which are rated "Aa" are judged to be of a high quality by all standards. Together with the "Aaa" group, they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in "Aaa" securities or fluctuation of protective elements may be of great amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in the "Aaa" securities.

A Bonds which are rated "A" possess many favorable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate, but elements may be present which suggest a susceptibility to impairment some time in the future.

Baa Bonds which are rated "Baa" are considered as medium grade obligations; i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.

General Note: Those bonds in the "Aa", "A" and "Baa" groups which Moody's believes possess the strongest investment attributes are designated by the symbols "Aa-a", "A-1" and "Baa-1."

TAX MATTERS

General

In the opinion of Axe & Ecklund, P.C., Grosse Pointe Farms, Michigan ("Bond Counsel") based on its examination of the documents described in its opinion, under existing law, the interest on the Refunding Bonds (a) is excluded from gross income for federal income tax purposes, and (b) is not an item of tax preference and is not taken into account in determining adjusted current earnings for purposes of the federal alternative minimum tax imposed on individuals and corporations. The opinion set forth in clause (a) above is subject to the condition that the County comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Code**"), that must be satisfied subsequent to the issuance of the Refunding Bonds in order that interest thereon be (or continue to be) excluded from gross

income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Refunding Bonds to be included in gross income retroactive to the date of issuance of the Refunding Bonds. The County has covenanted to comply with all such requirements. Bond Counsel will express no opinion regarding other federal tax consequences arising with respect to the Refunding Bonds and the interest thereon.

Prospective purchasers of the Refunding Bonds should be aware that (i) interest on the Refunding Bonds is included in the effectively connected earnings and profits of certain foreign corporations for purposes of calculating the branch profits tax imposed by Section 884 of the Code, (ii) interest on the Refunding Bonds may be subject to a tax on excess net passive income of certain S corporations imposed by Section 1375 of the Code, (iii) interest on the Refunding Bonds is included in the calculation of modified adjusted gross income for purposes of determining taxability of social security or railroad retirement benefits, (iv) the receipt of interest on the Refunding Bonds by life insurance companies may affect the federal tax liability of such companies, (v) in the case of property and casualty insurance companies, the amount of certain loss deductions otherwise allowed is reduced by a specific percentage of, among other things, interest on the Refunding Bonds, (vi) holders acquiring the Refunding Bonds subsequent to initial issuance will generally be required to treat market discount recognized under Section 1276 of the Code as ordinary taxable income, (vii) the receipt or accrual of interest on the Refunding Bonds may cause disallowance of the earned income credit under Section 32 of the Code, (viii) interest on the Refunding Bonds is subject to backup withholding under Section 3406 of the Code in the case of registered owners that have not reported a taxpayer identification number and are not otherwise exempt from backup withholding, and (ix) registered owners of the Refunding Bonds may not deduct interest on indebtedness incurred or continued to purchase or carry the Refunding Bonds, and financial institutions may not deduct that portion of their interest expense allocated to interest on the Refunding Bonds.

In the opinion of Bond Counsel, based on its examination of the documents described in its opinion, under existing law, the Refunding Bonds and the interest thereon are exempt from all taxation by the State of Michigan or a political subdivision thereof, except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof.

Tax Treatment of Accruals on Original Issue Discount Bonds

For federal income tax purposes, the difference between the initial offering prices to the public (excluding bond houses and brokers) at which a substantial amount of the Refunding Bonds initially sold at a discount as shown on the cover page hereof (the "**OID Bonds**") is sold and the amount payable at the stated redemption price at maturity thereof constitutes "original issue discount." Such discount is treated as interest excluded from federal gross income to the extent properly allocable to each registered owner thereof. The original issue discount accrues

over the term to maturity of each such OID Bond on the basis of a constant interest rate compounded at the end of each six-month period (or shorter period from the date of original issue) with straight line interpolations between compounding dates. The amount of original issue discount accruing during each period is added to the adjusted basis of such OID Bonds to determine taxable gain upon disposition (including sale, redemption or payment on maturity) of such OID Bonds.

The Code contains certain provisions relating to the accrual of original issue discount in the case of registered owners of the OID Bonds who purchase such bonds after the initial offering of a substantial amount thereof. Registered owners who do not purchase such OID Bonds in the initial offering at the initial offering and purchase prices should consult their own tax advisors with respect to the tax consequences of ownership of such OID Bonds.

Amortizable Bond Premium

For federal income tax purposes, the difference between an original registered owner's cost basis of the Refunding Bonds initially sold at a premium as shown on the cover page hereof (the "Original Premium Bonds") and the amounts payable on the Original Premium Bonds other than stated interest constitutes an amortizable bond premium. The same applies with respect to any Bond, if a registered owner's cost basis exceeds the amounts payable thereon other than stated interest (collectively with the Original Premium Bonds held by the original registered owners, "**Premium Bonds**"). Such amortizable bond premium is not deductible from gross income but is treated for federal income tax purposes as an offset of the amount of stated interest paid on the Premium Bonds, which may affect liability for the branch profits tax imposed by Section 884 of the Code. The amount of amortizable bond premium allocable to each taxable year is generally determined on the basis of the registered owner's yield to maturity determined by using the registered owner's basis (for purposes of determining loss on sale or exchange) of such Premium Bonds and compounding at the close of each six-month accrual period. The amount of amortizable bond premium allocable to each taxable year is deducted from the registered owner's adjusted basis of such Premium Bonds to determine taxable gain upon disposition (including sale, redemption or payment at maturity) of such Premium Bonds.

Future Developments

NO ASSURANCE CAN BE GIVEN THAT ANY FUTURE LEGISLATION OR CLARIFICATIONS OR AMENDMENTS TO THE CODE, IF ENACTED INTO LAW, WILL NOT CONTAIN PROPOSALS THAT COULD CAUSE THE INTEREST ON THE REFUNDING BONDS TO BE SUBJECT DIRECTLY OR INDIRECTLY TO FEDERAL OR STATE OF MICHIGAN INCOME TAXATION, ADVERSELY AFFECT THE MARKET PRICE OR MARKETABILITY OF THE REFUNDING BONDS, OR OTHERWISE PREVENT THE REGISTERED OWNERS FROM REALIZING THE FULL CURRENT BENEFIT OF THE STATUS OF THE INTEREST THEREON. FURTHER, NO ASSURANCE CAN BE GIVEN THAT ANY SUCH FUTURE LEGISLATION, OR ANY ACTIONS OF THE INTERNAL REVENUE SERVICE, INCLUDING, BUT NOT

LIMITED TO, SELECTION OF THE REFUNDING BONDS FOR AUDIT EXAMINATION, OR THE AUDIT PROCESS OR RESULT OF ANY EXAMINATION OF THE REFUNDING BONDS OR OTHER BONDS THAT PRESENT SIMILAR TAX ISSUES, WILL NOT ADVERSELY AFFECT THE MARKET PRICE OF THE REFUNDING BONDS.

INVESTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE REFUNDING BONDS AND THE TAX CONSEQUENCES OF THE ORIGINAL ISSUE DISCOUNT OR PREMIUM THEREON, IF ANY.

BOND HOLDERS' RISKS

The Federal Bankruptcy Code affects the rights and obligations of municipalities and their creditors. Although State legislative authority is a condition to the filing by municipalities of cases for relief under the Bankruptcy Code, recently-enacted legislation empowers local governments, such as the County, to become a debtor under the Bankruptcy Code. This authorization would be invoked if fiscal circumstances become such an emergency financial manager were appointed for the County. No assurance can be given that future circumstances or legislation will not result in the County filing for relief under the Bankruptcy Code. Should the County file a petition for relief under the Bankruptcy Code, the bankruptcy court could reduce the amount of or extend the time of the County's legal obligation to pay its outstanding debts.

LITIGATION

To the knowledge of the County, there is no controversy of any nature threatened or pending against the County, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Refunding Bonds or in any way contesting or affecting the validity of the Refunding Bonds or any proceedings of the County taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the Refunding Bonds.

APPROVAL OF LEGALITY

The approving opinion of Axe & Ecklund, P.C., attorneys of Grosse Pointe Farms, Michigan, a copy of which opinion will be printed on the reverse side of each Bond, will be furnished without expense to the purchaser of the Refunding Bonds at the delivery thereof.

FINANCIAL ADVISOR

Municipal Financial Consultants Incorporated ("MFCI") of Grosse Pointe Farms, Michigan has served as financial advisor to the County in connection with the sale of the Refunding Bonds. The financial advisor makes no representation as to the completeness or the accuracy of the information set forth in this Official Statement. Further information with respect to the issuance of the Refunding Bonds may be obtained by contacting

MFCI, 21 Kercheval Avenue, Suite 360, Grosse Pointe Farms, Michigan 48236, telephone 313-884-1550.

RESPONSIBILITIES OF BOND COUNSEL

Bond Counsel has reviewed the statements made in this Official Statement under the captions "Description of the Refunding Bonds", "Security for the Refunding Bonds", "Tax Matters", "Approval of Legality" and "Responsibilities of Bond Counsel", but has not been retained to review and has not reviewed any other portion of this Official Statement. Bond Counsel has not made inquiry of any official or employee of the Issuer, the County, or any other person with respect to, or otherwise made any independent verification of, the accuracy or completeness of any statement made in this Official Statement (including those that it has reviewed) and has not expressed and will not express an opinion as to the accuracy or completeness of any statement made herein.

Except as stated in the immediately preceding paragraph and to the extent necessary to render its approving opinion respecting the validity of the Refunding Bonds and the exemption of the Refunding Bonds and the interest thereon from taxation, Bond Counsel has not been retained to examine or review, and has not examined or reviewed, any financial documents, statements or other materials that have been or may be furnished in connection with the authorization, marketing or issuance of the Refunding Bonds and, therefore, will not express an opinion with respect to the accuracy or completeness of any such documents, statements or other materials.

The fees of Bond Counsel for services rendered in connection with its approving opinion are expected to be paid from bond proceeds.

**VERNA McDANIEL, COUNTY ADMINISTRATOR
COUNTY OF WASHTENAW**

las.os-was231

**COUNTY OF WASHTENAW
GENERAL AND ECONOMIC INFORMATION**

GENERAL

Washtenaw County is a public corporation established in 1827, having general governmental powers and authority pursuant to the Constitution and statutes of the State of Michigan. The County Treasurer serves as the custodian of county funds and accounts for all monies received by the county. By state law, county ordinance, and/or resolution of the County Board of Commissioners, her responsibilities include receipt and deposit of funds, reconciliation of bank accounts, investment of surplus funds and management of the county's portfolio, collection of delinquent taxes, issuance of delinquent tax notes and management of the delinquent tax revolving fund, sale of dog licenses, and certification of plats. She also serves as Treasurer to, and makes bond payments on behalf of, a variety of other governmental entities: Road Commission, Parks and Recreation Commission, Accommodations Ordinance Commission, Building Authority, Drain Commission, and the Public Works Board.

POPULATION

2012 Estimated	- 350,946	2000 U.S. Census	- 322,895
2011 Bi-annual est-	347,962	1990 U.S. Census	- 282,937
2010 U.S. Census	- 344,791	1980 U.S. Census	- 264,748

MAJOR TAXPAYERS

<u>10 Largest Taxpayers</u>	<u>2014 Taxable Valuation</u>
Detroit Edison-Mich Con	\$ 248,745,520
McKinley Associates	130,320,143
Toyota Motor	119,905,635
Domino's Farms	63,086,818
Briarwood Complex	60,718,788
Ford Motor	60,312,160
ITC	49,053,245
Hyundai	45,821,409
THC Ann Arbor LLC	37,205,438
McMullen Properties LLC	34,922,760
TOTAL (represents 5.86% of 2014 TV)	<u>\$850,091,916</u>

EMPLOYMENT CHARACTERISTICS

<u>10 Largest Employers</u>	<u>Product/Service</u>	<u>Number Employed</u>
University of Michigan	Health Care	28,777
Trinity Health	Health Care	5,468
U.S. Government	Government	2,700
Ann Arbor Public Schools	Education	2,300
Eastern Michigan University	Education	1,886
Faurecia North America	Auto Manufacturing	1,659
State of Michigan	Government	1,442
Washtenaw County	Government	1,332
Thompson Reuters	Information Services	1,100
Integrated Health Assoc., Inc.	Health Care	1,016

RETIREMENT PLANS

The County operates three Retirement Systems, two Defined Benefit Plans and a Defined Contribution Plan.

Defined Benefit Plan - (Washtenaw County Employees' Retirement System - ERS) Morgan Stanley is the trustee of this plan. The County's contribution to the retirement system for the fiscal year ended December 31, 2012 was \$7,174,819 and was \$8,706,667 for the fiscal year ended December 31, 2013. As of December 31, 2012, there were 1,087 active members and 844 retirees. As of December 31, 2013, there were 1,109 active members and 859 retirees. Net assets as of December 31, 2012 were \$218,836,265 dollars. Net position as of December 31, 2013 was \$245,130,444 dollars.

Defined Benefit Plan - (Voluntary Employees' Beneficiary Association - VEBA) to provide for retiree health care. As of December 31, 2012 net assets of this trust were \$77,871,202. As of December 31, 2013 net position of this trust was \$94,422,994. The funding is determined on an actuarial basis. As of December 31, 2012 there were 835 retirees drawing from this fund. As of December 31, 2013 there were 860 retirees drawing from this fund.

Defined Contribution Plan - (Money Purchase Pension Plan - MPPP) Prudential Financial is the trustee and record keeper for this plan. One Judge is enrolled in this plan which provides full vesting of assets to the individual enrollees based on their account balances. Net assets, as of December 31, 2012, were \$982,934 dollars. Net position as of December 31, 2013, was \$997,620 dollars.

For the Sheriff's Department Only

As of October 1995 all new Sheriff Department employees and all existing Sheriff Department MPPP members were enrolled in Michigan Municipal Employees Retirement System (MERS). This Defined Benefit Plan as of the December 31, 2013 actuarial

valuation had 303 active members, 28 former vested members, and 26 retirees.

The County's contribution to MERS for fiscal year ended December 31, 2013 was \$2,090,818 and for the fiscal year ended December 31, 2012 was \$1,626,313. Total actuarial value of assets as of the actuarial valuation date of December 31, 2012 was \$55,714,731.

EMPLOYMENT STATISTICS

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Work Force	185,016	183,170	179,685	182,222	183,794	186,049	189,324
Unemployed	10,641	9,919	11,618	14,781	15,740	10,821	9,012
% Unemployed	5.8%	5.4%	6.5%	8.1%	8.6%	5.8%	4.8%

REVENUE FROM THE STATE OF MICHIGAN

The County receives revenue sharing payments from the State of Michigan under the State Constitution and the State Revenue Sharing Act of 1971, as amended (the "Revenue Sharing Act"). The table appearing at the end of this section shows State revenue sharing distributions and transfers from the Revenue Sharing Reserve Fund received by the County during the County's past five fiscal years.

The State's fiscal year begins October 1 of each year and ends September 30 of the following calendar year. Before the State's 1996-97 fiscal year, the State shared revenues received from personal income tax, intangibles tax, sales tax and single business tax collections with counties, cities, townships and villages. In 1996, the State legislature began reform of both the formula for distribution of State revenue sharing and the designated sources of revenue to be shared. At that time, the State expressly designated the revenues of the sales tax as the sole source for revenue sharing.

In 2004, the Michigan Legislature approved a new proposal to temporarily replace revenue sharing by allowing counties to collect part of their millage earlier in the year thereby advancing their cash flows.

Act Nos. 356 and 357, Public Acts of Michigan, 2004 signed into law on September 30, 2004 made a number of changes. The most important change was a movement of the county fixed or allocated millage from December 1 to July 1. This movement occurred transitionally beginning in 2004 and was completed in July of 2007. In addition, a special Revenue Sharing Reserve Fund ("RSRF") was established and used to reduce the State's obligation to pay revenue sharing to counties.

The Revenue Sharing Reserve Fund is to be drawn on by counties to replace the revenue sharing payments which they would have otherwise received according to a State mandated schedule/timetable.

The impact on revenue sharing varied widely from county to county with some counties being required to receive revenue sharing again directly from the State in as early as 2009, while in other counties this did not occur until 2013. The reason for the difference is the fact that revenue sharing payments are not based upon the amount of money which a county receives from a tax levy and the fact that some counties are on a fiscal year which ends September 30, and others are on a calendar fiscal year which ends December 31.

Tax Collection and Levy Date for County Fixed or Allocated Millage

The money which is to temporarily replace state revenue sharing payments was generated by a cash flow shift which accelerated the collection of county fixed or allocated millage. All counties collect a base tax (which is, of course, reduced by Headlee rollbacks and limited by Proposal A caps) which is either fixed by a vote of the county voters or allocated to the county by a tax allocation board. In addition, counties have a right to vote extra millages for various purposes for up to 20 years. THIS PROPOSAL DOES NOT APPLY TO EXTRA VOTED TAXES WHICH WILL CONTINUE TO BE LEVIED AND COLLECTED ON DECEMBER 1.

Resumption of Actual Revenue Sharing Payments

The statutory guarantee to counties to receive revenue sharing payments from the State shall remain in full force and effect.

However, the payments to an individual county shall be reduced by the amount the individual county is able to withdraw in money from the RSRF. Once the money in the RSRF of any individual county is depleted, the State is supposed to immediately resume its obligation to make revenue sharing payments. For Washtenaw County, its RSRF was depleted according to the State mandated schedule of withdrawals during 2013. Accordingly the State began making revenue sharing payments to the County during the State's 2012-13 fiscal year.

Purchasers of the Bonds offered herein should be alert to further modifications to revenue sharing payments to Michigan local government units, to the potential consequent impact upon the County's general fund condition, and to the potential impact upon the market price or marketability of the Bonds resulting from changes in revenues received by the County from the State.

The table appearing below shows State revenue sharing distributions and transfers from the Revenue Sharing Reserve Fund

received by the County during the County's past five fiscal years.

Fiscal Year Ending December 31	Revenue Sharing Fund Disbursements (depleted 2013)	Payments from the State of Michigan for Revenue Sharing	Total Revenue Sharing
2013	\$ 4,022,175	\$ 4,264,488	\$8,286,663
2012	\$ 6,828,640	\$ 183,954	\$7,012,594
2011	\$ 6,649,114	\$ -	\$6,649,114
2010	\$ 6,537,969	\$ -	\$6,537,969
2009	\$ 6,557,642	\$ -	\$6,557,642

LABOR CONTRACTS

<u>Employee Group</u>	<u>Number of Positions</u>	<u>Contract Expiration Date</u>
AFSCME Supervisors	54	December 31, 2017
AFSCME Unit A	374	December 31, 2023
AFSCME Unit B	125	December 31, 2023
AFSCME Unit C	56	December 31, 2023
AFSCME Juvenile Center	49	December 31, 2023
AFSCME Juvenile Detention	30	December 31, 2023
AFSCME Juvenile Center Supervisors	4	December 31, 2017
Michigan Nurses Association I	12	December 31, 2023
Michigan Nurses Association Supervisors	2	December 31, 2023
Assistant Prosecutors Association	24	December 31, 2023
Public Defender Association	13	December 31, 2023
POAM - Deputies	246	December 31, 2014
COAM Command	32	December 31, 2015
T-POAM District Court Clerical	24	December 31, 2023
T-POAM District Court Supervisors	7	December 31, 2023

PROPERTY SUBJECT TO TAXATION

The laws governing the taxation of real and personal property in the State of Michigan has been established by The General Property Tax Act, being Public Act 206 of 1893, as amended. Section 211.1 states: "That all property, real and personal, within the jurisdiction of the state, not expressly exempted, shall be subject to taxation."

The State Constitution limits the proportion of true cash value at which property can be uniformly assessed to 50% or less. By statute, the State legislature has provided that the property shall be assessed at 50% of its true cash value. The State legislature or the electorate may at some future time reduce the percentage below the 50% of true cash value.

Responsibility for assessing local taxable property rests with the assessing officers of townships and cities. Any property owner may appeal his, her or its assessment to the local Board of Review and ultimately to the Michigan State Tax Tribunal.

On March 15, 1994, the electors of the State approved an amendment to the Michigan Constitution permitting the Legislature to authorize ad valorem taxes on a non-uniform basis. The legislation implementing this constitutional amendment added a new measure of property value known as "Taxable Value." Beginning in 1995, taxable property will have two valuations - State equalized valuation ("SEV") and Taxable Value. Property taxes will be levied on Taxable Value. Generally, Taxable Value of property is the lesser of (a) the Taxable Value of the property in the immediate preceding year, adjusted for losses, multiplied by the lesser of the net percentage change in the property's SEV, or the inflation rate, or 5%, plus additions, or (b) the property's current SEV. Under certain circumstances, therefore Taxable Value of property may be different from the same property's SEV.

This constitutional amendment and the implementing legislation base the Taxable Value of existing property for the year 1995 on the SEV of that property in 1994 and for the years 1996 and thereafter on the Taxable Value of the property in the preceding year. Beginning with the taxes levied in 1995, an increase, if any, in Taxable Value of the property is limited to the lesser of the percentage net change in SEV from the preceding year to the current year, 5% or the inflation rate. When property is sold or transferred, Taxable Value is adjusted to the SEV, which under existing law is 50% of the current true cash value. The Taxable Value of new construction is equal to current SEV. Taxable Value and SEV of existing property are also adjusted annually for additions and losses.

The State Constitution also mandates a system of equalization for assessments. Although the assessors for each

local unit of government are responsible for actually assessing at 50% of true cash value, adjusted for Taxable Value purposes, the final SEV and Taxable Value are arrived at through several steps. Assessments are established initially by the municipal assessor. Municipal assessments are then equalized to the 50% levels as determined by the County's Department of Equalization. Thereafter, the State equalizes the various counties in relation to each other. SEV is important aside from its use in determining Taxable Value for the purpose of levying ad valorem property taxes, because of its role in the spreading of taxes between overlapping jurisdictions, the distribution of various State aid programs, State revenue sharing and in the calculation of debt limits.

**STATE EQUALIZED VALUATION
(50% of True Value)**

2014 -	\$16,311,668,607
2013 -	\$15,579,456,634
2012 -	\$15,259,554,130
2011 -	\$15,480,176,123
2010 -	\$16,263,508,267
2009 -	\$17,529,497,260
2008 -	\$18,765,026,863
2007 -	\$19,330,951,897
2006 -	\$18,545,553,160
2005 -	\$17,534,623,609
2004 -	\$16,314,985,717
2003 -	\$15,045,690,552

TAXABLE VALUATION

2014 -	\$14,496,462,571
2013 -	\$14,210,463,343
2012 -	\$13,976,296,665
2011 -	\$14,083,128,684
2010 -	\$14,496,599,262
2009 -	\$15,312,121,625
2008 -	\$15,650,088,801
2007 -	\$15,510,438,244
2006 -	\$14,629,742,407
2005 -	\$13,693,361,327
2004 -	\$12,821,032,767
2003 -	\$11,987,709,008

<u>2014 SEV Breakdown by Use</u>	
Residential	67.34%
Commercial	19.82%
Industrial	2.56%
Personal Property	5.87%
Agricultural	2.88%
CFT/IFT	1.28%
Developmental	.25%
TOTAL	<u>100.00%</u>

<u>2014 SEV Breakdown by Class</u>	
Real	94.05%
Personal	5.95%
TOTAL	<u>100.00%</u>

TAX RATE LIMITATION

Article IX, Section 6, of the Michigan Constitution of 1963 provides, in part:

"Except as otherwise provided in this Constitution, the total amount of general ad valorem taxes imposed upon real and tangible personal property for all purposes in any one year shall not exceed 15 mills on each dollar of the assessed valuation of property as finally equalized."

Section 6 further provides that by a majority vote of qualified electors of the County, the 15 mill limitation may be increased to a total of not to exceed 18 mills, and the millages of the local units involved shall then be permanently fixed within that greater millage limitation.

Act 62, Public Acts of Michigan, 1933, as amended, defines local units as counties, townships, villages, cities, school districts, community college districts, intermediate school districts, and other organizations or districts which may be established with the power to levy taxes, except villages and cities for which there are provisions in their charters or general law fixing maximum limits on the power to levy taxes against property and school districts.

The amount of mills, per \$1,000 of Taxable Value, allocated to the County, townships in the County and the intermediate school district have been fixed by a vote as follows:

<u>Units of Government</u>	<u>Millage Rate</u>
County direct rates	
Operation	4.55
Special voted	1.23
Total direct rate	5.78
Overlapping rates	
Cities:	
Ann Arbor	16.45
Chelsea	14.96
Milan	14.40
Saline	16.28
Ypsilanti	36.49
Townships (average)	3.77

Villages (average)	9.84
School districts (average)	31.08
Intermediate School District	3.97
Community College	3.45
Total overlapping rate	<u>150.70</u>

*Does not reflect actual levies which now include a 6 mill state levy. Pursuant to Act 314 of the Public Acts of Michigan of 1992, as amended, school districts may not levy mills allocated to them by vote, and any subsequent vote to reallocate mills among local units may not include the number of mills allocated to the school district in 1993.

In addition, Article IX, Section 6, permits the levy of millage in excess of the above for:

1. All debt service on tax supported bonds or notes issued prior to December 23, 1978 or tax supported issues which have been approved by the voters for which the issuer has pledged its full faith and credit.
2. Operating purposes for a specified period of time provided that such increased millage is approved by a majority of the qualified electors of the local unit.
3. Payment of valid judgments levied in accordance with State law.

INDUSTRIAL FACILITIES TAX

The Michigan Plant Rehabilitation and Industrial Development District Act (Act 198, Public Acts of Michigan, 1974, as amended) ("Act 198"), provides significant tax incentives to industry to renovate and expand aging plants and to build new plants in Michigan. Under the provisions of Act 198, qualifying cities, villages and townships may establish districts in which industrial firms are offered certain property tax incentives to encourage restoration or replacement of obsolete industrial facilities and to attract new plants to the area. The issuance of any exemption certificate must be approved by the State Treasurer. Firms situated in such districts pay an Industrial Facilities Tax in lieu of property taxes on plant and equipment for a period of up to 12 years. For rehabilitated plant and equipment, the assessed value is frozen at previous levels. New plant and equipment is taxed at one-half the current millage rate. It must be emphasized, however, that ad valorem property taxes on land and inventory are specifically excluded under Act 198. The County has IFT exemption certificates currently outstanding under this Act, aggregating \$206,420,157 in 2014 Taxable Value which will be taxed at one-half of the 2014 millage rate.

COUNTY TAX RATES & LEVIES

(Per \$1,000 of Taxable Valuation)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
County Direct Rates					
Operation	4.5493	4.5493	4.5493	4.5493	4.5493
Special Voted	1.0162	1.0015	0.9879	0.9809	0.9779
Total direct rate	5.5655	5.5508	5.5372	5.5302	5.5272

TAX COLLECTION RECORD

<u>Tax Year</u>	<u>Tax Levy*</u>	<u>Collections to 3-1 of Year Following the Levy</u>		<u>Coll. Plus Funding to 3-1-14</u>
		<u>Amount</u>	<u>%</u>	<u>%</u>
2013	\$78,149,058	\$75,865,734	97.08%	100
2012	78,597,092	75,874,983	96.54	100
2011	80,780,558	77,326,315	95.72	100
2010	85,172,555	81,368,255	95.53	100
2009	86,755,826	82,908,257	95.57	100
2008	86,208,920	82,652,655	95.87	100
2007	81,570,687	78,257,648	95.94	100
2006	73,894,038	70,780,578	95.79	100
2005	69,669,724	66,173,312	94.98	100

GENERAL FUND REVENUES AND EXPENDITURES

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues & Transfers In	\$105,797,333	\$102,043,929	\$101,208,593
Expenses & Transfers Out	101,876,515	99,781,940	101,999,652
Revenues Over(Under)			
Expenses	\$ 3,920,818	\$ 2,261,989	\$ (791,059)
Beginning Balance	\$ 16,788,087	\$ 14,526,098	\$ 15,317,157
Ending Balance	\$ 20,708,905	\$ 16,788,087	\$ 14,526,098

*Source - County of Washtenaw Comprehensive Annual Financial Report

FUTURE FINANCING

The County anticipates the issuance of these additional notes within the next two months:

Delinquent tax notes not to exceed \$30 million.

las.os-was231

WASHTENAW COUNTY
DEBT STATEMENT - MAY 5, 2014
(Including this offering)

DIRECT DEBT OF COUNTY:	Gross	Self-Supporting or Portion Paid Directly by Benefited Municipalities	Net
Building Authority	\$1,625,000	\$0	\$1,625,000
Drain	21,424,014	20,687,396	736,618
Water & Sewer	21,177,279	21,177,279	0
GO Bonds	48,115,000	0	48,115,000
GO SA Road Bonds	1,234,000	1,234,000	0
MTF Notes	5,400,000 **	5,400,000	0
	-----	-----	-----
	\$98,975,293	\$48,498,675	\$50,476,618
	=====	=====	=====

**No County Credit Pledged.

In addition to the above, the County issues self-supporting Limited Tax Delinquent Fund Tax Notes each year which mature in 1 to 3 years.

Per Capita County Net Direct Debt	\$143.83
Percent County Net Direct Debt to 2014 TV	0.35%

OVERLAPPING DEBT OF COUNTY:

School Districts	\$830,371,406
Cities	199,898,028
Villages	11,231,000
Townships	69,773,416
Intermediate School District	310,577
Community Colleges	15,780,379
Library Districts	18,081,983

Net Overlapping Debt	\$1,145,446,789

Net County and Overlapping Debt	\$1,195,923,407
	=====

Per Capita County Net Direct and Overlapping Debt	\$3,407.71
Percent Net Direct and Overlapping Debt to 2014 TV	8.25%

Source: Washtenaw County and Municipal Advisory Council of Michigan
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las.exl.WASDEBT

WASHTENAW COUNTY BONDS WITH COUNTY CREDIT PLEDGED
as of May 5, 2014
(Including this offering)

Year	Building Authority	Drain	Water & Sewer	General Obligation	General Obligation SA Road	Total
2014	\$ 150,000	\$ 544,014	\$ 145,000	\$ 5,210,000	\$ -	\$ 6,049,014
2015	150,000	1,219,500	2,405,000	7,630,000	181,000	11,585,500
2016	175,000	1,097,000	2,440,000	6,875,000	180,000	10,767,000
2017	175,000	1,077,000	2,260,000	3,495,000	181,000	7,188,000
2018	175,000	1,104,500	1,870,000	3,565,000	179,000	6,893,500
2019	175,000	1,152,000	1,770,000	3,055,000	179,000	6,331,000
2020	200,000	1,168,000	1,802,279	2,125,000	148,000	5,443,279
2021	200,000	1,203,000	1,300,000	2,160,000	110,000	4,973,000
2022	225,000	1,228,000	1,245,000	2,240,000	76,000	5,014,000
2023		1,248,000	1,315,000	2,350,000		4,913,000
2024		1,283,000	1,365,000	2,420,000		5,068,000
2025		1,319,000	1,415,000	2,035,000		4,769,000
2026		1,344,000	1,430,000	2,050,000		4,824,000
2027		1,149,000	205,000	2,115,000		3,469,000
2028		1,179,000	210,000	790,000		2,179,000
2029		1,219,000				1,219,000
2030		1,104,000				1,104,000
2031		990,000				990,000
2032		446,000				446,000
2033		260,000				260,000
2034		70,000				70,000
2035		20,000				20,000
Total	\$ 1,625,000	\$ 21,424,014	\$ 21,177,279	\$ 48,115,000	\$ 1,234,000	\$ 93,575,293

mas 5/5/2014
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EXHIBIT A, page 1

FINANCIAL INFORMATION REGARDING
THE COUNTY OF WASHTENAW

The following section of the audited financial statements of the County of Washtenaw for the Fiscal Year ending December 31, 2013 have been extracted from the audit:

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COUNTY ADMINISTRATOR

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March 21, 2014

To the Board of Commissioners and Citizens of
Washtenaw County:

The Comprehensive Annual Financial Report (CAFR) of Washtenaw County for the year ended December 31, 2013, is submitted herewith. It was prepared by staff in the Finance Department with assistance from the accounting personnel in the Treasurer's Office, Water Resources Commissioner's Office, Public Works, Road Commission, Community Support and Treatment Services, Public Health, and other County departments. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County.

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended December 31, 2013.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatement.

Rehmann Robson, Certified Public Accountants, have issued an unmodified ("clean") opinion on Washtenaw County's financial statements for the year ended December 31, 2013. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

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 and 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 2012 population of 350,946. Its major cities are Ann Arbor and Ypsilanti, with estimated 2012 populations of 116,121 and 19,621 respectively. 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 governmental structure of Washtenaw County is based upon the State Constitution and the general laws of the State of Michigan. The County's legislative body, and its administrative body for many functions, is the County Board of Commissioners. Through December 31, 2012, the Board of Commissioners consisted of eleven members elected by direct vote from single-member districts every two years. The redistricting process, which statutorily takes place every ten years, has reduced the number of commissioners to nine starting on January 1, 2013. In Washtenaw County, the Board of Commissioners appoints a County Administrator who is responsible for daily operations. In addition to the Board of Commissioners, there are fifteen elected officials serving the County in judicial, administrative, or staff officer roles. An organization chart depicting the County structure is shown on the page following this letter.

Washtenaw County provides a full range of services in the following service area groups (formerly known as communities of interest): civic infrastructure, economic development, emergency preparedness and response, health and human services, land use and environment, public safety and justice, and support services. The County is responsible for the management and financing of these operations. Other services are provided through legally separate entities. The Washtenaw County Building Authority, although legally separate, functions as a department because its sole purpose is to finance and construct the County's public buildings, and therefore has been included as an integral part of the County's financial statements. Washtenaw County is also financially accountable for five legally separate component units: Department of Public Works Projects, Water Resources Commissioner, Hazardous Material Response Team Authority, Brownfield Redevelopment Authority and Road Commission, all of which are reported separately within the County's financial statements. Additional information on all of these legally separate entities can be found in the notes to the financial statements (See Note 1).

The Board of Commissioners is required to adopt a final operating budget prior to the beginning of each fiscal year. This annual budget serves as the foundation for Washtenaw County's financial planning and control. The budget is approved and budgetary control is exercised at the department level. Expenditures may not exceed budgeted appropriations at the department level. Departments are authorized to make budget adjustments up to \$10,000 within established categories of their budget. The County Administrator is authorized to make budget adjustments within and between categories of budgets up to \$100,000 or 10% of the budget, whichever is less. Budget adjustments greater than this amount must be approved by the Board of Commissioners. Transfers from the capital reserve capital projects fund must be approved solely by the Board of Commissioners for any amount.

Local Economy

Washtenaw County's major industries include: Educational services, health care, and social assistance; Manufacturing; Professional, scientific, and management services; Arts, entertainment, recreation, and accommodation & food services; and Retail trade. The largest industry at 38.9% is educational services, health care, and social assistance. In addition, many high quality educational institutions, most notably the University of Michigan and Eastern Michigan University are located within our borders. The County also has a significant economic presence thanks to the vast array of services provided by over 1,300 employees. The innovative-based economy in the county is thriving.

Because of its location in a region with a varied economic base, unemployment has been consistently below the state average, currently at 8.3 percent, and is also below the national average, currently at 6.7 percent. During the last decade, the unemployment rate has increased from a decade low of 3.7 percent (2003). Although Washtenaw County has one of the healthiest economies in the state, manufacturing layoffs and job losses in trade, transportation, and utilities, as well as pharmaceutical research and development affected the local unemployment rate. Since 2003, the unemployment rate steadily rose to a decade high of 8.5 percent in 2009 before finally trending downward to 5.2 percent in December, 2012. The rate in 2013 was 5.3 percent. Unemployment in Washtenaw County is expected to remain below both the state and national averages.

Washtenaw County has maintained strong population and personal income growth over the past decade. This growth is expected to continue in the foreseeable future. Our estimated 2012 population figure is 350,946. The estimated 2040 population is 386,235. According to recent data released by the U.S. Census Bureau, in 2010, Washtenaw County had a median age of 33.3, while Michigan had a 38.9 median age. The low median age assures that the future will hold a broad pool from which employers can select skilled candidates for work in various business sectors. Over 50% of our residents 25 years and older have completed four or more years of college. The median household income (2008-2012) of our residents is over \$10,000 higher than that of the State of Michigan. This indicates a healthy local economy and a higher standard of living for our residents.

Washtenaw County's taxable property value has increased by more than 10% over the last ten years. Taxable property values have realized an average 6.9% increase in growth per year for the period of 2002 through 2008. In 2009, the County saw its first ever decline in taxable property values. From 2009 through 2013, the total taxable property value fell approximately 7.1%. The County's total taxable property value for 2013 was approximately \$14.2 billion, an increase over the prior year of \$230 million or 1.68%. 2013 brings our first increase in taxable value in the last five years.

Long-term Financial Planning

The Board of Commissioners commits to long-term budget flexibility and sustainability, and an adequate level of cash flow with its attention to fund balance. A healthy fund balance is an essential ingredient and the following was considered to determine an appropriate level as a target: an appropriate level to fund at least 60 days of operations, to help offset negative cash flow (primarily from the seven month delay in property tax collections after incurred expenses), and to assist buffering any unexpected downturns. Therefore, the Board shall plan future budgets to meet the goal of a Reserve for Subsequent Years representing at least 20.0% of general fund expenditures, net of indirect costs.

The Board of Commissioners has committed to ensure the long-term fiscal stability of the County. The County completes long-term projections of ten years and updates them frequently to ensure that the full impact of decisions are understood. The County has worked diligently over the years making long-term fiscal stability a top priority, which has resulted in higher bond ratings, reasonable levels of debt, reserves in line with policy and annual surpluses. Washtenaw County has relied on long-term budgeting as well, and has prepared biennial budgets since 1994. On May 1, 2013, per Resolution 13-0077, the Board of Commissioners approved the development of a quadrennial (four-year) county budget. Quadrennial budget development occurred in partnership with organizational leaders and with engagement by all employees.

The budget is a set of complex and interrelated assumptions, but nobody can predict the future. The County's projections on property taxes will be tested, once again, come April of 2014 when the 2014 Equalization Report is published. Through development and adoption of the County's first quadrennial (2014-2017) budget, a review of revenue opportunities was conducted, resulting in \$2.4 million in enhanced revenues. Each department identified proposals to reduce expenditures resulting in anticipated savings of \$2.9 million. Finally, a review of the organizational structure and non-department specific expenditures was conducted. The result was another \$565 thousand in expenditure reductions. The County's annual budgets are balanced through 2017.

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.

On the revenue side, the major assumption is that property taxes will stabilize at 1% growth in taxable value each year 2014 through 2017. Personal property tax reform has been passed by the State legislatures. Projections include personal property tax revenue of \$5.5 million. A milestone will occur in August 2014, when the reform proposal is brought before the voters. These projections assume the State of Michigan will keep reinstated revenue sharing/county incentive program in the amount of \$5.5 million per year, which is 79% of previous levels. This amount is in alignment with the State's published fiscal year 2014 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 6% annually. Other operating costs are projected to be relatively neutral as it is assumed that the organization will continue to operate with a constant pressure to contain costs as much as possible. Next to personnel, the largest portion of the general fund budget comes through its appropriations to programs outside the general fund. The recommended budget and these projections are built on a revised policy to no longer automatically provide appropriation increases for personnel cost growth except where required to do so under statute. This is a significant policy adjustment given these economic times. It has helped to reduce the projected deficit within the general fund, and yet this shift in approach may be difficult to realize if these non-general fund programs are faced with drastic service reductions if the general fund does not provide additional support. This scenario which may be upon us in the next couple of years only highlights the necessity for clear priorities and direction for the organization.

The County has already begun planning its next multi-year budget. The strategies for long-term fiscal stability revolve around revenue growth and reform through strategic leveraging and economic stabilization; minimizing the growth of personnel costs through innovative solutions, employee cost-sharing and partnerships with labor units; organizational restructurings for efficiency and determination of core services; community collaborations to bring forth consolidations with reduced costs of doing business; and evaluating cost allocation of indirect services and maintaining an investment in infrastructure and reserves.

Relevant Financial Policies

Washtenaw County's establishment and use of general fund balance is actually a significant portion of its overall budgeting and forecasting strategy. The development and use of the quadrennial budget allows the County to maintain financial stability; however, Washtenaw County realizes that sound financial management actually begins with a solid financial position. The first financial question Washtenaw County officials ask is not "how do we balance the budget," but "where do we want to be financially in the next five years." County officials first set a goal of a solid financial position and "work backwards" to develop a budget which will achieve that goal.

The measurement of a solid financial position is a strong general fund balance. Washtenaw County's general fund balance has increased over the past several years. This increase in fund balance is not accomplished by accident, but is part of the design to assure the County's ability to continue to provide services to its citizens through long-term financial stability.

It is Washtenaw County's usual practice to develop and maintain a general fund balance equating to approximately 20% of annual general fund expenditures and transfers out. This figure is calculated based upon two criteria. The first criterion is the Government Finance Officers' Association (GFOA) recommendation to retain at least two months of annual revenue (approximately 17%) in fund balance. Such a practice provides a cushion against sudden fiscal crises, allowing the County to meet emergency demands without severely disrupting ongoing operations and services.

The second criterion is the need for an additional cash flow cushion based upon the fact that Michigan Public Act 357 of 2004 requires the County to collect property taxes in arrears. Under this State Act, counties levy property taxes in July of each calendar year, which is six months AFTER the beginning of Washtenaw County's fiscal year. Prior to enacting P.A. 357, the County levied property taxes in December prior to the beginning of the fiscal year. This shift to a later levy date results in the need for short-term borrowing to augment general fund cash balances around April of each fiscal year.

The property tax shift has greatly impacted the county's cash flow projections; however, the law stipulates that the county was able to use the reserve fund to handle cash flow issues that arise from the law change. This was the county's practice through 2013 until the revenue sharing reserve fund was depleted. For 2014 and beyond in the event that the general fund does experience a negative cash balance funds held within the capital reserve, capital equipment and the 1/8 mill capital improvement funds may be utilized to be borrowed from as these funds are supported by allocated general revenues. In the event these funds have insufficient cash balances to address the negative balance within the general fund other funds within the pooled cash account may be borrowed from. All funds borrowed will be repaid immediately upon collection of the July property tax levy.

The goal of maintaining a general fund balance of 20% of annual general fund expenditures and transfers out is sufficient to maintain services, without disruptive financial swings, under usual circumstances. However, these are not usual circumstances. Reductions in recurring revenue, such as property taxes and state revenue, as well as increasing fixed cost of operations such as energy and health care, mandates that the County significantly reduce expenditures. Expenditure reduction has been continuous since fiscal year 2008 and is expected to continue possibly through the middle of this decade. In a unique way, Washtenaw County has purposely increased general fund balance for intended future use in order to maintain services while developing a thoughtful plan to further reduce expenditures for sustainability in the long term.

It should finally be noted that a healthy general fund balance can also provide a source of funds for one-time expenditures (such as major capital purchases) or for limited-time enhancements, which would not normally be budgeted on a continuing basis. This allows the County to enhance services to citizens, and develop procedures to meet long-term financial needs, without limiting on-going services. Even under constricted budgets, there still may be occasions where a one-time expenditure for a particular pilot project or program could lead to future efficiencies. A healthy general fund balance provides the County's management and policy makers with a degree of limited flexibility to explore these options.

Major Initiatives

The Board of Commissioners issued the 2014-17 strategic priorities and budget decision principles to provide direction during budget development and guide the structural reforms necessary to support Washtenaw County's fiscal stability. At its heart, not only are these priorities and principles a response to the fiscal constraints faced by Washtenaw County and many other local governments across the state, but they also establish a framework for investing in programs and activities that will help Washtenaw County's residents and communities continue to recover. The Board provided three distinct sets of information meant to be used interactively to ensure the best budget possible emerged from our process.

First, beginning with the end in mind, the Board provided an overview of an improved paradigm for county investments. Investments are made according to Board priority and that they impact the community and residents' quality of life in positive ways. Identifying and working toward community impact can move Washtenaw County Government toward a policy-making and resource allocation paradigm that focuses on and measures improved quality of life in Washtenaw County. Furthermore, it means understanding and committing to what differences those investments and services make for residents. It moves the discussion beyond the "what" county government does toward the "why" we do it.

Second, the Board issued five "priorities" regarding the work that it seeks to invest in most heavily, accompanied by qualitative priorities meant to focus resources on a reduced set of activities: 1. ensure the community safety net through health and human services inclusive of public safety, 2. increase economic opportunity and workforce development, 3. ensure mobility and civic infrastructure for Washtenaw County residents, 4. reduce environmental impact, and 5. internal work force/talent.

Third, the Board provided a set of guidelines to support decision-making as the realities of the county's financial limitations were confronted, as well as the need to balance competing interests: 1. impacts and outcome drive investment priorities, 2. services are delivered optimally by the right provider, 3. social and financial returns on investment are articulated and calculated, 4. programs are evidence and performance based, 5. mandates that support outcomes and impacts are better funded, 6. the excellence of the County's internal workforce is foundational, 7. programs and services should be encouraged to achieve the triple bottom line of financial returns on investment, contribution to social equity, and reduction of environmental impact.

Finally, in response to the Board of Commissioners' strategic priorities and budget decisions principles, several potential budget reduction solutions were laid out for the organization and used in budget discussions: 1.) revenue generation -pursue opportunities to maximize revenues to return to long-term fiscal stability; 2.) operating cost reductions - demonstrate that we are operating our programs as efficiently as possible as well as determine the best organizational structure, including level of management to carry out our businesses; 3.) employee compensation & benefits - work with our union partners to identify ways to reduce the county costs for personnel; 4.) pension/healthcare obligations -consider bonding for unfunded actuarially accrued liabilities as authorized by State of Michigan PA 329 of 2012; and 5.) outside agency allocations - community collaboration with private, non-profit and public organizations to maintain services to our residents. These potential solutions were explored and discussed in detail in an attempt to carry out the budget priorities, and especially to find alternatives to save services and jobs.

After over seven months of intense work with much investigation, discussion and debate, four specific target reduction solutions and amounts were identified: 1) Revenue Generation - \$2.4 million, 2) operating cost reductions - \$3.83 million, 3) reduced plan contribution to fund balance - \$1.0 million and 4) outside agency allocations - \$115 thousand.

As we evaluated and examined programs and services, we made tough decisions about what programs and services are essential and what we have to do without. While these challenging times remain uncertain, economic indicators are hinting that a gradual recovery may be on the horizon. We can get through these times by working together. We have so many great things going for us here in Washtenaw County, we know we must continue to focus on community and economic development that will preserve and grow the level of services our residents expect now and in the future. Your overwhelming support for our county and the collaborative efforts of our county staff, Board of Commissioners and our community partners will continue to make Washtenaw County a great place to call home.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Washtenaw County, Michigan for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2012. This was the 23rd consecutive year that the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the County must publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The County also received the GFOA's Distinguished Budget Presentation Award for its budget for the biennium period beginning January 1, 2012. In order to qualify for the Distinguished Budget Presentation Award, the County's budget document was judged as a policy document, a financial plan, an operations guide, and a communication device.

Finally, Washtenaw County is the proud recipient of the GFOA award for its Popular Annual Financial Report (PAFR). The fiscal year 2012 PAFR was the County's seventh citation. Washtenaw County is one of four counties in the State of Michigan that holds all three of the GFOA awards simultaneously.

The preparation of this report on a timely basis was made possible by the dedicated service of Finance Department accounting staff and the accounting personnel from the Treasurer's Office, Water Resources Commissioner's Office, Public Works, Road Commission, Community Support and Treatment Services, Public Health and other County departments, as well as advice from Rehmann Robson.

I wish to express my appreciation and acknowledge those who assisted and contributed to the preparation of this report:

Dan Ackerman	Jennifer Brassow	Kirsten Osborn
Sara Wuellner	Peter Collinson	Stefanie Thacker
Terry Ballantyne	Janet Egeler	Xiaohong Wu
Don Bilbey	SiRui Huang	Sue Bos
Mary Kowalski	Nicole Phelps	Susan Shipley
Tami Flodin	Matthew Williams	Shawn FitzGerald

Credit also must be given to the Board of Commissioners for their unflinching support for maintaining the highest standards of professionalism in the management of Washtenaw County's finances.

Sincerely,



Verna J. McDaniel
County Administrator/Controller

INDEPENDENT AUDITORS' REPORT

March 21, 2014

To the Board of Commissioners
of Washtenaw County
Ann Arbor, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of *Washtenaw County, Michigan* as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Washtenaw County Road Commission, which represents 77.4% of the assets and 90.5% of the revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report was furnished to us, and our opinion, insofar as it relates to the amounts included for the Washtenaw County Road Commission, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Washtenaw County, Michigan, as of December 31, 2013, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the schedules of funding progress and employer contributions listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and statistical tables have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2014 on our consideration of Washtenaw County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Washtenaw County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Rehmann Lobson LLC". The signature is written in a cursive, flowing style.

WASHTENAW COUNTY

Management's Discussion and Analysis

As management of Washtenaw County, Michigan we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, as listed in the table of contents, and the accompanying basic financial statements.

Financial Highlights

- The net position of the County was \$236.2 million at December 31, 2013. Of this amount, \$32.8 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. The County's net position increased by \$5.2 million during 2013.
- The County's governmental funds (this includes the general, special revenue, debt service and capital projects funds) reported combined fund balances of \$69.4 million at December 31, 2013, a decrease of \$7.0 million from last year. Seventy percent of the ending fund balances, \$48.7 million, is subject to the underlying limitations applicable to the particular special revenue, debt service and capital project funds. Thirty percent of this total amount, \$20.7 million, is available for spending at the government's discretion (general fund unassigned fund balance).
- At December 31, 2013 the fund balance in the general fund was \$20.7 million. This was an increase of \$3.9 million compared to the prior year. The fund balance in the general fund is now 20.3 percent of total general fund expenditures and transfers out.
- The County's investment in capital assets (net of accumulated depreciation) increased by \$3.5 million during 2013.
- The County's total bonded debt, excluding delinquent tax notes, decreased by \$8.9 million in 2013.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the County as a whole (government-wide financial statements) and present a longer-term view of the County's finances. Fund financial statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds.

The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information. This is limited to this discussion and analysis and the schedules concerning the County's progress in funding its obligation to provide pension and other postemployment benefits to certain employees.

WASHTENAW COUNTY

Management's Discussion and Analysis

Reporting the County as a Whole

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 statements include all assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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 2013, the net position of the County increased by \$5.2 million.

The statements of net position and activities present information about the following:

Governmental activities. All of the County's basic services are considered to be governmental activities, including legislative, judicial, general government, public safety, public works, health, social services, culture and recreation, and interest on debt. Property taxes, intergovernmental revenue for operating grants and contributions, and charges for services finance most of these activities.

Business-type activities. Other functions of the County that are intended to recover all or a significant portion of their costs through user fees and charges are considered to be business-type activities. These include delinquent tax collections and property foreclosures.

Component units. The County includes five legally separate entities in its financial statements: the Washtenaw County Department of Public Works Projects, the Washtenaw County Water Resources Commissioner, the Washtenaw County Hazardous Materials Response Authority, the Washtenaw County Road Commission and the Washtenaw County Brownfield Redevelopment Authority. Although legally separate, these component units are important because the County is financially accountable for them.

Financial information for these *component units* are reported separately from the financial information presented for the primary government itself. The Washtenaw County Building Authority, although also legally separate, functions for all practical purposes as a department of the County, and therefore has been included as an integral part of the primary government.

Reporting the County's Most Significant Funds

Fund Financial Statements. The fund financial statements provide detailed information about the most significant funds, not the County as a whole. Some funds are required to be established by State law and by bond covenants. However, the County establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The County's two primary kinds of funds - governmental and proprietary - use different accounting approaches.

WASHTENAW COUNTY

Management's Discussion and Analysis

Governmental funds. Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County's general governmental operations and the basic services it provides.

Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

Both the governmental fund balance sheet and statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains more than 30 individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the general, community support and treatment services, parks and recreation, revenue sharing reserve, enhanced emergency communication system millage, and county capital project funds, each of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements and schedules* elsewhere in this report.

Proprietary funds. The County maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for delinquent tax operations and property foreclosures. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for support services provided to other departments, which includes phone services, fleet, facilities management, insurance, duplicating and copier replacement, mail services and payroll fringe benefits. Because these services predominantly benefit governmental rather than business type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the delinquent tax operations and other enterprise funds. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

WASHTENAW COUNTY

Management's Discussion and Analysis

Reporting the County's Fiduciary Responsibilities

The County is the trustee, or *fiduciary*, for certain amounts held on behalf of others. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The County's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. The accounting used for fiduciary funds is much like that used for proprietary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Additional Information

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to this MD&A and schedules concerning the County's progress in funding its obligation to provide pension and other postemployment benefits to certain employees.

The combining and individual fund financial statements and schedules referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information.

Financial Analysis of the County as a Whole

This government-wide financial analysis focuses on the net position and changes in net position of the County's governmental and business-type activities. As noted earlier, net position may serve over time as a useful indicator of a government's financial health. As the following table shows, the County's net position was \$236.2 million at December 31, 2013.

By far, the largest portion of the County's net position, is its investment in capital assets (i.e., land, buildings, vehicles and equipment), net of any related debt used to acquire those assets that is still outstanding. This amounted to \$162.8 million at December 31, 2013. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position amounted to \$40.6 million at December 31, 2013. This represents resources that are subject to external restrictions on how they may be used.

Unrestricted net position was \$32.8 million at December 31, 2013 and may be used to meet the government's ongoing obligations to citizens and creditors.

WASHTENAW COUNTY

Management's Discussion and Analysis

Washtenaw County's Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 108,726,324	\$ 115,602,448	\$ 36,737,499	\$ 36,818,517	\$ 145,463,823	\$ 152,420,965
Capital assets	208,511,297	205,060,964	5,446	5,446	208,516,743	205,066,410
Total assets	317,237,621	320,663,412	36,742,945	36,823,963	353,980,566	357,487,375
Deferred charge on refunding	311,982	408,354	-	-	311,982	408,354
Long-term liabilities	71,692,972	79,191,685	17,040,954	19,535,788	88,733,926	98,727,473
Other liabilities	14,234,821	14,405,361	1,032,451	35,920	15,267,272	14,441,281
Total liabilities	85,927,793	93,597,046	18,073,405	19,571,708	104,001,198	113,168,754
Taxes levied but intended for subsequent period	14,053,883	13,687,790	-	-	14,053,883	13,687,790
Net position:						
Net investment in capital assets	162,826,360	150,380,658	5,446	5,446	162,831,806	150,386,104
Restricted	21,915,510	32,262,018	18,664,094	17,246,809	40,579,604	49,508,827
Unrestricted	32,826,057	31,144,254	-	-	32,826,057	31,144,254
Total net position	\$ 217,567,927	\$ 213,786,930	\$ 18,669,540	\$ 17,252,255	\$ 236,237,467	\$ 231,039,185

At December 31, 2013, the County is able to report positive balances in all three categories of net position (unrestricted, restricted and net investment in capital assets), both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior year.

The County's net position increased by \$5.2 million during 2013, composed of a \$3.8 million increase for governmental activities and a \$1.4 million increase for business-type activities.

WASHTENAW COUNTY

Management's Discussion and Analysis

Governmental Activities. As noted above, total revenues and transfers exceeded total expenses by \$3.8 million during 2013. Total revenues and transfers for governmental activities were \$10.8 million more than the prior year. Key elements of this increase were as follows:

- Operating grants and contributions increased by \$6.2 million during 2013. The major source of the increase, \$5.8 million, was attributable to Community Support and Treatment Services (CSTS) related to the transfer of all direct service delivery functions and certain administrative functions from the Washtenaw County Health Organization (WCHO) to CSTS during 2013. This was a significant change that resulted in a large increase in funding from the WCHO and involved the net creation of 39 new positions and the reclassification of 76 positions in CSTS.
- Grants and contributions not restricted to specific programs rose by \$4.7 million during 2013. The majority of this increase, \$4.1 million, was attributable to the reinstatement of State revenue sharing for the County during 2013 due to the County's revenue sharing reserve fund transferring the last of its reserves to the general fund in accordance with State guidelines.
- Transfers decreased by \$1.6 million during 2013 due to a smaller transfer from the delinquent tax funds to the County's capital reserve fund (compared to the previous year) based upon the available balance in several delinquent tax funds after their notes payable were fully paid off.

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenue						
Program revenue:						
Charges for services	\$ 35,848,472	\$ 34,705,989	\$ 4,918,043	\$ 6,267,936	\$ 40,766,515	\$ 40,973,925
Grants and contributions:						
Operating	78,516,448	72,298,292	-	-	78,516,448	72,298,292
Capital	1,078,562	1,692,183	-	-	1,078,562	1,692,183
General revenue:						
Property taxes	76,886,732	76,320,529	-	-	76,886,732	76,320,529
Accommodations taxes restricted for tourist programs						
	4,733,097	4,305,258	-	-	4,733,097	4,305,258
Grants and contributions not restricted to specific programs						
	5,561,084	838,212	-	-	5,561,084	838,212
Investment earnings	235,759	352,708	85,169	103,367	320,928	456,075
Total revenue	202,860,154	190,513,171	5,003,212	6,371,303	207,863,366	196,884,474

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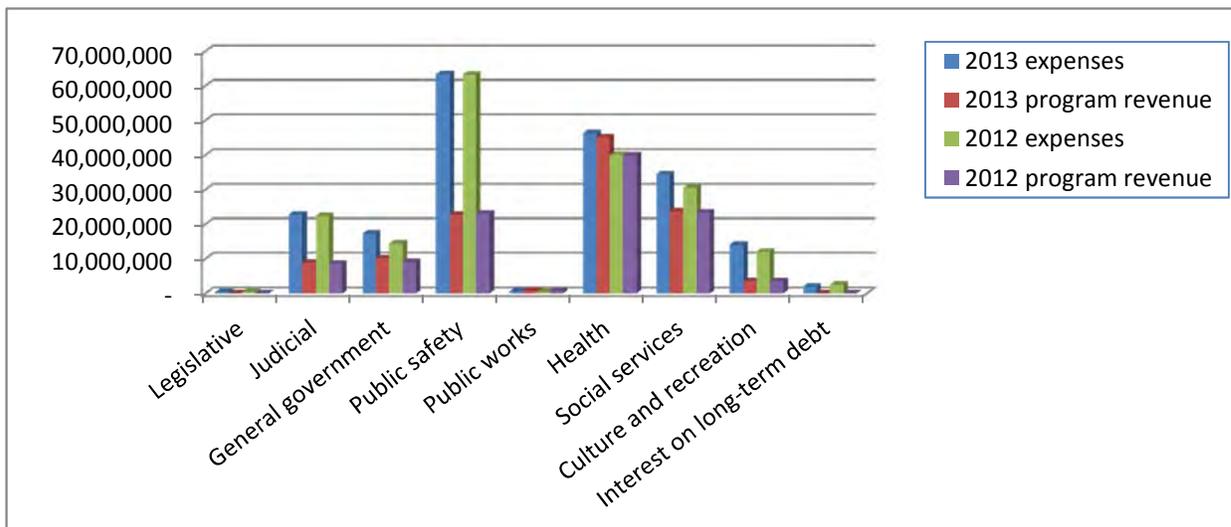
WASHTENAW COUNTY

Management's Discussion and Analysis

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Expenses						
Legislative	\$ 416,505	\$ 459,190	\$ -	\$ -	\$ 416,505	\$ 459,190
Judicial	22,852,017	22,381,936	-	-	22,852,017	22,381,936
General government	17,296,537	14,445,314	-	-	17,296,537	14,445,314
Public safety	63,358,186	63,259,968	-	-	63,358,186	63,259,968
Public works	652,623	537,429	-	-	652,623	537,429
Health	46,324,076	40,064,199	-	-	46,324,076	40,064,199
Social services	34,481,334	30,554,802	-	-	34,481,334	30,554,802
Culture and recreation	14,125,328	12,149,244	-	-	14,125,328	12,149,244
Interest on long-term debt	2,039,606	2,541,827	-	-	2,039,606	2,541,827
Delinquent tax collections and related activities	-	-	1,122,057	1,686,934	1,122,057	1,686,934
Total expenses	201,546,212	186,393,909	1,122,057	1,686,934	202,668,269	188,080,843
Increase in net position						
before transfers	1,313,942	4,119,262	3,881,155	4,684,369	5,195,097	8,803,631
Transfers	2,467,055	4,050,055	(2,463,870)	(4,047,228)	3,185	2,827
Increase in net position	3,780,997	8,169,317	1,417,285	637,141	5,198,282	8,806,458
Net position - beginning, as restated						
	213,786,930	205,617,613	17,252,255	16,615,114	231,039,185	222,232,727
Net position - ending	\$ 217,567,927	\$ 213,786,930	\$ 18,669,540	\$ 17,252,255	\$ 236,237,467	\$ 231,039,185

concluded.

2013 & 2012 Expenses and Program Revenue - Governmental Activities



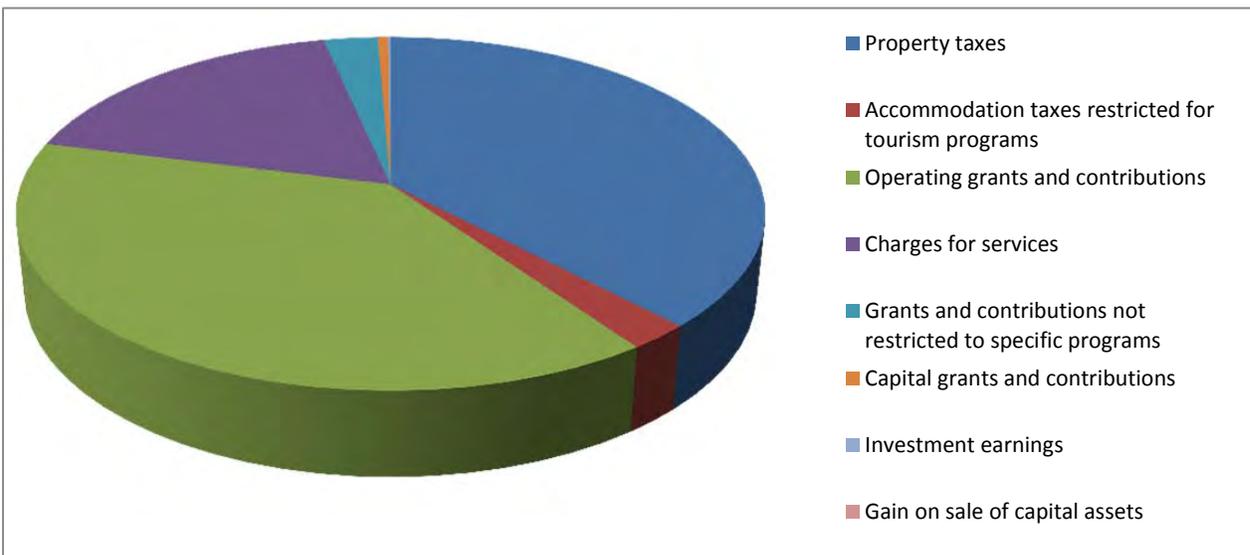
WASHTENAW COUNTY

Management's Discussion and Analysis

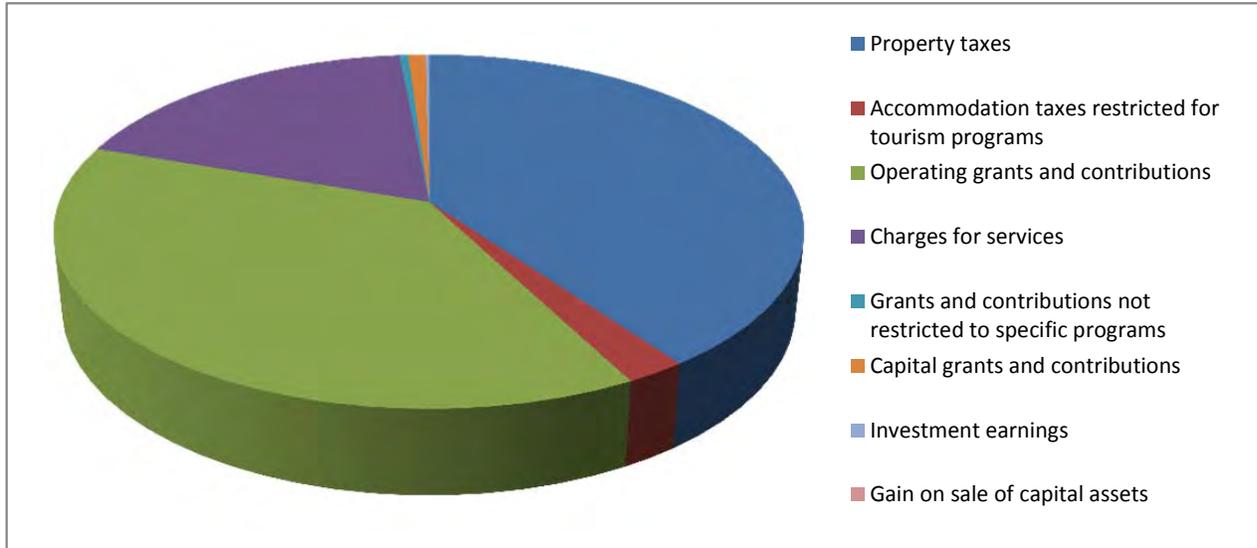
Total expenses for governmental activities increased \$15.2 million during 2013 compared to the prior year.

- General government expenses increased \$2.9 million. This was attributable to a \$0.8 million increase in payments to the Ann Arbor and Ypsilanti convention and visitor bureaus related to a planned reduction in fund balance for the accommodation ordinance tax fund approved by the Board of Commissioners, a \$0.7 million growth in expenses for the Packard Square brownfield redevelopment project (funded by a State grant), and a \$1.3 million decrease in cost allocation plan charges (an expense offset) recovered from user departments.
- Health expenses increased \$6.3 million during 2013. The major cause of the increase, \$5.8 million, was due to the transfer of all direct service delivery and certain administrative functions from the Washtenaw County Health Organization (WCHO) to CSTS during 2013 as described above.
- Social services expenses increased by \$3.9 million. Community and economic development expenses grew by \$2.6 million: HOME program expenses rose \$1.4 million during 2013 while expenses for the Housing and Urban Development (HUD) community challenge grant increased by more than \$1.0 million. Child care fund expenses rose \$1.2 million due to increased placement costs, greater staffing cost for the Juvenile Center, and increased foster care and private institution placement costs related to the Department of Human Services.

2013 Revenue by Source - Governmental Activities
\$202,860,154



2012 Revenue by Source - Governmental Activities \$190,513,171



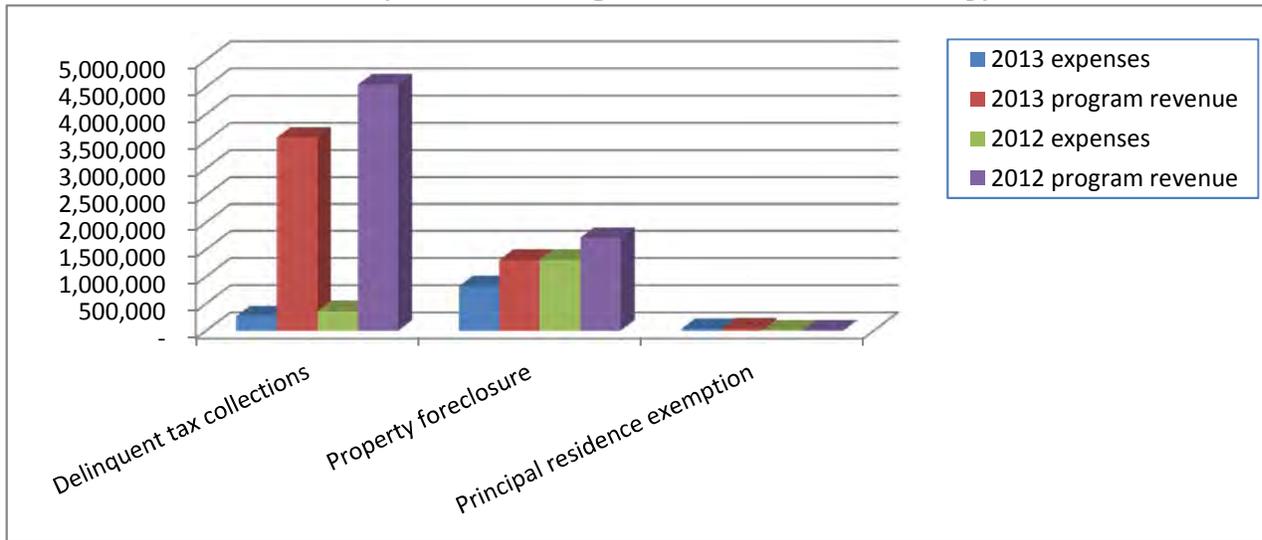
Business-type Activities. Business-type activities increased the County's net position by approximately \$1.4 million during 2013. Key elements of the increase were as follows:

- Charges for services revenue for property foreclosure decreased by \$0.4 million and operating expenses for property foreclosure decreased by \$0.5 million due to fewer properties being involved in the foreclosure process during 2013.
- Charges for services revenue for delinquent tax collections (including interest charges and collection fees) decreased by a total of \$1.0 million during 2013, due to a declining base of delinquent taxes owed in the current year.
- Transfers out of the delinquent tax funds to the capital reserve fund decreased by \$1.6 million because fewer dollars were available at December 31, 2013 after certain delinquent tax notes were repaid.

WASHTENAW COUNTY

Management's Discussion and Analysis

2013 & 2012 Expenses and Program Revenues - Business-type Activities



Financial Analysis of the County's Funds

As noted earlier, Washtenaw County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the County's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At December 31, 2013, the County's governmental funds reported combined ending fund balances of \$69.4 million, a decrease of \$7.0 million compared to the prior year. Seventy percent of the ending fund balances, \$48.7 million, is subject to the underlying limitations applicable to the particular special revenue, debt service and capital project funds and is not available for new spending because it has already been restricted or committed for community support and treatment services' activities, land acquisition under the natural area preservation program, parks and recreation activities, replacement for state revenue sharing, enhancements to emergency communication systems and for improvements to existing assets and new construction for capital projects, long-term advances, as well as other external constraints. The other 30 percent of this total amount, \$20.7 million, is available for spending at the government's discretion (general fund unassigned fund balance).

The general fund is the chief operating fund of the County. At December 31, 2013, the fund balance of the general fund was \$20.7 million, an increase of \$3.9 million from the prior year. As a measure of its liquidity, it may be useful to compare fund balance to total fund expenditures. Fund balance represents 20.3 percent of total general fund expenditures and transfers out. This level of fund balance in the general fund meets the Board of Commissioners formal adopted policy.

WASHTENAW COUNTY

Management's Discussion and Analysis

The community support and treatment services fund had no fund balance at September 30, 2013 and September 30, 2012 (its year end). It had \$32.4 million in revenues and transfers in and \$32.4 million in expenditures during 2013.

The parks and recreation fund had a fund balance of \$17.7 million at December 31, 2013, a decrease of \$5.5 million from the prior year. This decrease was due to significant capital expenditures during the year on three projects: the Rolling Hills Master Plan, Independence Lake Park and the Border-to-Border Trail. The parks and recreation fund utilizes voter-approved millages to fund parks and recreation programs and activities and land acquisitions meeting the criteria of the natural areas preservation program. Fund balance will be used in subsequent years for these purposes.

The revenue sharing reserve fund had no fund balance at December 31, 2013. This represents a decrease of \$4.0 million from the prior year. This fund was mandated by the State of Michigan. It was established to account for accelerated property tax collections that were authorized by State statute as a temporary replacement for state revenue sharing payments to counties (which were suspended by the State during 2004). Annual tax payments, each equal to 1/3 of the annual property tax levy, were placed in this fund over a three year period beginning in 2004. At the same time, the County began transferring monies from this fund to the general fund according to a schedule established by the Michigan Department of Treasury. The final transfer took place from this fund during 2013 at which time the fund balance was depleted. The State has resumed the payment of revenue sharing monies to the County.

The enhanced emergency communication system millage fund had a fund balance of \$0.9 million at December 31, 2013, a decrease of \$0.8 million from the prior year. This fund accounts for the revenues provided by a voter-approved 10-year millage which began in 2006 and for the payment of principal and interest on the long-term general obligation debt issued to finance the construction of the new digital emergency communication system for the County as well as the ongoing maintenance costs of the system.

The county capital projects fund accounts for the renovations and modifications of existing facilities, new capital construction projects and the purchase of capital equipment, as well as maintenance to existing facilities (such as replacement of roof systems, carpeting, and other interior finishes). The county capital projects fund had a fund balance of \$19.9 million at December 31, 2013, a decrease of \$0.6 million from the prior year.

Proprietary funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Restricted and unrestricted net position of the delinquent tax, other enterprise and internal service funds at the end of the year amounted to \$16.4 million, \$2.3 million and \$8.5 million, respectively. The delinquent tax fund had an increase in net position for the year of \$1.1 million, whereas the other enterprise funds had an increase of \$0.3 million and the internal service funds had an increase of \$0.1 million. Other factors concerning the financial position of the delinquent tax fund have already been addressed in the discussion of the County's business type activities.

WASHTENAW COUNTY

Management's Discussion and Analysis

General Fund Budgetary Highlights

There was a net increase of \$3.9 million (4.2%) to general fund revenues (including other financing sources) from the original to the final budget. Taxes increased \$2.3 million (3.8%) because the current year property tax revenues were higher as the increase in the tax base was only 1.35% rather than the projected decline of 2.0% when the budget was adopted. This good news allowed a budget adjustment by the same amount to eliminate the planned use of fund balance.

Intergovernmental revenues increased \$0.7 million (7.5%) for state revenue sharing, liquor tax and other anticipated community reimbursements. Other revenue increased \$.06 million (31.2%) primarily due to a refund from the State of Michigan for trial court technology from monies paid for the development of a case management system project that has stalled and other small revenues and reimbursements.

Charges for services increased \$0.2 million (1.0%) for sheriff revenues for police dispatch services, circuit court and probate court fees and costs, and substance abuse prevention and treatment services. License and permits increased \$0.09 million (50.0%) due to new and increased soil erosion fees. Other small increases and decreases in revenue budgets also took place.

There was a \$0.9 million (1.2%) net increase between the original and final amended expenditure budget (including other financing uses). This increase is primarily due to the refund from the State of Michigan for trial court technology, discussed above, that was transferred out of the general fund to be used for judicial technology and implementation of a new case management system.

Primarily two functional areas of budgeted expenditures increased, other financing uses (transfers out) and debt service, while all other functional areas (legislative, judicial, general government, public safety, public works, social services, culture - county extension and other unallocated expenditures) decreased. These adjustments had a net zero impact on the budget because all were reclassifications of already budgeted expenditures into different account categories. Furthermore, the budget includes designated and undesignated allocations for coordinated funding activities that are administered by the office of community and economic development. Once the funding allocations are determined, these monies are transferred out of the general fund and are reclassified to the other financing uses category. In addition, departments continued with planned cost containment efforts and implementing budgeted reductions. Once these were identified and the savings calculated, budgets were modified. Other small increases and decreases in expenditure budgets also took place.

Overall, actual general fund revenues, including other financing sources, were more than the final budget. Actual general fund expenditures, including other financing uses, were less than the final budget. Actual revenues were more than actual expenditures. This resulted in an increase in the actual fund balance of \$3,920,818 which was \$3,820,818 more than the final budget amount.

WASHTENAW COUNTY

Management's Discussion and Analysis

Capital Asset and Debt Administration

Capital Assets. The County's investment in capital assets for its governmental activities at December 31, 2013 was \$208.5 million (net of accumulated depreciation), an increase of \$3.5 million over last year. This investment in capital assets includes land, buildings, easement property, improvements, and machinery and equipment. The County's business-type activities have a nominal investment in capital assets of \$5,446 (net of accumulated depreciation) at December 31, 2013.

Major capital asset events during the current fiscal year included the following:

- Parks and Recreation spent \$11.3 million on capital improvements during 2013, including \$1 million to complete the addition of Blue Heron Bay at Independence Lake Park, \$4 million on the completion of the expansion of Rolling Hills which started just after Labor Day in 2012, and \$0.5 million on the completion of the River Terrace section of the Border-to-Border trail. Parks and Recreation also acquired 681 acres of land for \$4.9 million under the Natural Areas Preservation Program.

Washtenaw County's Capital Assets
(net of depreciation)

	Governmental activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 43,838,342	\$ 39,149,390	\$ -	\$ -	\$ 43,838,342	\$ 39,149,390
Easement property in perpetuity	2,318,590	1,457,085	-	-	2,318,590	1,457,085
Construction in progress	855,638	4,610,735	-	-	855,638	4,610,735
Buildings and easement property	103,295,901	109,062,447	-	-	103,295,901	109,062,447
Improvements other than buildings	46,817,462	39,023,124	-	-	46,817,462	39,023,124
Machinery and equipment	11,385,364	11,758,183	5,446	5,446	11,390,810	11,763,629
Total	\$ 208,511,297	\$ 205,060,964	\$ 5,446	\$ 5,446	\$ 208,516,743	\$ 205,066,410

Additional information on the County's capital asset activity may be found in the Capital Assets section (Note 6) of the notes to the financial statements.

WASHTENAW COUNTY

Management's Discussion and Analysis

Long-term Debt. At December 31, 2013, the County had total bonded debt outstanding of \$50.7 million. This entire amount is backed by the full faith and credit of the County.

Washtenaw County's Outstanding Debt General Obligation

	Governmental activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 50,720,000	\$ 59,590,000	\$ -	\$ -	\$ 50,720,000	\$ 59,590,000
Delinquent tax notes	-	-	17,000,000	19,500,000	17,000,000	19,500,000
Total	\$ 50,720,000	\$ 59,590,000	\$ 17,000,000	\$ 19,500,000	\$ 67,720,000	\$ 79,090,000

The County's total general obligation debt decreased by \$11.4 million during 2013. The County made principal payments of \$8.9 million on its general obligation bonds and \$18.5 million on its delinquent tax notes and also issued \$16.0 million in delinquent tax notes. Debt service requirements for general obligation bonds of \$6.3 million and interest of \$1.4 million are due during 2014. The principal payment for delinquent tax notes of \$13.5 million and interest payments of \$0.1 million are due during 2014.

The County has an "Aa1" rating for general obligation bonds from Moody's. The County has an "AA+" 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 from Fitch. The rating outlook for the County from each of these agencies is stable.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation (i.e., State Equalized Value). The current debt limitation for the County is \$1.6 billion which is significantly in excess of the County's outstanding general obligation debt.

Additional information on the County's long-term debt activity may be found in the Long-Term Debt section (Note 10) of the notes to the financial statements.

Economic Factors and Next Year's Budget and Rates

The Michigan economic downturn, housing market and stock market decline have had a continuing impact on the County's fiscal operations. The following factors were considered in preparing the County's 2014-2017 budget:

- The County completed labor negotiations resulting in modest wage increases with the elimination of banked leave days, reinstatement of step increases and full longevity, as well as structural and nonstructural wage increases. Previous economic concessions related to benefit modifications were continued with approved premium sharing, and increased co-pays and deductibles for medical benefits.

WASHTENAW COUNTY

Management's Discussion and Analysis

- To limit the County's liability to the defined benefit retirement system and retiree healthcare plan, both plans were closed to new hires effective 1-1-14. New hires will enter into a defined contribution plan and a retiree health reimbursement account. Cost-sharing models were negotiated capping the employer and employee contribution rates. This will assist with the potential cost increases within the pension and retiree healthcare systems, ensure pension funding for retirement and eliminate the long-term legacy costs associated with these plans.
- The unemployment rate for the County is currently 4.5%, lower than a year ago. This compares favorably to the state's average unemployment rate of 8.4% and the national average rate of 7.4%.
- Michigan has two constitutional laws that limit property tax growth to the rate of inflation or a maximum allowable increase in an assessment of 5.0%, whichever is smaller. For 2013 the applicable inflation rate was 2.4%, but the actual change in taxable value was 1.35%. Therefore, due to the laws that limit growth, as well as the economy and housing market declines, property tax revenues are budgeted to increase by 1.0% per year for 2014-2017.
- The State of Michigan has returned to fiscal stability and had a budget surplus for their most recent year end. The County has depleted its revenue sharing reserve fund. The 2014-2017 budget assumes that the State of Michigan will reinstate county revenue sharing/county incentive program at 79% of previous levels now that the reserve fund is depleted.
- The County has committed to plan future budgets to meet a fund balance goal of at least 20% of operating expenditures. The 2014 fiscal year budget is balanced. Any annual surplus or deficit will have options for use recommended as outlined by adopted community impact resolution.
- Overall, financial trends in the region compare mixed in relation to national indices. Analysis of revenue, expenditure, operating position, debt structure, unfunded liabilities, condition of capital plant, and community needs and resources indicators are examined across time to provide a framework for objective investigation.

Contacting the County's Financial Management

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's fiscal condition. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Washtenaw County Finance Department, 220 North Main Street, P.O. Box 8645, Ann Arbor, Michigan 48107-8645.

WASHTENAW COUNTY

Statement of Net Position

December 31, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and pooled investments	\$ 78,475,579	\$ 13,996,076	\$ 92,471,655	\$ 18,043,076
Receivables, net	27,625,783	22,608,727	50,234,510	47,222,282
Prepaid items and other assets	2,624,962	132,696	2,757,658	1,287,234
Capital assets not being depreciated	47,012,570	-	47,012,570	30,588,205
Capital assets being depreciated, net	161,498,727	5,446	161,504,173	273,909,630
Net pension asset	-	-	-	244,194
Total assets	317,237,621	36,742,945	353,980,566	371,294,621
Deferred outflows of resources				
Deferred charge on refunding	311,982	-	311,982	243,538
Liabilities				
Accounts payable and accrued expenses	13,715,901	1,022,722	14,738,623	11,348,673
Accrued interest payable	359,107	9,729	368,836	257,546
Unearned revenue	159,813	-	159,813	416,529
Long-term liabilities:				
Due within one year	15,318,019	13,517,062	28,835,081	4,583,217
Due in more than one year	52,654,734	3,523,892	56,178,626	42,047,639
Other noncurrent liability - net other postemployment benefit liability	3,720,219	-	3,720,219	1,333,962
Total liabilities	85,927,793	18,073,405	104,001,198	59,987,566
Deferred inflows of resources				
Taxes levied for a subsequent period	14,053,883	-	14,053,883	-
Deferred gain on refunding	-	-	-	549
Total deferred inflows of resources	14,053,883	-	14,053,883	549
Net position				
Net investment in capital assets	162,826,360	5,446	162,831,806	281,995,601
Restricted for:				
Debt service	-	16,397,716	16,397,716	5,838,799
Capital projects	-	-	-	9,730,871
Public safety	2,086,849	-	2,086,849	-
Health	255,892	-	255,892	-
Social services	1,388,613	-	1,388,613	-
Culture and recreation	17,702,567	-	17,702,567	-
Economic development	481,589	-	481,589	-
Property foreclosure	-	2,232,675	2,232,675	-
Principal residence exemption	-	33,703	33,703	-
Unrestricted	32,826,057	-	32,826,057	13,984,773
Total net position	\$ 217,567,927	\$ 18,669,540	\$ 236,237,467	\$ 311,550,044

The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY

Statement of Activities

Year Ended December 31, 2013

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
Legislative	\$ 416,505	\$ -	\$ -	\$ -	\$ (416,505)
Judicial	22,852,017	3,484,854	5,505,841	-	(13,861,322)
General government	17,296,537	6,097,093	4,074,384	-	(7,125,060)
Public safety	63,358,186	18,141,435	3,644,964	1,078,562	(40,493,225)
Public works	652,623	130,146	728,059	-	205,582
Health	46,324,076	3,875,490	41,217,164	-	(1,231,422)
Social services	34,481,334	775,978	23,077,548	-	(10,627,808)
Culture and recreation	14,125,328	3,343,476	268,488	-	(10,513,364)
Interest on long-term debt	2,039,606	-	-	-	(2,039,606)
Total governmental activities	201,546,212	35,848,472	78,516,448	1,078,562	(86,102,730)
Business-type activities:					
Delinquent tax collection	268,294	3,569,363	-	-	3,301,069
Property foreclosure	819,759	1,306,543	-	-	486,784
Principal residence exemption	34,004	42,137	-	-	8,133
Total business-type activities	1,122,057	4,918,043	-	-	3,795,986
Total primary government	\$ 202,668,269	\$ 40,766,515	\$ 78,516,448	\$ 1,078,562	\$ (82,306,744)
Component units					
Department of Public Works Projects	\$ 1,331,578	\$ -	\$ -	\$ 1,074,715	\$ (256,863)
Water Resources Commissioner	2,546,245	163,353	-	2,025,312	(357,580)
Hazardous Materials Response Authority	76,773	53,973	24,535	-	1,735
Road Commission	32,253,175	-	40,089,261	-	7,836,086
Brownfield Redevelopment Authority	882,213	-	42,847	-	(839,366)
Total component units	\$ 37,089,984	\$ 217,326	\$ 40,156,643	\$ 3,100,027	\$ 6,384,012

continued...

WASHTENAW COUNTY

Statement of Activities

Year Ended December 31, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net (expense) revenue	\$ (86,102,730)	\$ 3,795,986	\$ (82,306,744)	\$ 6,384,012
General revenues:				
Property taxes	76,886,732	-	76,886,732	798,493
Accommodation taxes restricted for tourism programs	4,733,097	-	4,733,097	-
Grants and contributions not restricted to specific programs	5,561,084	-	5,561,084	-
Unrestricted investment earnings	235,759	85,169	320,928	76,166
Gain on sale of capital assets	-	-	-	45,017
Transfers - internal activities	2,467,055	(2,463,870)	3,185	-
Total general revenues and transfers	89,883,727	(2,378,701)	87,505,026	919,676
Change in net position	3,780,997	1,417,285	5,198,282	7,303,688
Net position, beginning of year, as restated	213,786,930	17,252,255	231,039,185	304,246,356
Net position, end of year	\$ 217,567,927	\$ 18,669,540	\$ 236,237,467	\$ 311,550,044

concluded.

The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY

Balance Sheet - Governmental Funds
December 31, 2013

	General	Community Support and Treatment Services	Parks and Recreation	Revenue Sharing Reserve	Enhanced Emergency Communication System Millage
Assets					
Cash and pooled investments	\$ 21,858,253	\$ 649,602	\$ 19,356,315	\$ -	\$ 1,301,998
Receivables:					
Taxes - current	-	-	8,518,108	-	2,389,706
Taxes - delinquent	148,753	-	-	-	-
Accounts	448,997	897,584	4,000	-	-
Interfund receivable	-	-	-	-	-
Due from other governments	1,511,380	400,973	-	-	-
Prepaid items	-	-	-	-	-
Total assets	\$ 23,967,383	\$ 1,948,159	\$ 27,878,423	\$ -	\$ 3,691,704
Liabilities					
Accounts payable	\$ 498,279	\$ 250,165	\$ 160,239	\$ -	\$ -
Accrued liabilities	2,596,446	599,273	156,325	-	-
Due to other governments	15,000	1,098,721	-	-	-
Interfund payable	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Advances from other governments	-	-	-	-	-
Total liabilities	3,109,725	1,948,159	316,564	-	-
Deferred inflows of resources					
Unavailable revenue - property taxes	148,753	-	-	-	-
Taxes levied for a subsequent period	-	-	9,859,292	-	2,765,968
Total deferred inflows of resources	148,753	-	9,859,292	-	2,765,968
Fund balances					
Nonspendable	-	-	-	-	-
Restricted for:					
Economic development	-	-	-	-	-
Public safety	-	-	-	-	925,736
Health	-	-	-	-	-
Social services	-	-	-	-	-
Culture and recreation	-	-	17,702,567	-	-
Capital projects	-	-	-	-	-
Committed for:					
Economic development	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Health	-	-	-	-	-
Social services	-	-	-	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Unassigned	20,708,905	-	-	-	-
Total fund balances	20,708,905	-	17,702,567	-	925,736
Total liabilities, deferred inflows of resources and fund balances	\$ 23,967,383	\$ 1,948,159	\$ 27,878,423	\$ -	\$ 3,691,704

The accompanying notes are an integral part of these financial statements.

County Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 17,734,558	\$ 8,001,304	\$ 68,902,030
-	1,234,283	12,142,097
-	-	148,753
35,000	1,302,559	2,688,140
2,705,590	-	2,705,590
-	7,636,825	9,549,178
-	126,925	126,925
<u>\$ 20,475,148</u>	<u>\$ 18,301,896</u>	<u>\$ 96,262,713</u>
\$ 575,116	\$ 1,984,750	\$ 3,468,549
2,533	925,267	4,279,844
-	820,019	1,933,740
-	2,705,590	2,705,590
-	159,813	159,813
-	78,000	78,000
<u>577,649</u>	<u>6,673,439</u>	<u>12,625,536</u>
-	-	148,753
-	1,428,623	14,053,883
-	1,428,623	14,202,636
-	126,925	126,925
-	481,589	481,589
-	1,161,113	2,086,849
-	255,892	255,892
-	1,388,613	1,388,613
-	-	17,702,567
5,795,999	-	5,795,999
-	124,310	124,310
-	1,720,818	1,720,818
-	1,221,067	1,221,067
-	2,271,045	2,271,045
-	1,448,394	1,448,394
-	68	68
14,101,500	-	14,101,500
-	-	20,708,905
<u>19,897,499</u>	<u>10,199,834</u>	<u>69,434,541</u>
<u>\$ 20,475,148</u>	<u>\$ 18,301,896</u>	<u>\$ 96,262,713</u>

WASHTENAW COUNTY

Reconciliation

Fund Balances for Governmental Funds
to Net Position of Governmental Activities
December 31, 2013

Fund balances - total governmental funds	\$ 69,434,541
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets	276,994,286
Accumulated depreciation	(71,724,982)
Other long-term assets are not available to pay for current-period expenditures and therefore are not recorded in the funds.	
	2,393,076
Deferred inflows of resources in governmental funds is susceptible to full accrual on the government-wide statements.	
	148,753
Discounts and premiums on bonds are reported as other financing uses or sources in the governmental funds, whereas they are capitalized and amortized for net position (and netted against bonds payable).	
Bond discounts	31,794
Bond premiums	(350,601)
Losses on refunding are not reported in the governmental funds, whereas they are capitalized and amortized for net position.	
	311,982
Internal service funds are used by management to charge the costs of certain activities such as insurance, worker's compensation, and building occupancy and maintenance. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	
	11,696,313
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds, notes and capital leases payable	(51,590,964)
Accrued interest on bonds payable	(359,107)
Other postemployment benefit obligation	(3,720,219)
Accrued compensated absences	(15,696,945)
Net position of governmental activities	<u>\$ 217,567,927</u>

The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year Ended December 31, 2013

	General	Community Support and Treatment Services	Parks and Recreation	Revenue Sharing Reserve	Enhanced Emergency Communication System Millage
Revenues					
Property taxes	\$ 63,098,172	\$ -	\$ 9,727,152	\$ -	\$ 2,709,974
Accommodation taxes	-	-	-	-	-
Licenses and permits	313,649	-	-	-	-
Intergovernmental	10,751,502	30,999,734	-	-	-
Charges for services	21,781,255	276,369	3,343,476	-	33,000
Fines and forfeits	955,814	-	-	-	-
Investment income	31,153	-	81,088	-	8,866
Other	2,796,082	956,229	268,488	-	-
Total revenues	99,727,627	32,232,332	13,420,204	-	2,751,840
Expenditures					
Current:					
Legislative	409,034	-	-	-	-
Judicial	16,558,069	-	-	-	-
General government	5,808,044	-	-	-	-
Public safety	53,739,047	-	-	-	337,415
Public works	129,492	-	-	-	-
Health	-	32,433,568	-	-	-
Social services	324,909	-	-	-	-
Culture and recreation	375,289	-	18,932,094	-	-
Other unallocated	4,915,463	-	-	-	-
Debt service:					
Principal	336,263	-	-	-	-
Interest and fiscal charges	39,753	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	82,635,363	32,433,568	18,932,094	-	337,415
Revenues over (under) expenditures	17,092,264	(201,236)	(5,511,890)	-	2,414,425
Other financing sources (uses)					
Transfers in	6,069,706	201,236	-	-	-
Transfers out	(19,241,152)	-	-	(4,022,175)	(3,182,973)
Total other financing sources (uses)	(13,171,446)	201,236	-	(4,022,175)	(3,182,973)
Net change in fund balances	3,920,818	-	(5,511,890)	(4,022,175)	(768,548)
Fund balances, beginning of year	16,788,087	-	23,214,457	4,022,175	1,694,284
Fund balances, end of year	\$ 20,708,905	\$ -	\$ 17,702,567	\$ -	\$ 925,736

The accompanying notes are an integral part of these financial statements.

County Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,202,681	\$ 76,737,979
-	4,733,097	4,733,097
-	2,455,487	2,769,136
4,379	35,143,224	76,898,839
1,138,151	4,621,281	31,193,532
-	154,012	1,109,826
57,489	16,407	195,003
533,412	5,938,508	10,492,719
<u>1,733,431</u>	<u>54,264,697</u>	<u>204,130,131</u>
-	-	409,034
-	5,197,023	21,755,092
-	6,929,535	12,737,579
-	6,407,478	60,483,940
-	518,597	648,089
-	13,383,003	45,816,571
-	31,324,317	31,649,226
-	-	19,307,383
-	-	4,915,463
60,869	8,889,476	9,286,608
-	2,090,694	2,130,447
5,061,476	-	5,061,476
<u>5,122,345</u>	<u>74,740,123</u>	<u>214,200,908</u>
<u>(3,388,914)</u>	<u>(20,475,426)</u>	<u>(10,070,777)</u>
20,275,138	23,266,773	49,812,853
(17,455,255)	(2,877,690)	(46,779,245)
<u>2,819,883</u>	<u>20,389,083</u>	<u>3,033,608</u>
(569,031)	(86,343)	(7,037,169)
<u>20,466,530</u>	<u>10,286,177</u>	<u>76,471,710</u>
<u>\$ 19,897,499</u>	<u>\$ 10,199,834</u>	<u>\$ 69,434,541</u>

WASHTENAW COUNTY

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
Year Ended December 31, 2013

Net change in fund balances - total governmental funds \$ (7,037,169)

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	14,855,376
Depreciation expense	(8,441,458)
Loss on disposal of capital assets	(1,966,964)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Change in unavailable leases receivable	(1,459,485)
Change in unavailable property tax receivable	148,753

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payments on long-term liabilities	8,950,344
Principal payments on capital leases	336,264

Accrued interest expense on bonds and the amortization of bond discounts, premiums and deferred losses are not recorded by governmental funds, but are reported under interest and fiscal charges for purposes of net position:

Change in accrued interest payable on long-term debt	84,699
Amortization of discount on bonds	(4,760)
Amortization of premium on bonds	67,521
Amortization of deferred charge on refunding	(96,372)

Internal service funds are used by management to charge the costs of certain activities such as insurance, workers' compensation, and building occupancy and maintenance to individual governmental funds. The net revenue (expense) attributable to those funds is reported with governmental activities.

Net operating income from governmental activities in internal service funds	658,269
Interest revenue from governmental internal service funds	40,756
Net gain on sale of capital assets in governmental internal service funds	12,715

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Change in other postemployment benefit obligation	241,226
Change in accrual for accrued compensated absences	(2,042,165)

Change in net position of governmental activities \$ 3,780,997

The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

Year Ended December 31, 2013

	Budget Original	Budget Final	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Property taxes	\$ 60,941,052	\$ 63,268,353	\$ 63,098,172	\$ (170,181)
Licenses and permits	177,812	266,762	313,649	46,887
Intergovernmental	8,787,606	9,448,587	10,751,502	1,302,915
Charges for services	20,747,598	20,963,618	21,781,255	817,637
Fines and forfeits	1,012,100	1,012,100	955,814	(56,286)
Investment income	100,000	100,000	31,153	(68,847)
Other	1,906,395	2,501,777	2,796,082	294,305
Total revenues	93,672,563	97,561,197	99,727,627	2,166,430
Expenditures				
Legislative -				
Board of commissioners	491,944	465,714	409,034	56,680
Judicial:				
District court	5,661,919	5,705,915	5,677,679	28,236
Trial court	8,342,953	7,960,624	8,036,615	(75,991)
Probation department	174,469	174,469	157,174	17,295
Public defender	2,703,583	2,692,539	2,686,601	5,938
Total judicial	16,882,924	16,533,547	16,558,069	(24,522)
General government:				
Information technology	6,222,791	5,977,320	5,585,954	391,366
Building authority	6,900	6,900	4,350	2,550
Clerk / Register	3,723,203	3,699,426	3,394,681	304,745
Human resources	1,155,601	1,198,771	1,179,203	19,568
Water resources commissioner	2,885,793	2,912,191	2,819,351	92,840
Equalization	1,405,312	1,356,690	1,266,804	89,886
Finance	2,956,046	2,851,787	2,758,685	93,102
Corporation counsel	479,571	353,976	364,078	(10,102)
Treasurer	1,533,958	1,559,346	1,477,071	82,275
Administrator	590,577	588,079	572,549	15,530
Allocated to other departments	(14,000,376)	(14,013,857)	(13,614,682)	(399,175)
Total general government	6,959,376	6,490,629	5,808,044	682,585

continued...

WASHTENAW COUNTY

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

Year Ended December 31, 2013

	Budget Original	Budget Final	Actual	Variance with Final Budget - Positive (Negative)
Public safety:				
Emergency management	\$ 458,189	\$ 504,823	\$ 472,852	\$ 31,971
Sheriff	49,753,336	48,528,690	47,890,259	638,431
Prosecuting attorney	5,521,847	5,478,933	5,375,936	102,997
Total public safety	55,733,372	54,512,446	53,739,047	773,399
Public works	160,170	159,201	129,492	29,709
Social services -				
Veterans counselor	360,836	337,402	324,909	12,493
Culture - county extension	376,014	375,489	375,289	200
Other unallocated	5,394,738	4,991,339	4,915,463	75,876
Debt service:				
Principal	-	312,724	336,263	(23,539)
Interest and fiscal charges	-	39,753	39,753	-
Total debt service	-	352,477	376,016	(23,539)
Total expenditures	86,359,374	84,218,244	82,635,363	1,582,881
Revenues over expenditures	7,313,189	13,342,953	17,092,264	3,749,311
Other financing sources (uses)				
Transfers in	5,880,122	5,880,122	6,069,706	189,584
Transfers out	(16,131,117)	(19,123,075)	(19,241,152)	(118,077)
Total other financing uses	(10,250,995)	(13,242,953)	(13,171,446)	71,507
Net change in fund balance	(2,937,806)	100,000	3,920,818	3,820,818
Fund balance, beginning of year	16,788,087	16,788,087	16,788,087	-
Fund balance, end of year	\$ 13,850,281	\$ 16,888,087	\$ 20,708,905	\$ 3,820,818

concluded.

The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Community Support and Treatment Services Special Revenue Fund
Year Ended September 30, 2013

	Budget Original	Budget Final	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental	\$ 24,455,780	\$ 38,692,815	\$ 30,999,734	\$ (7,693,081)
Charges for services	2,279,100	2,297,600	276,369	(2,021,231)
Other	666,884	666,884	956,229	289,345
Total revenues	27,401,764	41,657,299	32,232,332	(9,424,967)
Expenditures				
Health	27,566,954	41,822,489	32,433,568	9,388,921
Revenues under expenditures	(165,190)	(165,190)	(201,236)	(36,046)
Other financing sources				
Transfers in	165,190	165,190	201,236	36,046
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Parks and Recreation Special Revenue Fund

Year Ended December 31, 2013

	Budget Original	Budget Final	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Property taxes	\$ 8,723,912	\$ 8,723,912	\$ 9,727,152	\$ 1,003,240
Charges for services	3,310,000	3,310,000	3,343,476	33,476
Investment income	190,000	190,000	81,088	(108,912)
Other	184,044	184,044	268,488	84,444
Total revenues	12,407,956	12,407,956	13,420,204	1,012,248
Expenditures				
Culture and recreation	18,192,523	18,192,523	18,932,094	(739,571)
Net change in fund balance	(5,784,567)	(5,784,567)	(5,511,890)	272,677
Fund balance, beginning of year	23,214,457	23,214,457	23,214,457	-
Fund balance, end of year	<u>\$ 17,429,890</u>	<u>\$ 17,429,890</u>	<u>\$ 17,702,567</u>	<u>\$ 272,677</u>

The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Revenue Sharing Reserve Special Revenue Fund

Year Ended December 31, 2013

	Budget Original	Budget Final	Actual	Variance with Final Budget - Positive (Negative)
Other financing uses				
Transfers out	\$ (4,022,175)	\$ (4,022,175)	\$ (4,022,175)	\$ -
Fund balance, beginning of year	<u>4,022,175</u>	<u>4,022,175</u>	<u>4,022,175</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Enhanced Emergency Communication System Millage

Special Revenue Fund

Year Ended December 31, 2013

	Budget Original	Budget Final	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Property taxes	\$ 2,552,423	\$ 2,552,423	\$ 2,709,974	\$ 157,551
Charges for services	18,000	18,000	33,000	15,000
Investment income	-	-	8,866	8,866
Total revenues	2,570,423	2,570,423	2,751,840	181,417
Expenditures				
Public safety	137,500	137,500	337,415	(199,915)
Revenues over expenditures	2,432,923	2,432,923	2,414,425	(18,498)
Other financing uses				
Transfers out	(3,182,750)	(3,182,750)	(3,182,973)	(223)
Net change in fund balance	(749,827)	(749,827)	(768,548)	(18,721)
Fund balance, beginning of year	1,694,284	1,694,284	1,694,284	-
Fund balance, end of year	\$ 944,457	\$ 944,457	\$ 925,736	\$ (18,721)

The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY

Statement of Net Position

Proprietary Funds
December 31, 2013

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Delinquent Tax Revolving	Other Enterprise Funds	Total	
Assets				
Current assets:				
Cash and pooled investments	\$ 12,082,468	\$ 1,913,608	\$ 13,996,076	\$ 9,573,549
Receivables:				
Delinquent taxes	16,612,308	-	16,612,308	-
Interest and collection fees	3,335,640	-	3,335,640	-
Accounts	-	-	-	168,316
Due from other governments	2,383,992	276,787	2,660,779	536,223
Inventories	-	-	-	19,464
Prepaid items	-	132,696	132,696	2,478,573
Total current assets	34,414,408	2,323,091	36,737,499	12,776,125
Noncurrent assets - capital assets, net	-	5,446	5,446	3,241,993
Total assets	34,414,408	2,328,537	36,742,945	16,018,118
Liabilities				
Current liabilities:				
Accounts payable	1,006,963	4,027	1,010,990	915,840
Accrued liabilities	-	11,732	11,732	135,295
Due to other governments	-	-	-	27,633
Accrued interest payable	9,729	-	9,729	-
Current portion of:				
Accrued compensated absences	-	17,062	17,062	127,854
Claims payable	-	-	-	2,324,400
General obligation notes payable	13,500,000	-	13,500,000	-
Total current liabilities	14,516,692	32,821	14,549,513	3,531,022
Long-term liabilities:				
Accrued compensated absences	-	23,892	23,892	238,183
Claims payable	-	-	-	552,600
General obligation notes payable	3,500,000	-	3,500,000	-
Total long-term liabilities	3,500,000	23,892	3,523,892	790,783
Total liabilities	18,016,692	56,713	18,073,405	4,321,805
Net position				
Net investment in capital assets	-	5,446	5,446	3,241,993
Restricted for:				
Debt service	16,397,716	-	16,397,716	-
Property foreclosure	-	2,232,675	2,232,675	-
Principal residence exemption	-	33,703	33,703	-
Unrestricted	-	-	-	8,454,320
Total net position	\$ 16,397,716	\$ 2,271,824	\$ 18,669,540	\$ 11,696,313

The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds

Year Ended December 31, 2013

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Delinquent Tax Revolving	Other Enterprise Funds	Total	
Operating revenues				
Charges for services	\$ -	\$ 1,306,543	\$ 1,306,543	\$ 41,608,873
Interest charges	2,499,483	42,137	2,541,620	-
Collection fees on taxes	891,057	-	891,057	-
Other	178,823	-	178,823	-
Total operating revenues	3,569,363	1,348,680	4,918,043	41,608,873
Operating expenses				
Personnel services	42,199	351,380	393,579	2,909,206
Contractual services	48,709	116,046	164,755	841,071
Supplies	-	65,315	65,315	1,644,874
Occupancy	-	-	-	2,688,492
Auction expenses	-	16,779	16,779	-
Fees	-	44,432	44,432	-
P.A. 123 foreclosure loss	-	184,658	184,658	-
Title research	-	66,605	66,605	-
Telephone	-	670	670	588,057
Equipment repair and rental	-	5,116	5,116	716,622
Building repair and rental	-	-	-	241,448
Benefits and insurance premiums	-	-	-	28,451,496
Other	-	2,762	2,762	1,747,743
Depreciation	-	-	-	1,121,595
Total operating expenses	90,908	853,763	944,671	40,950,604
Operating income	3,478,455	494,917	3,973,372	658,269
Nonoperating revenues (expenses)				
Investment earnings	78,407	6,762	85,169	40,756
Interest expense and fiscal charges	(177,386)	-	(177,386)	-
Gain on sale of equipment	-	-	-	12,715
Total nonoperating revenues (expenses)	(98,979)	6,762	(92,217)	53,471
Income before transfers	3,379,476	501,679	3,881,155	711,740
Transfers in	-	-	-	250,411
Transfers out	(2,286,123)	(177,747)	(2,463,870)	(816,964)
Change in net position	1,093,353	323,932	1,417,285	145,187
Net position, beginning of year	15,304,363	1,947,892	17,252,255	11,551,126
Net position, end of year	\$ 16,397,716	\$ 2,271,824	\$ 18,669,540	\$ 11,696,313

The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY

Statement of Cash Flows

Proprietary Funds

Year Ended December 31, 2013

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Delinquent Tax Revolving	Other Enterprise Funds	Total	
Cash flows from operating activities				
Cash received from customers	\$ 27,744,140	\$ 1,073,432	\$ 28,817,572	\$ -
Cash received from interfund services	-	-	-	41,410,139
Cash payments for delinquent taxes	(20,615,378)	-	(20,615,378)	-
Cash payments to employees	-	(345,415)	(345,415)	(2,841,099)
Cash payments to suppliers	(90,908)	(472,731)	(563,639)	(35,181,870)
Cash payments for interfund services	-	-	-	(33,771)
Net cash provided by operating activities	<u>7,037,854</u>	<u>255,286</u>	<u>7,293,140</u>	<u>3,353,399</u>
Cash flows from noncapital financing activities				
Transfers in	-	-	-	250,411
Transfers out	(2,286,123)	(177,747)	(2,463,870)	(816,964)
Proceeds from issuing long-term debt	16,000,000	-	16,000,000	-
Principal paid on long-term debt	(18,500,000)	-	(18,500,000)	-
Interest paid on long-term debt	(185,095)	-	(185,095)	-
Net cash used by noncapital financing activities	<u>(4,971,218)</u>	<u>(177,747)</u>	<u>(5,148,965)</u>	<u>(566,553)</u>
Cash flows from capital and related financing activities				
Proceeds from sale of equipment	-	-	-	114,175
Payments for equipment acquisitions	-	-	-	(1,452,660)
Net cash used by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,338,485)</u>
Cash flows from investing activities				
Investment income	<u>78,407</u>	<u>6,762</u>	<u>85,169</u>	<u>40,756</u>
Change in cash and pooled investments	<u>2,145,043</u>	<u>84,301</u>	<u>2,229,344</u>	<u>1,489,117</u>
Cash and pooled investments, beginning of year	<u>9,937,425</u>	<u>1,829,307</u>	<u>11,766,732</u>	<u>8,084,432</u>
Cash and pooled investments, end of year	<u>\$ 12,082,468</u>	<u>\$ 1,913,608</u>	<u>\$ 13,996,076</u>	<u>\$ 9,573,549</u>

continued...

WASHTENAW COUNTY

Statement of Cash Flows

Proprietary Funds

Year Ended December 31, 2013

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Delinquent Tax Revolving	Other Enterprise Funds	Total	
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 3,478,455	\$ 494,917	\$ 3,973,372	\$ 658,269
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	-	-	-	1,121,595
Changes in assets and liabilities:				
Receivables	958,712	-	958,712	(3,216)
Due from other governments	1,593,724	(275,248)	1,318,476	(195,518)
Inventories	-	-	-	(10,055)
Prepaid items	-	33,174	33,174	1,434,617
Accounts payable	1,006,963	(2,884)	1,004,079	411,023
Accrued liabilities	-	161	161	25,735
Interest payable	-	-	-	(12,858)
Unearned revenue	-	-	-	(12,911)
Claims payable	-	-	-	(113,000)
Accrued compensated absences	-	5,166	5,166	49,718
Net cash provided by operating activities	\$ 7,037,854	\$ 255,286	\$ 7,293,140	\$ 3,353,399

concluded.

The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY

Statement of Fiduciary Net Position

Fiduciary Funds
December 31, 2013

	Pension and Other Employee Benefit Trust Funds	Agency Fund
Assets		
Cash and pooled investments	\$ 2,875,159	\$ 33,902,515
Investments, at fair value:		
Equity securities and funds	202,743,730	-
Fixed income securities and funds	64,378,374	-
Multi-strategy limited partnership	4,425,557	-
Real estate investment trusts	22,025,920	-
Hedge funds limited partnership	4,129,800	-
Mutual funds	24,143,238	-
Money market funds	18,617,868	-
Accounts receivable	145,365	-
Accrued interest and dividends	231,254	-
Total assets	<u>343,716,265</u>	<u>\$ 33,902,515</u>
Liabilities		
Accounts payable	223,600	\$ -
Accrued liabilities	329,255	-
Undistributed receipts	-	33,902,515
Total liabilities	<u>552,855</u>	<u>\$ 33,902,515</u>
Net position		
Held in trust for pension and other employee benefits	<u>\$ 343,163,410</u>	

The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY

Statement of Changes in Fiduciary Net Position

Pension and Other Employee Benefit Trust Funds

Year Ended December 31, 2013

Additions

Investment income:

From investing activities:

Net appreciation in fair value of investments	\$ 41,958,194
Interest and dividends	5,865,394
Investment management fees	<u>(1,280,506)</u>

Total net investment income 46,543,082

Contributions:

Employer	25,184,764
Employees	5,302,994
On behalf - federal Medicare Part D subsidy	329,652

Total contributions 30,817,410

Other additions - retiree medical premiums 27,620

Total additions 77,388,112

Deductions

Participant benefits	30,415,561
Payments to terminated participants	169,620
Administrative expenses	627,877
Participant refunds	<u>1,729,687</u>

Total deductions 32,942,745

Net additions (deductions) to net position held in trust

Employees' pension benefits	\$ 26,308,865
Postemployment healthcare benefits	16,551,792
Other employee benefits	<u>1,584,710</u>

Total net additions to net position held in trust 44,445,367

Net position held in trust for benefits, beginning of year 298,718,043

Net position held in trust for benefits, end of year

Restricted for employees' pension benefits	246,128,064
Restricted for employees' postemployment healthcare benefits	94,422,994
Restricted for other employees' benefits	<u>2,612,352</u>

Total net position held in trust for benefits, end of year \$343,163,410

The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY

Combining Statement of Net Position

Discretely Presented Component Units

December 31, 2013

	Department of Public Works Projects	Water Resources Commissioner	Hazardous Materials Response Authority	Road Commission	Brownfield Redevelopment Authority	Total
Assets						
Cash and pooled investments	\$ 334,118	\$ 7,694,413	\$ 126,808	\$ 9,875,042	\$ 12,695	\$ 18,043,076
Receivables, net	29,011,212	6,907,649	-	11,303,421	-	47,222,282
Prepaid items and other assets	-	-	-	1,287,234	-	1,287,234
Capital assets not being depreciated	-	3,174,312	-	27,413,893	-	30,588,205
Capital assets being depreciated, net	-	36,786,600	-	237,123,030	-	273,909,630
Net pension asset	-	-	-	244,194	-	244,194
Total assets	29,345,330	54,562,974	126,808	287,246,814	12,695	371,294,621
Deferred outflows of resources						
Deferred charge on refunding	243,538	-	-	-	-	243,538
Liabilities						
Accounts payable / accrued expenses	635,000	5,754,311	-	4,959,322	40	11,348,673
Accrued interest payable	126,020	89,864	-	41,662	-	257,546
Unearned revenue	-	-	-	416,529	-	416,529
Long-term liabilities:						
Due within one year	2,345,000	1,131,230	-	1,106,987	-	4,583,217
Due in more than one year	20,645,423	13,704,324	-	7,697,892	-	42,047,639
Other noncurrent liability - net other postemployment benefit liability	-	-	-	1,333,962	-	1,333,962
Total liabilities	23,751,443	20,679,729	-	15,556,354	40	59,987,566
Deferred inflows of resources						
Deferred gain on refunding	549	-	-	-	-	549
Net position						
Net investment in capital assets	-	25,125,358	-	256,870,243	-	281,995,601
Restricted for:						
Debt service	116,891	738,437	-	4,983,471	-	5,838,799
Capital projects	5,719,985	2,674,295	-	1,336,591	-	9,730,871
Unrestricted	-	5,345,155	126,808	8,500,155	12,655	13,984,773
Total net position	\$ 5,836,876	\$ 33,883,245	\$ 126,808	\$ 271,690,460	\$ 12,655	\$ 311,550,044

The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY

Combining Statement of Activities

Discretely Presented Component Units

Year Ended December 31, 2013

	Department of Public Works Projects	Water Resources Commissioner	Hazardous Materials Response Authority	Road Commission	Brownfield Redevelopment Authority	Total
Expenses						
Public safety	\$ -	\$ -	\$ 76,773	\$ -	\$ -	\$ 76,773
Public works	1,331,578	2,546,245	-	-	882,213	4,760,036
Highways and streets	-	-	-	32,253,175	-	32,253,175
Total expenses	1,331,578	2,546,245	76,773	32,253,175	882,213	37,089,984
Program revenues						
Charges for services	-	163,353	53,973	-	-	217,326
Operating grants and contributions	-	-	24,535	40,089,261	42,847	40,156,643
Capital grants and contributions	1,074,715	2,025,312	-	-	-	3,100,027
Total program revenues	1,074,715	2,188,665	78,508	40,089,261	42,847	43,473,996
Net program (expense) revenue	(256,863)	(357,580)	1,735	7,836,086	(839,366)	6,384,012
General revenues						
Property taxes	-	-	-	-	798,493	798,493
Unrestricted investment earnings	975	26,682	405	47,401	703	76,166
Gain on sale of capital assets	-	-	-	45,017	-	45,017
Total general revenues	975	26,682	405	92,418	799,196	919,676
Change in net position	(255,888)	(330,898)	2,140	7,928,504	(40,170)	7,303,688
Net position, beginning of year	6,092,764	34,214,143	124,668	263,761,956	52,825	304,246,356
Net position, end of year	\$ 5,836,876	\$ 33,883,245	\$ 126,808	\$271,690,460	\$ 12,655	\$311,550,044

The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY

Notes to the Financial Statements

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WASHTENAW COUNTY

Notes To Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Washtenaw County, Michigan (the "County" or "government") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the County's accounting policies are described below.

Reporting Entity

Washtenaw County is a municipal corporation governed by a 9-member commission and administered by an appointed county administrator. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the government's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. The blended and discretely presented component units have December 31 year ends.

Blended Component Unit

The *Washtenaw County Building Authority* is governed by a five-member board appointed by the Board of Commissioners. The Building Authority is reported as if it was part of the primary government because its sole purpose is to finance and construct the County's public buildings.

Discretely Presented Component Units

The *Washtenaw County Department of Public Works Projects* is managed by the Board of Public Works, a seven-member board appointed by the County Board of Commissioners. The Board of Public Works is responsible for administering various public works construction projects and the associated debt service funds on behalf of local units of government within the County under the provisions of Act 185, Public Acts of 1957, as amended. All of the Board of Public Works' contractual agreements including bond issuances require County Board of Commissioners approval. The full faith and credit of the County is given for the long-term debt of these projects.

Each of the drainage districts included in the financial statements of the *Washtenaw County Water Resources Commissioner* are separate legal entities with the power to contract; to sue and to be sued; and to hold, manage and dispose of real and personal property. The Statutory Drain Board consists of the Water Resources Commissioner, the Chair of the County Board of Commissioners, and one other member of the Board of Commissioners. The Water Resources Commissioner is responsible for the construction and maintenance of storm drains within the County. The full faith and credit of the County is often given for the long-term debt of the drainage districts.

WASHTENAW COUNTY

Notes To Financial Statements

The *Washtenaw County Hazardous Materials Response Team Authority (WCHMRTA)* is managed by an 11-member board composed of a representative from each of the five enabling jurisdictions (Washtenaw County, City of Ann Arbor, City of Ypsilanti, Pittsfield Township and Ypsilanti Township) appointed by their governing bodies, three representatives appointed by the Mutual Aid Association, and one member each from the Criminal Justice Association, Washtenaw County Public Health Department, and Huron Valley Ambulance. A Technical Advisory Committee supports the Board. The WCHMRTA was formed to develop and manage a county-wide hazardous material response team. The Washtenaw County Board of Commissioners approves the operating budget and the Authority has delegated fiscal powers to the County.

The *Washtenaw County Road Commission* is responsible for the maintenance and construction of the county road system in Washtenaw County. It is governed by a three-member board appointed by the County Board of Commissioners. The Road Commission may not issue debt or levy a tax without the approval of the County Board of Commissioners. The Road Commission deposits its receipts with and has investments through the County.

The *Washtenaw County Brownfield Redevelopment Authority (WCBRA)* is governed by a nine-member board appointed by the Washtenaw County Board of Commissioners. Its purpose is to encourage and support the redevelopment of under-utilized and environmentally contaminated properties in partnership with member communities in Washtenaw County. The WCBRA is currently administered by the Office of Community and Economic Development, whose budget is approved by the County Board of Commissioners. No separate financial report was issued. Financial statements are included herein in the supplementary information section.

Complete financial statements for each of the discretely presented component units can be obtained directly from their respective administrative offices, as follows:

Department of Public Works or Water Resources Commissioner 705 North Zeeb Road Ann Arbor, MI 48107	WCHMRTA 220 North Main Street Ann Arbor, MI 48107	Road Commission 555 North Zeeb Road Ann Arbor, MI 48106
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Funds with Another Year End

The community support and treatment services and public health funds (special revenue funds of the County) are reported on a September 30 year end in order to enhance the value of this document to certain readers and users.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statements of net position and activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

WASHTENAW COUNTY

Notes To Financial Statements

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for the governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. So agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for reimbursement-based grants which use one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The County reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for and reported in another fund.

The *community support and treatment services special revenue fund* accounts for the activities of delivering an array of mental health services to residents. Its major source of funding for the contractual services it provides is intergovernmental revenues from the Washtenaw Community Health Organization.

WASHTENAW COUNTY

Notes To Financial Statements

The *parks and recreation special revenue fund* accounts for the operations of the County-owned parks and recreational facilities and for the millage approved by County voters for the purchase of natural areas within the County. Its major source of funding is from voter-approved millages and from fees collected from visitors to the various parks.

The *revenue sharing reserve special revenue fund* is mandated by the State of Michigan and accounts for property tax collections to serve as a substitute for state revenue sharing payments. This substitute funding mechanism involved a gradual shift of County property tax millage from a winter tax levy to a summer tax levy. The collections shift was completed in 2007 when the entire tax levy was assessed in July. Monies in this fund were exhausted during 2013.

The *enhanced emergency communication system millage special revenue fund* accounts for the resources accumulated, including a voter-approved millage that began in 2006, and payments made for principal and interest on long-term general obligation debt that finances acquisition, construction, renovation, maintenance and operation of an upgrade to the County's communication system.

The *county capital projects fund* accounts for the construction of County buildings as well as renovation/small construction projects performed on existing County facilities and the purchase of capital equipment. Bond proceeds are often used to finance these projects.

The government reports the following major proprietary fund:

The *delinquent tax revolving enterprise fund* accounts for the County's annual purchase of delinquent real property taxes from each of the local taxing units within the County and the ultimate collection from the property owners of the delinquent taxes with penalty and interest. The fund also accounts for the County's issuance of debt (to provide cash flow for the purchase of the taxes) and for the resulting debt service payments.

Additionally, the government reports the following fund types:

The *special revenue funds* account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects.

The *debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds not being financed by proprietary funds.

The *capital projects fund* accounts for financial resources to be used for the acquisition of capital equipment or construction of major capital facilities.

The *enterprise funds* account for those operations that are financed and operated in a manner similar to private business or where the County has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The *internal service funds* account for operations that provide services (such as the County's telephone system, building repair and maintenance, self-insurance, fleet and equipment management) to other departments or agencies of the County, or to other governments, on a cost-reimbursement basis.

WASHTENAW COUNTY

Notes To Financial Statements

The *agency fund* accounts for assets held by the County in an agency capacity for other governments and entities. Primarily this includes undistributed collections and withholdings such as state education taxes, current property taxes, state jail booking fees, state real estate transfer taxes, soil erosion inspections, library penal fines and state payroll withholding taxes.

The *pension and other employee benefit trust funds* account for the activities of the Employees Retirement System, Money Purchase Pension Plan, and Voluntary Employees Beneficiary Association, which accumulate resources for pension and health benefit payments for qualified employees. The trust funds also include the unemployment and severance funds, which accumulate resources for unemployment and severance benefit payments, respectively, to qualified employees.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the delinquent tax fund and of the government's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

Deposits and Investments

The County Treasurer maintains a cash management pool that is used by all funds and component units of the government, except for the pension and other employee benefit trust funds. In addition to their participation in the cash management pool, certain funds and component units also have separate checking accounts. The cash management pool has the general characteristics of a demand deposit account in that deposits and withdrawals may be made at any time without prior notice or penalty. Accordingly, each fund's portion of this pool, along with any amounts in separate demand deposit accounts, is reported as "cash and pooled investments."

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less.

WASHTENAW COUNTY

Notes To Financial Statements

Investments are stated at fair value, which is determined as follows: (a) short-term investments are reported at cost, which approximates fair value; (b) securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates; (c) investments for which market quotations are not readily available are valued at their fair values as determined by the custodian under the direction of the governing body, with the assistance of a valuation service; and (d) cash deposits are reported at carrying amounts which reasonably approximates fair value.

State statutes authorize the County to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments (except those with a fluctuating per share value). State statutes authorize pension and other employee benefit plans to invest in stocks, government and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitations.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectibles.

Inventories and Prepaid Items

Inventories in the proprietary funds are stated at the lower of cost or market. Cost is determined by the first-in, first-out method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. For the Road Commission component unit, inventory is valued at average cost.

WASHTENAW COUNTY

Notes To Financial Statements

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. For the County, infrastructure exists in the Water Resources Commissioner and Road Commission component units. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Capital assets are defined by the Road Commission as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the primary government and component units, except for the Road Commission, are depreciated using the straight-line method over the useful life of the assets as follows:

Buildings and improvements	50 years
Drain infrastructure	50 years
Equipment (computer, office and vehicles)	2.5 to 10 years

For the Road Commission, capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Machinery and equipment	5 to 20 years
Roads	5 to 30 years
Other infrastructure	12 to 50 years

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category, which is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Compensated Absences

The County's policy is to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay and 50 percent of sick pay are accrued when incurred in the government-wide and proprietary funds financial statements. A liability is reported in governmental funds only if these amounts have matured, for example, as a result of employee resignations or retirements.

WASHTENAW COUNTY

Notes To Financial Statements

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometime report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The government has three types of items that qualify for reporting in this category. One is the deferred gain on refunding reported in the government-wide statement of net position. A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The governmental funds report unavailable revenues, which arises only under a modified accrual basis of accounting, from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, deferred inflows of resources are reported in the government-wide and governmental fund financial statements for property taxes levied during the year that were intended to finance future periods.

Fund Balances

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually require to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, the Board of Commissioners. A formal resolution of the Board of Commissioners is required to establish, modify or rescind a fund balance commitment. Assigned fund balance is reported for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Assignments, if any, will be authorized by the Board of Commissioners; however, no such authorizations have yet been made. Unassigned fund balance is the residual classification used for a general fund.

WASHTENAW COUNTY

Notes To Financial Statements

When the County incurs an expenditure for purposes for which various fund balance classifications can be used, it is the County's policy to use restricted fund balance first, then committed, assigned, and finally unassigned fund balance, if any. Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

2. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. Budgets are not required for debt service and capital projects funds. All annual appropriations lapse at year-end.

For many years, the County has utilized a biennial budget to improve the efficiency of the overall budgeting process. The first year of the biennial budget is prepared for approval and adoption, and the second year is based on information currently available. The second year budget is amended during the first year to reflect necessary revisions as economic conditions warrant. Necessary changes are brought back to the Board of Commissioners prior to the beginning of the fiscal year for final adoption. In November 2013, the County Board of Commissioners approved its first quadrennial budget for its 2014-2017 fiscal years.

The County Administrator submits a proposed budget to the Board of Commissioners before September 15. The budget includes proposed expenditures and the means of financing them. Public hearings are held to obtain taxpayer comments. The budget is adopted no later than December 31 through a Board of Commissioners resolution.

The appropriated budget is prepared by fund, function and department. The County's department heads may make limited transfers of appropriations within a department. Transfers of appropriations between departments require approval by the Board of Commissioners or County Administrator, depending on the dollar value of the transfers. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level for the general fund and the function level for special revenue funds. Supplemental budgetary appropriations were made during the year, but were not material for purposes of these disclosures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances are recorded in the amount of the outstanding purchase orders and contracts at the time the purchase orders and contracts are issued. The encumbrances are liquidated when the goods or services are received. Unliquidated encumbrances at the end of the year are not carried forward to the next year, therefore, there are no encumbrances to disclose as of year end.

WASHTENAW COUNTY

Notes To Financial Statements

3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the County were adopted on a department level basis for the general fund and the function level for the special revenue funds.

Excess of expenditures or transfers out over appropriations in individual funds are as follows:

	Final Budget	Actual	Excess
General fund			
Judicial - trial court	\$ 7,960,624	\$ 8,036,615	\$ 75,991
General government - corporation counsel	353,976	364,078	10,102
Debt service - principal	312,724	336,263	23,539
Transfers out	19,123,075	19,241,152	118,077
Parks and recreation special revenue fund			
Culture and recreation	18,192,523	18,932,094	739,571
Enhanced emergency communication system millage special revenue fund			
Public safety	137,500	337,415	199,915
Transfers out	3,182,750	3,182,973	223
Nonmajor special revenue funds			
Accommodation ordinance tax - general government	3,271,659	5,026,026	1,754,367
Aerial photo - general government	39,000	49,902	10,902
Building services - transfers out	-	348,105	348,105
Child care - social services	9,591,535	10,243,774	652,239
E-911 - transfers out	1,008,054	1,880,010	871,956
OCED - Community development - transfers out	-	174,445	174,445
Economic development and agricultural millage - general government	819,714	847,369	27,655
Head Start - transfers out	140,083	193,308	53,225
Homeland security grants - public safety	816,713	1,078,562	261,849
Inmate concessions - public safety	270,972	439,085	168,113
Juvenile grants - social services	10,000	22,922	12,922
Other special revenue funds:			
General government	109,166	113,774	4,608
Social services	-	5,700	5,700
Public works solid waste program - public works	476,406	518,597	42,191
Sheriff grants - public safety	463,039	822,687	359,648
Veterans' trust - social services	396,840	487,645	90,805

These excesses over appropriations were funded by available fund balance.

WASHTENAW COUNTY

Notes To Financial Statements

4. DEPOSITS, INVESTMENTS AND SECURITIES LENDING

Following is a reconciliation of deposits and investments as of December 31, 2013:

	Primary Government	Component Units	Total
Statement of Net Position:			
Cash and pooled investments	\$ 92,471,655	\$ 18,043,076	\$ 110,514,731
Statement of Fiduciary Net Position:			
Cash and pooled investments	36,777,674	-	36,777,674
Investments	340,464,487	-	340,464,487
Total	\$ 469,713,816	\$ 18,043,076	\$ 487,756,892
Deposits and Investments:			
Bank deposits (checking accounts and certificates of deposit)			\$ 33,990,689
Investments in securities, mutual funds and similar vehicles:			
Treasurer's investment pool			115,460,826
Employees retirement system			245,060,284
Money purchase pension plan			997,620
Voluntary employees beneficiary association			94,406,583
Cash on hand			43,281
Net effect of funds with different fiscal year ends			(2,202,391)
Total			\$ 487,756,892

Bank Deposits and Treasurer's Investment Pool

Custodial Credit Risk - Deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. The Federal Government provides \$250,000 of FDIC insurance per customer and unlimited coverage on non-interest bearing checking accounts. The County had \$8,789,211 of insured deposits through this coverage. At December 31, 2013, of the County's total bank balance of \$31,885,859 (total book balance was \$33,990,689), \$23,096,648 was exposed to custodial credit risk as it was uninsured and uncollateralized.

In accordance with the County's investment policy and State law, all deposits are uncollateralized, held in the County's name, and evidenced by a safekeeping receipt. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the County believes it is impractical to obtain FDIC insurance for all bank deposits. The County evaluates each financial institution and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

WASHTENAW COUNTY

Notes To Financial Statements

Custodial Credit Risk - Investments. Following is a summary of the Treasurer's investment pool holdings as of December 31, 2013:

U.S. agencies	\$ 18,283,762
U.S. treasuries	3,000,117
Michigan municipal bonds and notes	56,152,999
Commercial paper	30,000,000
Money market funds	<u>8,023,948</u>
Total	<u><u>\$ 115,460,826</u></u>

Investments are exposed to custodial credit risk if the securities are uninsured, unregistered or held by a counterparty or its agent but not in the government's name. In accordance with the County's investment policy, all investments are held in the name of the County and are evidenced by a safekeeping receipt confirmation, and thus not exposed to custodial credit risk.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County's investment policy and State law require that commercial paper be rated in the top two ratings by at least two nationally recognized statistical rating organizations (NRSRO); investments in local government tax notes must be rated in the top two ratings by one NRSRO. Ratings are not required for U.S. treasuries or certain money market funds.

As of December 31, 2013, all of the County's investments in securities of U.S. agencies were rated AAA by Standard & Poor's (S&P) and Aaa by Moody's. The County's holdings in commercial paper were rated either A1 or A2 by S&P and either P1 or P2 by Moody's. All of the County's investments in money market funds are rated AAAM by S&P. The County's investment in Michigan municipal bonds and notes are rated in the top tier by at least one rating agency.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The County's investment policy requires diversification by security type and institution, but does not place a fixed percentage limit for any one issuer. At December 31, 2013, the Treasurer's investment pool had greater than 5% of its total investment portfolio concentrated as follows:

Investment Type	Issuer	% of Portfolio
U.S. agencies	Federal Home Loan Bank	5.20%
U.S. agencies	Federal Farm Credit Bank	6.06%
Michigan tax notes	Ingham County	8.49%
Michigan tax notes	Kent County	6.49%
Michigan tax notes	Washtenaw County	9.96%
Michigan tax notes	Wayne County	17.32%

Interest Rate Risk. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of investments. The County's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, it is the practice of the County to manage this risk by purchasing a mix of short and long-term investments. This laddering approach also matches investment maturities to projected cash flow needs.

WASHTENAW COUNTY

Notes To Financial Statements

As of December 31, 2013, maturities of the County's debt securities were as follows:

	Investment maturities (fair value by years)				
	Fair Value	Less Than 1	1 - 5	6 - 10	Over 10
U.S. agencies	\$ 18,283,762	\$ 10,004,770	\$ 8,278,992	\$ -	\$ -
U.S. treasuries	3,000,117	-	3,000,117	-	-
Michigan municipal bonds and notes	56,152,999	34,641,235	21,511,764	-	-
Commercial paper	30,000,000	30,000,000	-	-	-
Total	\$ 107,436,878	\$ 74,646,005	\$ 32,790,873	\$ -	\$ -

Employees' Retirement System Investments

The Michigan Public Employee Retirement System Investment Act, Public Act 314 of 1965, as amended, authorizes the Employees' Retirement System to invest in stocks, government and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitations.

The System's investments are primarily held in a bank administered trust fund. Following is a summary of those investments as of December 31, 2013 (investments at fair value, as determined by quoted market price):

Equity securities and funds

Common stocks	\$ 65,028,721
Exchange-traded and closed end funds	55,237,800
Limited partnership equities	25,390,369
Comingled equities	5,957,447
	<u>151,614,337</u>

Fixed income securities and funds

Corporate and other bonds	16,108,858
Comingled fixed income funds	21,563,586
U.S. treasuries	3,666,750
U.S. treasury strips	5,173,999
U.S. agencies	17,865,181
	<u>64,378,374</u>

Other investments

Real estate investment trusts	<u>21,038,966</u>
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Money market funds

	<u>8,028,607</u>
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Total investments

	<u><u>\$ 245,060,284</u></u>
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Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The System's investment policy provides that 70% of its investments in fixed securities be limited to those rated BBB or better by a nationally recognized statistical rating organization, except for United States treasury securities which are explicitly guaranteed by the U.S. government and not considered to have credit risk.

WASHTENAW COUNTY

Notes To Financial Statements

As of December 31, 2013, \$1,298,899 of the System's investments in securities of U.S. agencies were explicitly guaranteed by the U.S. government and therefore not subject to credit risk. Of the remaining balance, \$16,536,006 was implicitly guaranteed and rated AA by Standard & Poors, \$18,542 had no guarantee and was not rated, and \$11,734 had no guarantee and was rated B- by Standard & Poor's.

The System's investments in corporate and other bonds and comingled fixed income funds were rated by Standard & Poor's as follows:

AAA	\$ 2,630,954
AA	2,163,805
A	27,124,647
BBB	3,832,307
BB	132,739
B	83,214
CCC	69,560
CC	169,722
D	41,195
Not rated	<u>1,424,301</u>
	<u>\$ 37,672,444</u>

The System's investments in money market funds were rated AAA by Standard & Poor's and real estate investment trusts were not rated. The System did not invest in bond mutual funds.

Custodial Credit Risk. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The System's investment policy requires that securities be held in trust by a third-party institution in the System's name or its nominee custodian's name or in bearer form. Although uninsured and unregistered, the System's investments were not exposed to custodial credit risk since the securities were held by the counterparty's trust department or agent in the System's name. Short-term investments in money market funds and open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book form.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investment in a single issuer. The System's investment policy requires that no more than: 40% of its assets be invested in domestic equities, 20% in international equities, 5% in private equities, 15% in hedge funds, 10% in real estate and 39% in fixed income securities.

At December 31, 2013, the System's investment portfolio was not concentrated.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The System's investment policy requires a maximum term to maturity of 30 years for any single fixed income security and a maximum weighted average portfolio maturity of 10 years.

WASHTENAW COUNTY

Notes To Financial Statements

As of December 31, 2013, maturities of the System's debt securities were as follows:

	Investment maturities (fair value by years)				
	Fair Value	Less Than 1	1 - 5	6 - 10	Over 10
Corporate and other bonds	\$ 16,108,858	\$ 644,682	\$ 6,403,485	\$ 2,584,520	\$ 6,476,171
U.S. treasuries	3,666,750	107,914	1,977,144	363,556	1,218,136
U.S. treasury strips	5,173,999	-	1,582,116	2,561,258	1,030,625
U.S. agencies	17,865,181	199,780	1,179,599	6,655,843	9,829,959
Total	\$ 42,814,788	\$ 952,376	\$ 11,142,344	\$ 12,165,177	\$ 18,554,891

Money market funds have a rolling maturity date of less than sixty days as of December 31, 2013. In addition to the corporate and other bonds above, the System has \$10,912,490 and \$10,651,096 in comingled fixed income funds with effective maturities of 9.72 and 11.75 years, respectively. Of the above balances, \$785,038 of corporate securities are callable.

The System's portfolio of U.S. agencies and corporate securities includes certain collateralized mortgage obligations (with interest-only and principal-only strips), mortgage pass-through asset-backed securities, variable-rate securities, and inverse variable-rate securities. The fair value of these investments was summarized as follows at December 31:

Collateralized mortgage obligations:	
Interest-only strips	\$ 648,536
Principal-only strips	775,814
Mortgage pass-through asset-backed securities	7,309,160
Variable-rate securities	2,473,534
Inverse variable-rate securities	1,164,925

The System invests in interest-only strips, in part, to maximize yields and as protection against a rise in interest rates. These securities are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to increased prepayments by mortgagees, which may result from a decrease in interest rates. If interest rates decrease, the value of interest-only strips decreases. If interest rates increase, the value of interest-only strips increases.

The System invests in principal-only strips to reduce the price sensitivity of its fixed-income portfolio to changes in interest rates. These principal-only strips are sensitive to decreased mortgage prepayments that may result from rising interest rates. If interest rates increase, the value of principal-only strips decreases. If interest rates decrease, the value of principal-only strips increases.

The System invests in mortgage pass-through asset-backed securities issued by Fannie Mae (Federal National Mortgage Association), Ginnie Mae (Government National Mortgage Association), and Freddie Mac (Federal Home Loan Mortgage Corporation), in order to reduce the fair value sensitivity of its fixed-income portfolio to changes in interest rates. These securities are sensitive to increased mortgage prepayments that may result from decreasing interest rates, thus decreasing the fair value of these investments.

WASHTENAW COUNTY

Notes To Financial Statements

A variable-rate investment's coupon amount enhances or amplifies the effects of interest rate changes by greater than a one-to-one basis. The multiplier makes the fair value of these investments highly sensitive to interest rate changes. As of December 31, 2013, the System holds 49 variable-rate investments with a fair value of \$2,473,534. The coupon rates for these investments range from 0.31% to 4.69%; the benchmark indexes include one-month, three-month, six-month, and twelve-month LIBOR, 11th District Monthly Weighted Average Cost of Funds Index (San Francisco), Federal Reserve US H.15 Treasury Note Constant Maturity One Year, and one-year treasury rate; the reset frequency is monthly, quarterly, semi-annually, or annually; the coupon payment frequency is monthly or semi-annually; and the coupon multiplier is 1.0 times the benchmark index, plus 0.2% to 19.80%, with a cap ranging from 6.00% to 13.47% and a floor ranging from 0.0% to 3.18%.

As of December 31, 2013, the System holds 57 inverse variable-rate investments with a fair value of \$1,164,925. With inverse variable-rate securities, coupon payments decrease as interest rates increase. The coupon rates for these investments range from 4.84% to 99.99%; the benchmark indexes include one-month LIBOR, 11th District Monthly Weighted Average Cost of Funds Index (San Francisco), and three-month treasury rate; the reset frequency is monthly; the coupon payment frequency is monthly or semi-annually; and coupon multipliers range from negative 1,500 to negative 1.0 times the benchmark index, plus 7.95% to 14.20%, with a cap ranging from 5.05% to 15,573.50% and a floor ranging from 0.0% to 11.0%.

Money Purchase Pension Plan Investments

The Michigan Public Employee Retirement System Investment Act, Public Act 314 of 1965, as amended, authorizes the Money Purchase Pension Plan to invest in stocks, government and corporate securities, mortgages, real estate, and various other investment instruments including mutual funds, subject to certain limitations.

The Plan's investments were held by its trustee, a third-party financial institution. The management agreement between the Plan and the trustee required thirteen separate mutual funds, including ten stock funds, one balanced fund, one bond fund, and one guaranteed interest fund. Participants selected the particular funds into which their contributions and the related County matching contributions were made. All of the Plan's investments totaling \$997,620 were in mutual funds.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2013 the Plan's bond mutual fund was not rated by a nationally recognized statistical rating organization. The Plan's investment policy did not address credit risk.

Custodial Credit Risk. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Short-term investments in money market funds and open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book form. At year end, the Plan's bond mutual fund was an open-end mutual fund. Accordingly, the Plan's investments were not exposed to custodial credit risk. The Plan's investment policy did not address custodial credit risk.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. At December 31, 2013, the effective maturity of the Plan's bond mutual fund was 5.37 years. The Plan's investment policy did not address interest rate risk.

WASHTENAW COUNTY

Notes To Financial Statements

Voluntary Employees Beneficiary Association (VEBA) Investments

The Michigan Public Employee Retirement System Investment Act, Public Act 314 of 1965, as amended, authorizes the VEBA to invest in stocks, government and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitations.

The VEBA's investments were held by an independent investment management company. Following is a summary of its investments as of December 31, 2013:

Investments at fair value, as determined	
by quoted market prices:	
Equities	\$ 51,129,393
Multi-strategy limited partnership	4,425,557
Real estate limited partnership	986,954
Hedge funds limited partnership	4,129,800
Bond mutual fund	23,145,618
Money market funds	<u>10,589,261</u>
Total investments	<u>\$ 94,406,583</u>

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The VEBA's investment policy provides that all of its investments in fixed income securities be rated A+ or better by a nationally recognized statistical rating organization, except for United States treasury securities which are explicitly guaranteed by the U.S. government and not considered to have credit risk.

As of December 31, 2013, the VEBA's investments in money market funds were rated AAA by Standard & Poor's. The VEBA's investment in its bond mutual fund was not rated at December 31, 2013.

Custodial Credit Risk. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the VEBA will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The VEBA's investment policy does not address custodial credit risk. Although uninsured and unregistered, the VEBA's investments are not exposed to custodial credit risk since the securities are held by the counterparty's trust department in the VEBA's name. Short-term investments in money market funds and open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book form.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the VEBA's investment in a single issuer. The VEBA's investment policy requires that no more than ten percent of its assets be invested in money market funds or short-term U.S. treasuries, no more than five percent in any one issuer, and no more than 20% in any one industry.

WASHTENAW COUNTY

Notes To Financial Statements

At December 31, 2013, the VEBA's investment portfolio was concentrated as follows:

Investment Type	Issuer	% of Portfolio
Money market funds	Various	11.27%

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The VEBA's investment policy provides that the weighted average maturity of its fixed income portfolio may not exceed 10 years. At year-end, the VEBA did not have investments in debt securities.

Money market funds had a rolling maturity date of less than 60 days as of December 31, 2013. One of the bond mutual funds had a weighted average maturity of 4.98 years as of December 31, 2013; the other had a weighted average maturity of 2.71 years.

5. RECEIVABLES

Receivables in the governmental activities, of which \$1,210,410 of leases receivable are not expected to be collected within one year, are as follows:

Taxes	\$ 12,290,850
Accounts	3,409,814
Leases	2,393,076
Intergovernmental	10,085,401
Less: allowance for uncollectible accounts	<u>(553,358)</u>
	<u>\$ 27,625,783</u>

Receivables for the business-type activities are composed of amounts due from taxpayers for delinquent taxes and related interest and collection fees (88.2 percent) and amounts due from other governments for chargebacks of uncollected delinquent taxes (11.8 percent).

Component unit receivables totaling \$47.2 million are comprised of leases receivable (48.4 percent), special assessments receivable (22.3 percent), accounts receivable (26.6 percent) and due from other governments (2.7 percent).

WASHTENAW COUNTY

Notes To Financial Statements

6. CAPITAL ASSETS

Primary Government. Capital asset activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 39,149,390	\$ 4,900,059	\$ (211,107)	\$ 43,838,342
Easement property in perpetuity	1,457,085	861,505	-	2,318,590
Construction in progress	4,610,735	1,247,492	(5,002,589)	855,638
	<u>45,217,210</u>	<u>7,009,056</u>	<u>(5,213,696)</u>	<u>47,012,570</u>
Capital assets being depreciated:				
Buildings and improvements	156,029,274	601,931	(5,248,721)	151,382,484
Improvements other than buildings	50,461,970	11,159,076	(475,654)	61,145,392
Machinery and equipment	23,339,396	2,751,669	(947,667)	25,143,398
	<u>229,830,640</u>	<u>14,512,676</u>	<u>(6,672,042)</u>	<u>237,671,274</u>
Less accumulated depreciation for:				
Buildings and improvements	(46,966,827)	(3,411,854)	2,292,098	(48,086,583)
Improvements other than buildings	(11,438,846)	(3,165,761)	276,677	(14,327,930)
Machinery and equipment	(11,581,213)	(2,985,438)	808,617	(13,758,034)
	<u>(69,986,886)</u>	<u>(9,563,053)</u>	<u>3,377,392</u>	<u>(76,172,547)</u>
Total capital assets being depreciated, net	<u>159,843,754</u>	<u>4,949,623</u>	<u>(3,294,650)</u>	<u>161,498,727</u>
Governmental activities capital assets, net	<u>\$ 205,060,964</u>	<u>\$ 11,958,679</u>	<u>\$ (8,508,346)</u>	<u>\$ 208,511,297</u>

The beginning balance of machinery and equipment and the corresponding accumulated depreciation were increased by \$529,946 and \$125,898, respectively, to account for a general purpose vehicle that had been received by the County in 2009, but not properly capitalized.

Business-type activities

Capital assets being depreciated -				
Machinery and equipment	\$ 46,643	\$ -	\$ -	\$ 46,643
Less accumulated depreciation for -				
Machinery and equipment	(41,197)	-	-	(41,197)
Business-type activities capital assets, net	<u>\$ 5,446</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,446</u>

WASHTENAW COUNTY

Notes To Financial Statements

Depreciation expense was charged to activities of the primary government as follows:

Governmental activities

Legislative	\$ 7,766
Judicial	1,159,437
General government	1,425,029
Public safety	2,920,244
Health	355,782
Social services	412,690
Culture and recreation	2,160,510
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>1,121,595</u>
Total depreciation expense - governmental activities	<u><u>\$ 9,563,053</u></u>

Discretely Presented Component Units

Water Resources Commissioner. Capital asset activity of the Water Resources Commissioner for the year ended December 31, 2013 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Capital assets not being depreciated -				
Construction in progress	\$ 1,399,009	\$ 4,063,483	\$ (2,288,180)	\$ 3,174,312
Capital assets being depreciated:				
Infrastructure	44,967,133	2,288,180	-	47,255,313
Machinery and equipment	363,649	-	-	363,649
	<u>45,330,782</u>	<u>2,288,180</u>	<u>-</u>	<u>47,618,962</u>
Less accumulated depreciation for:				
Infrastructure	(9,729,816)	(899,341)	-	(10,629,157)
Machinery and equipment	(199,292)	(3,913)	-	(203,205)
	<u>(9,929,108)</u>	<u>(903,254)</u>	<u>-</u>	<u>(10,832,362)</u>
Total capital assets being depreciated, net	<u>35,401,674</u>	<u>1,384,926</u>	<u>-</u>	<u>36,786,600</u>
Water Resources Commissioner capital assets, net	<u><u>\$ 36,800,683</u></u>	<u><u>\$ 5,448,409</u></u>	<u><u>\$ (2,288,180)</u></u>	<u><u>\$ 39,960,912</u></u>

WASHTENAW COUNTY

Notes To Financial Statements

Road Commission. Capital asset activity for the Road Commission for the year ended December 31, 2013 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Capital assets not being depreciated -				
Land and land improvements	\$ 27,054,202	\$ 359,691	\$ -	\$ 27,413,893
Capital assets being depreciated:				
Buildings and storage bins	14,543,525	174,386	-	14,717,911
Road equipment	13,380,134	1,961,383	(620,533)	14,720,984
Other equipment	2,261,895	131,528	-	2,393,423
Brine wells and gravel pits	136,386	-	-	136,386
Infrastructure	390,024,025	23,279,940	-	413,303,965
	<u>420,345,965</u>	<u>25,547,237</u>	<u>(620,533)</u>	<u>445,272,669</u>
Less accumulated depreciation for:				
Buildings and storage bins	(5,571,112)	(377,939)	-	(5,949,051)
Road equipment	(11,784,865)	(625,699)	600,421	(11,810,143)
Other equipment	(1,983,396)	(59,073)	-	(2,042,469)
Brine wells and gravel pits	(136,386)	-	-	(136,386)
Infrastructure	(172,429,947)	(15,781,643)	-	(188,211,590)
	<u>(191,905,706)</u>	<u>(16,844,354)</u>	<u>600,421</u>	<u>(208,149,639)</u>
Total capital assets being depreciated, net	<u>228,440,259</u>	<u>8,702,883</u>	<u>(20,112)</u>	<u>237,123,030</u>
Road Commission capital assets, net	<u>\$ 255,494,461</u>	<u>\$ 9,062,574</u>	<u>\$ (20,112)</u>	<u>\$ 264,536,923</u>

7. PAYABLES

Accounts payable and accrued expenses in the governmental activities are as follows:

Accounts	\$ 4,384,389
Wages, fringe benefits and other accrued liabilities	7,370,139
Intergovernmental	<u>1,961,373</u>
Total	<u>\$ 13,715,901</u>

WASHTENAW COUNTY

Notes To Financial Statements

8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A summary of interfund receivables and payables at year-end is as follows:

	Due from Other Funds	Due to Other Funds
Interfund receivable/payable		
County capital projects fund	\$ 2,705,590	\$ -
Nonmajor governmental funds	-	2,705,590
	<u>2,705,590</u>	<u>2,705,590</u>
Totals	<u>\$ 2,705,590</u>	<u>\$ 2,705,590</u>

Interfund receivables/payables represent short-term working capital loans for funds with negative cash balances in the County's cash and investment pool as of year end.

A summary of interfund transfers for the year ended December 31, 2013, is as follows:

Transfers In						
	General	CSTS	County Capital Projects	Nonmajor Governmental	Internal Service Funds	Totals
Transfers Out						
General	\$ -	\$ 36,046	\$ 5,555,197	\$ 13,399,498	\$ 250,411	\$ 19,241,152
RSR	4,022,175	-	-	-	-	4,022,175
EECS	-	-	-	3,182,973	-	3,182,973
CCP	-	-	11,219,667	6,235,588	-	17,455,255
NMGF	1,761,047	165,190	505,925	445,528	-	2,877,690
DTR	108,737	-	2,177,385	1	-	2,286,123
NMEF	177,747	-	-	-	-	177,747
ISF	-	-	816,964	-	-	816,964
Timing	-	-	-	3,185	-	3,185
	<u>\$ 6,069,706</u>	<u>\$ 201,236</u>	<u>\$ 20,275,138</u>	<u>\$ 23,266,773</u>	<u>\$ 250,411</u>	<u>\$ 50,063,264</u>

CSTS - community support and treatment services special revenue fund

RSR - revenue sharing reserve special revenue fund

EECS - enhanced emergency communication system special revenue fund

CCP - county capital projects fund

NMGF - nonmajor government funds

DTR - delinquent tax revolving enterprise fund

NMEF - nonmajor enterprise funds

ISF - internal service funds

WASHTENAW COUNTY

Notes To Financial Statements

Transfers are used to: (1) move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; and (3) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service funds as debt service payments become due.

Total transfers in for the primary government as shown in the accompanying financial statements were \$50,063,264 and total transfers out were \$50,060,079. The difference between these amounts, \$3,185, is attributable to transactions with September 30 year-end funds. As such, this is reported as an uneliminated internal balance in the statement of activities.

9. LEASES

Capital Leases - In prior years, the County entered into lease agreements as lessee for financing the acquisition of information and technology computer equipment and 14th District Court video equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases in governmental activities are summarized as follows:

Machinery and equipment	\$ 1,374,153
Less accumulated depreciation	<u>(1,021,667)</u>
Total	<u>\$ 352,486</u>

The net present value of future minimum lease payments as of December 31, 2013, were as follows:

2014	\$ 378,262
2015	<u>356,775</u>
Total minimum lease payments	735,037
Less: amount representing interest	<u>(41,795)</u>
Present value of minimum lease payments	<u>\$ 693,242</u>

Operating Leases - The County has commitments under operating lease agreements which provide for minimum annual lease payments as follows:

2014	\$ 1,238,817
2015	1,037,693
2016	1,052,693
2017	1,066,741
2018	1,074,241
2019	1,081,741
2020	819,241
2021	<u>827,053</u>
Total	<u>\$ 8,198,220</u>

WASHTENAW COUNTY

Notes To Financial Statements

In addition, for the year ended December 31, 2013, the County leased 350 spaces for employee parking that cost \$350,000; this is not included above or in the aforementioned cost for the year since the County is reimbursed by the employees through payroll deductions.

Total operating lease payments for the year ended December 31, 2013, were \$1,272,915.

Sales Leases - During 2013, the County entered into an agreement to lease to the Washtenaw Intermediate School District (WISD) the building and grounds located at 1661 LeForge Road in Ypsilanti that formerly housed the County's Head Start program. This agreement terminates with the retirement of the related bond issue. A lease receivable is reported at an amount equal to the outstanding bond principal. The annual lease payments under this agreement are equal to the related bond principal and interest due each year. At the termination of the lease, title to the leased property will pass to the WISD. This lease is classified as a sales lease. As a result, a lease receivable is recognized in the accompanying statement of net position, whereas capital assets are not. The lease agreement provides for the WISD to use, operate and maintain the property, subject to the terms and conditions of the agreement. The lease receivable balance at December 31, 2013 is \$1,226,225.

In 2007, the County entered into a lease agreement with the Humane Society of Huron Valley for a building constructed for them by the County. Annual lease payments are equal to the related bond principal and interest due each year. At the termination of the lease, title to the leased property will pass to the Humane Society. The lease receivable balance at December 31, 2013 is \$1,050,000.

In 2002, the County entered into an agreement with the State of Michigan for certain renovation work funded by a federal grant. The lease receivable balance at December 31, 2013 is \$116,851.

The current and noncurrent portions of the lease receivable as of December 31, 2013 are as follows:

Due within one year	\$ 1,182,666
Due in more than one year	<u>1,210,410</u>
	<u>\$ 2,393,076</u>

Lessor Leases - The County has leased the building located at 750 Towner Street to the Washtenaw Community Health Organization (WCHO). WCHO has commitments under the lease which provides for annual minimum lease payments of \$67,591 during 2013 and continuing for the next seven years.

10. LONG-TERM DEBT

Primary Government

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. The original amount of general obligation bonds issued in prior years was \$98.4 million. The County issues general obligation notes to provide monies for the purchase of the delinquent taxes receivable from local units of government. The original amount of general obligation notes was \$20.0 million issued in prior years. During the year, general obligation tax notes totaling \$16.0 million were issued.

WASHTENAW COUNTY

Notes To Financial Statements

General obligation bonds and notes are direct obligations and pledge the full faith and credit of the government. Bonds are generally issued as 15 to 20-year serial bonds with varying amounts of principal maturing each year. Notes are generally issued with a nine-month due maturity. General obligation bonds and notes currently outstanding are as follows:

Purpose	Interest Rates	Amount
Governmental activities	2.0 - 4.75%	\$ 40,670,000
Governmental activities - refunding	1.5 - 3.5%	10,050,000
Business-type activities	0.35 - 1.65%	<u>17,000,000</u>
		<u>\$ 67,720,000</u>

Annual debt service requirements to maturity for general obligation bonds and notes are as follows:

Year Ended December 31,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 6,285,000	\$ 1,433,930	\$ 13,500,000	\$ 78,000
2015	7,700,000	1,577,484	3,500,000	9,625
2016	6,970,000	1,325,578	-	-
2017	3,605,000	1,082,214	-	-
2018	3,690,000	974,077	-	-
2019-2023	12,660,000	3,428,701	-	-
2024-2028	9,810,000	1,069,193	-	-
	<u>\$ 50,720,000</u>	<u>\$ 10,891,177</u>	<u>\$ 17,000,000</u>	<u>\$ 87,625</u>

In addition to general obligation bonds and notes, the County has an interest-free loan from the Michigan Economic Development Corporation in the original amount of \$292,133. The borrowed monies were used in conjunction with funds received under a federal Community Development Block Grant to fund renovation work in Hanger 1 at Willow Run Airport. The loan will be repaid in 60 quarterly installments of \$4,869 beginning in the first quarter of 2005 and ending in the fourth quarter of 2019. The total remaining amount outstanding at December 31, 2013 is \$116,853. Willow Run Airport Authority will be reimbursing the County for the debt service payments made by the County.

Installment contracts. During 2012, the County entered into a long-term installment contract. The original amount of the installment contract was \$182,607. Payments are due in equal annual installments of \$60,869 through the year 2014.

WASHTENAW COUNTY

Notes To Financial Statements

Component Units

Department of Public Works Projects. General obligation bonds are issued by the County to finance construction projects managed and administered by the Department of Public Works. All of these bonds are direct obligations, and pledge the full faith and credit, of the County and the associated municipalities and/or authorities. The bonds are issued as 10 to 20-year serial bonds with varying amounts of principal maturing each year through April 1, 2028 and bear interest at varying rates from 1.625% to 5.000%. Such bonds currently outstanding are summarized as follows:

Purpose	Interest Rates	Amount
General obligation	1.625 - 5.0%	\$ 8,097,279
General obligation - refunding	2.0 - 4.25%	<u>14,760,000</u>
		<u>\$ 22,857,279</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ended December 31,	Principal	Interest
2014	\$ 2,345,000	\$ 682,468
2015	2,340,000	615,850
2016	2,375,000	545,108
2017	2,195,000	475,469
2018	1,805,000	414,641
2019-2023	7,172,279	1,307,574
2024-2028	<u>4,625,000</u>	<u>247,199</u>
	<u>\$ 22,857,279</u>	<u>\$ 4,288,309</u>

Current refunding. During fiscal year 2013, the DPW issued \$695,000 in refunding bonds and contributed \$1,368,199 to refund \$2,025,000 of expansion projects bonds (series 2004) in order to reduce future debt service requirements by \$328,657, which represents a net present value savings of \$193,635. At December 31, 2013, no balances remain outstanding on the refunded debt.

Water Resources Commissioner. General obligation drain improvement bonds and notes are issued to finance certain drainage district construction projects. The original amount of general obligation bonds and notes issued in prior years was \$21,414,316. During the year, general obligation bonds of \$2,308,768 were issued.

WASHTENAW COUNTY

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These direct obligations pledge the full faith and credit of the County and the respective drainage districts. The bonds are generally issued as 10 to 20-year serial bonds with varying amounts of principal maturing each year. General obligations currently outstanding are as follows:

Purpose	Interest Rates	Amount
Drain improvement	0.85 - 5.0%	\$ 14,886,489

Annual debt service requirements to maturity for general obligation bonds and notes are as follows:

Year Ended December 31,	Principal	Interest
2014	\$ 1,131,230	\$ 418,391
2015	1,021,950	378,981
2016	871,950	343,235
2017	836,950	320,119
2018	859,450	297,902
2019-2023	4,563,900	1,137,260
2024-2028	4,639,962	515,218
2029-2032	2,875,654	61,874
	<u>16,801,046</u>	<u>3,472,980</u>
Less amount able to draw	(1,914,557)	-
	<u>\$ 14,886,489</u>	<u>\$ 3,472,980</u>

Road Commission

Following is a summary of debt currently outstanding:

Purpose	Interest Rates	Amount
Public works	1.0 - 4.5%	\$ 7,986,000

Annual principal and interest maturities as of December 31, 2013 are as follows:

Year Ended December 31,	Principal	Interest
2014	\$ 1,036,344	\$ 168,644
2015	1,042,230	150,989
2016	1,044,469	129,636
2017	1,048,783	107,827
2018	970,174	86,027
2019-2023	2,844,000	167,836
	<u>\$ 7,986,000</u>	<u>\$ 810,959</u>

WASHTENAW COUNTY

Notes To Financial Statements

Changes in Long-term Debt

Long-term liability activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities					
Loan from State of Michigan	\$ 136,328	\$ -	\$ (19,475)	\$ 116,853	\$ 19,476
Installment contracts	121,738	-	(60,869)	60,869	60,869
Capital leases	1,029,506	-	(336,264)	693,242	350,279
General obligation bonds	59,590,000	-	(8,870,000)	50,720,000	6,285,000
Deferred amounts for:					
Issuance discounts	(36,554)	-	4,760	(31,794)	-
Issuance premiums	418,122	-	(67,521)	350,601	-
Compensated absences	13,971,099	10,046,916	(7,955,033)	16,062,982	8,602,395
Total governmental activities	\$ 75,230,239	\$ 10,046,916	\$ (17,304,402)	\$ 67,972,753	\$ 15,318,019
Business-type activities					
Delinquent tax revolving -					
General obligation notes	\$ 19,500,000	\$ 16,000,000	\$ (18,500,000)	\$ 17,000,000	\$ 13,500,000
Compensated absences	35,788	18,400	(13,234)	40,954	17,062
Total business-type activities	\$ 19,535,788	\$ 16,018,400	\$ (18,513,234)	\$ 17,040,954	\$ 13,517,062
Department of Public Works					
General obligation bonds	\$ 26,622,279	\$ 695,000	\$ (4,460,000)	\$ 22,857,279	\$ 2,345,000
Deferred amounts for:					
Issuance discounts	(49,531)	-	16,267	(33,264)	-
Issuance premiums	188,422	-	(22,014)	166,408	-
Total Department of Public Works	\$ 26,761,170	\$ 695,000	\$ (4,465,747)	\$ 22,990,423	\$ 2,345,000
Water Resources Commissioner					
General obligation bonds	\$ 13,064,805	\$ 2,308,768	\$ (847,000)	\$ 14,526,573	\$ 956,014
Notes payable	616,383	-	(256,467)	359,916	175,216
Installment obligation	143,204	-	(143,204)	-	-
Deferred amounts for -					
Issuance discounts	(54,777)	-	3,842	(50,935)	-
Total Water Resources Commissioner	\$ 13,769,615	\$ 2,308,768	\$ (1,242,829)	\$ 14,835,554	\$ 1,131,230

WASHTENAW COUNTY

Notes To Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<i>Road Commission</i>					
Michigan transportation fund notes	\$ 6,000,000	\$ -	\$ (600,000)	\$ 5,400,000	\$ 600,000
Special assessment	1,584,000	-	(238,000)	1,346,000	181,000
Lease payable	440,000	-	(440,000)	-	-
Installment obligation	-	1,320,000	(80,000)	1,240,000	255,344
Deferred amounts for -					
Issuance premiums	108,534	-	(11,325)	97,209	11,325
Compensated absences	695,071	611,772	(585,173)	721,670	59,318
Total Road Commission	\$ 8,827,605	\$ 1,931,772	\$ (1,954,498)	\$ 8,804,879	\$ 1,106,987

Internal service funds predominantly serve the governmental funds; accordingly, long-term liabilities for those funds are included as part of the above totals for governmental activities. At year end, \$366,037 of internal service funds compensated absences are included in the above amounts. Also, for the governmental activities, compensated absences and net pension and other postemployment benefits obligations are generally liquidated by the general fund.

11. NET INVESTMENT IN CAPITAL ASSETS

Following is a summary of the net investment in capital assets as of December 31, 2013:

	Governmental Activities	Business-type Activities	Total
Capital assets			
Capital assets not being depreciated	\$ 47,012,570	\$ -	\$ 47,012,570
Capital assets being depreciated, net	161,498,727	5,446	161,504,173
Total capital assets	208,511,297	5,446	208,516,743
Related debt			
General obligation bonds and notes	50,720,000	-	50,720,000
Unspent bond proceeds	(5,795,999)	-	(5,795,999)
Installment contracts	60,869	-	60,869
Capital leases payable	693,242	-	693,242
Issuance discounts	(31,794)	-	(31,794)
Issuance premiums	350,601	-	350,601
Refunding loss	(311,982)	-	(311,982)
Total related debt	45,684,937	-	45,684,937
Net investment in capital assets	\$ 162,826,360	\$ 5,446	\$ 162,831,806

WASHTENAW COUNTY

Notes To Financial Statements

12. OTHER INFORMATION

Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has established internal service funds to account for and finance its uninsured risks of loss. Under this program, the internal service funds provide coverage up to a maximum of \$500,000 for each general liability, police liability or property claim. The internal service funds also provide coverage up to \$500,000 for any settlement, with all attorney fees being covered under the insurance policy for public officials and employee liability claims, up to \$500,000 for each worker's compensation claim, and up to \$250,000 for each professional liability claim. The County purchases commercial insurance for claims in excess of coverage provided by the funds and for all other risks of loss.

All funds of the County participate in the program and make payments to the internal service funds based on rates established to fund estimated actual liabilities. The total claims liability of \$2,877,000 reported in the funds at December 31, 2013, is based on the requirements that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The County has estimated its ultimate liability based upon estimates of known claims and actuarial based computations of incurred but not reported claims. The claims liability is presented at its net present value using an annual discount rate of 6%.

Changes in the funds' claims liability amount for the past two years were:

	2013	2012
Balance at the beginning of year	\$ 2,990,000	\$ 3,399,700
Current year claims and changes in estimates	26,206,281	26,815,199
Claims paid	<u>(26,319,281)</u>	<u>(27,224,899)</u>
Balance at end of year	<u>\$ 2,877,000</u>	<u>\$ 2,990,000</u>

Component units participate in the County's self-insurance program, except for the Road Commission, which purchases commercial insurance for health care claims and participates in the Michigan County Road Commission Self-Insurance Pool for claims relating to property loss, torts, and errors and omissions. The Michigan County Road Commission Self-Insurance Pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

WASHTENAW COUNTY

Notes To Financial Statements

Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by those agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by grantor agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the County's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the County.

Property Taxes

County general operating property taxes are levied annually on July 1 (the lien date) to fund operations for the current year. The property taxes are due in full within nine months (prior to March 1), at which time uncollected taxes became delinquent. The assessed value of real and personal property is established by the local units, accepted by the County and equalized under State statute at approximately 50% of the current estimated market value. In March 1994, Michigan voters approved Proposal A which requires property taxes to be levied based on the taxable value of the underlying property. Annual increases in taxable value are limited to the lesser of 5% or the rate of inflation. Taxable value reverts to 50% of true cash value when the property is sold. Taxable value is determined by using such factors as equalized, assessed and capped values, along with a value change multiplier.

The taxable value of real and personal property for the July 1, 2013 general operating levy was \$14.2 billion. The general operating tax rate for this levy was at the maximum rate of 4.5493 mills, as adjusted by the Headlee Amendment to the State of Michigan Constitution. The County also had voter approved taxes of 0.4720 mills for parks and recreation purposes, 0.2409 mills for purchase of selected natural areas in the County, and 0.2000 mills for enhancements to emergency communications system, as well as Board of Commissioner approved levies of 0.0333 mills for veterans relief purposes and .0700 mills to promote the agricultural, industrial and tourist advantages of Washtenaw County pursuant to Public Act 88 of 1913 (MCLA 46.161), on the December 1, 2012 voter-approved levy.

By agreement with various taxing authorities, the County purchases at face value the real property taxes returned delinquent each March 1 and records a corresponding delinquent taxes receivable. These receivables (\$15.7 million at December 31, 2013, not including accrued interest and collection fees) are pledged to a bank for payment of the notes payable; the subsequent collection of the receivables, interest and collection fees thereon, and investment earnings are used to extinguish the debt.

Joint Venture

In 1999, the County entered into an agreement with the University of Michigan (the "University") to form the **Washtenaw Community Health Organization (WCHO)** for the purpose of establishing an integrated health care delivery system to provide mental health, substance abuse, and primary and specialty health care to Medicaid, low income and indigent consumers as defined by the Michigan Mental Health Code and Medicaid eligibility guidelines.

WASHTENAW COUNTY

Notes To Financial Statements

WCHO is governed by a 12-member board; both the County and University appoint six members each. Under the agreement, WCHO replaced the County as the contractor for the mental health and substance abuse managed care contracts with the State of Michigan. This change was effective October 1, 2000, and the state contracts currently provide the primary source of funding for WCHO.

The agreement also provides that the County and University will share equally in any gains or losses generated by WCHO, subject to certain limitations. However, because the agreement prohibits the distribution of any assets until WCHO is terminated and/or dissolved (and there are specific restrictions on the use of gains under the managed care contracts with the State of Michigan), WCHO is deemed to be a "joint venture with no equity interest." Accordingly, no amounts are reported in the accompanying financial statements for the County's equity in WCHO.

WCHO has a September 30 fiscal year end. Financial information may be obtained by writing to WCHO at P.O. Box 917, Ypsilanti, Michigan 48197.

Jointly Governed Organizations

The **Aerotropolis Development Corporation (ADC)** was created by an intergovernmental agreement under the Urban Cooperation Act (P.A. 7 of 1967). The creation of the ADC is an exciting initiative being implemented by Washtenaw County, Detroit Renaissance, Wayne County, Wayne County Airport Authority, leading business executives in Michigan, and the following seven local communities surrounding Detroit Metropolitan and Willow Run airports: the cities of Belleville, Romulus and Ypsilanti, and the townships of Huron, Taylor, Van Buren and Ypsilanti. The Aerotropolis is a proposed airport city encompassing approximately 60,000 acres of land in Wayne and Washtenaw counties. The airport city concept involves the clustering of air-commerce linked business adjacent to and surrounding the airports. As vested stakeholders, all participating entities have embraced the regional collaboration necessary for member governments to work as partners to attract businesses, to create jobs, to master plan, and to work cooperatively to build a better future for the region and the State of Michigan.

The County has no significant influence over the management of the ADC. The agreement includes financial support from local governments and businesses. Therefore, the ADC is not included in the County's financial report. Separate financial statements for the ADC may be obtained by writing to the Aerotropolis Development Corporation, 600 Randolph, Third Floor, Detroit, Michigan 48226.

The **Livingston and Washtenaw Narcotics Enforcement Team (LAWNET)** was organized to create a cooperative team of narcotics investigators made up of personnel from municipal, county, state, and federal law enforcement agencies within Livingston and Washtenaw counties for the purpose of combining their efforts toward the enforcement of narcotic and controlled substance laws in the State of Michigan. The participating entities include the Michigan Department of State Police, Livingston County, Washtenaw County, City of Ann Arbor, City of Brighton, City of Fowlerville, City of Howell, City of Milan, City of Saline, City of Ypsilanti, Eastern Michigan University, Green Oak Township, Northfield Township and Pittsfield Township. Participating entities are required to make an annual contribution or else assign a qualified law enforcement officer to LAWNET. Washtenaw County serves as the fiduciary for LAWNET monies. The LAWNET Command Board is made up of the administrative heads, or their representatives, of the police agencies of the participating entities and the prosecuting attorneys from Washtenaw and Livingston counties.

WASHTENAW COUNTY

Notes To Financial Statements

Separate financial statements for LAWNET may be obtained by writing to the Washtenaw County Finance Department, 220 North Main Street, Ann Arbor, Michigan 48104 or by calling (734) 222-6750.

The Washtenaw Central Dispatch and Technology Authority (WCDTA) was originally established to provide centralized public safety dispatching for law enforcement, fire and emergency medical services to the Sheriff's Department, the Michigan State Police, Northfield Township Police, Huron Valley Ambulance, the townships of Ann Arbor, Augusta, Manchester, Northfield, Salem, Scio and Superior, and Dexter Area Fire Department. The organization is governed by a 12-member board.

There was no financial activity for the Authority for the year ended December 31, 2013. Public safety dispatching services for the Sheriff's Department, Northfield Township Police and the Michigan State Police were provided by the County during 2013.

The County has no significant influence over the management of WCDTA. Therefore, WCDTA is not included in the County's financial report.

The Washtenaw County 800 MHz Communications Consortium (the Consortium) was formed to provide for the governance and management of a public safety/public service communications system that delivers reliable, interoperable wireless communications throughout Washtenaw County. The County and the cities of Ann Arbor, Saline, and Milan are charter members of the Consortium. The Consortium is governed by a board made up of representatives from all member agencies.

The County has no significant influence over the management of the Consortium. Financial accountability is limited to the extent of any appropriated operating grant. Therefore, the Consortium is not included in the County's financial report. Separate financial statements for the Consortium may be obtained by writing to the Washtenaw County Finance Department, 220 North Main Street, Ann Arbor, Michigan 48107 or by calling (734) 222-6750.

The Washtenaw Educational Telecommunications System Consortium (the Consortium) was formed by an agreement between Washtenaw County, Eastern Michigan University, Merit Networks and Fiber Link LLC. The purpose of the Consortium is to share telecommunications resources related to the County's fiber network construction and the sharing of recurring costs related to the ongoing maintenance and repair of the fiber network. The Consortium agreement is for a period of five years with the option to renew, and also permits other governmental partners to be included in the future, which may further reduce operating and maintenance costs. The Consortium agreement holds no monetary value. However, this agreement will enable the County and its partners to recognize reductions in operational costs for shared and common areas.

WASHTENAW COUNTY

Notes To Financial Statements

The Washtenaw Urban County was created by a formal cooperation agreement between the County, City of Ann Arbor, City of Ypsilanti and the following townships: Ann Arbor, Bridgewater, Northfield, Pittsfield, Salem, Scio, Superior, York and Ypsilanti. The Urban County jurisdictions receive HOME (Home Investment Partnership Program) funds, CDBG (Community Development Block Grant), CDBG NSP (Neighborhood Stabilization Program), CDBG-R (Community Development Block Grant - Recovery), and ESG (Emergency Shelter Grant) funds for use in those jurisdictions to address community development, human services, housing and homelessness needs. The chairperson of the Washtenaw County Board of Commissioners and the chief elected officials of the eleven jurisdictions participating in the Urban County have joined together to form the Urban County Executive Committee. The Urban County Executive Committee serves as the decision-making body for those funds. As a recipient of HOME, CDBG and ESG funds, the Washtenaw Urban County is required to submit a 5-year Consolidated Plan as well as an Annual Action Plan to the U.S. Department of Housing and Urban Development.

Financial information may be obtained by writing to the Washtenaw County Finance Department, 220 North Main Street, Ann Arbor, Michigan 48107 or by calling (734) 222-6750.

13. PENSION AND OTHER POSTEMPLOYMENT BENEFITS

The County provides pension and postemployment health care benefits to eligible employees through three County administered plans - the Employees' Retirement System (ERS), Money Purchase Pension Plan (MPPP), and Voluntary Employees' Beneficiary Association (VEBA) - and a separate plan through the Municipal Employees' Retirement System of Michigan (MERS).

The County issues publicly available financial reports for ERS, MPPP and VEBA that include financial statements and required supplementary information, as applicable. These financial reports may be obtained by writing to Washtenaw County Finance Department, 220 North Main Street, Ann Arbor, Michigan 48107 or by calling (734) 222-6750. Information regarding the aforementioned plans is presented below.

County Administered Plans - Plan Descriptions, Funding Policies and Other Disclosures

Employees' Retirement System (ERS). The County has a single-employer defined benefit retirement plan which provides pension benefits to all full-time, regular employees. County Ordinances assign the authority to establish and amend benefit provisions and contribution requirements to the County Board of Commissioners, subject to the terms of collective bargaining agreements. Sheriff and non-Sheriff department Plan members were required to contribute 8.0% and 10.0%, respectively, of their annual compensation to the System for pension benefits. The County's contribution for the Sheriff and non-Sheriff department Plan members for the year ended December 31, 2013, represents 1,914.09% and 10.36%, respectively, of annual covered payroll.

The County's annual pension cost and net pension obligation for the current year were as follows:

Annual required contribution	\$ 8,706,667
Contributions made	<u>8,706,667</u>
Change in net pension obligation	-
Net pension obligation, beginning of year	<u>-</u>
Net pension obligation, end of year	<u><u>\$ -</u></u>

WASHTENAW COUNTY

Notes To Financial Statements

The annual required contribution for the current year was determined as part of the December 31, 2011, actuarial valuation using the aggregate cost actuarial funding method, which does not identify or separately amortize unfunded actuarial liabilities.

Three-Year Trend Information			
Years Ended December 31,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Obligation
2011	\$ 7,387,597	100%	\$ -
2012	7,174,819	100%	-
2013	8,706,667	100%	-

The funded status of the System as of December 31, 2012, the date of the most recent actuarial valuation, is as follows:

Actuarial accrued liability (AAL)	(1)	\$ 313,760,491	
Actuarial value of assets	(2)	<u>187,479,253</u>	
Unfunded AAL (UAAL)	(3)	<u>\$ 126,281,238</u>	(1) - (2)
Funded ratio	(4)	<u>59.8%</u>	(2) / (1)
Covered payroll	(5)	<u>\$ 52,969,474</u>	
UAAL as % of covered payroll	(6)	<u>238.4%</u>	(3) / (5)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of trust assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. For purposes of the schedule of funding progress, the actuarial accrued liability value as shown above is determined using the entry age actuarial cost method and the information presented is intended to serve as a surrogate for the funded status and funding progress of the plan. However, for purposes of calculating the annual required contribution (ARC), the System uses the aggregate cost actuarial funding method, which does not identify or separately amortize unfunded actuarial liabilities.

The accompanying schedule of employer contributions presents trend information about the amounts contributed to the System by the employer in comparison to the ARC (annual required contribution), an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 27. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

WASHTENAW COUNTY

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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with a long-term perspective.

Additional information as of the latest actuarial valuation includes:

Valuation date	12/31/12
Actuarial cost method	Aggregate cost method for Sheriff's division; Entry-age normal cost for General division
Amortization method	General Division liabilities funded as a level percent of payroll over 27 years. Sheriff's division liabilities funded as a level percent of payroll over 10 years.
Asset valuation method	Market value with 5-year smoothing of gains and losses
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases	4.0% to 9.0% (including inflation of 3.25%)
Cost-of-Living Adjustments	None

Money Purchase Pension Plan. The Washtenaw County Money Purchase Pension Plan (MPPP; the "Plan") is a defined contribution pension plan established and administered by Washtenaw County to provide benefits at retirement to all regular County employees hired on or after January 1, 1989; however, most Plan members were required to withdraw from MPPP during 2008 and 2009 and enroll in ERS. Accordingly, MPPP member account balances were transferred to ERS. Plan members were required to contribute 7.5% of covered salary. The County was required to match the plan member contributions. Plan provisions and contribution requirements are established and may be amended by the Washtenaw County Board of Commissioners, subject to the County's various collective bargaining agreements. The employer and employee contributions totaled \$2,058 each for the year ended December 31, 2013. At December 31, 2013, there was one member.

Voluntary Employees' Beneficiary Association. The Washtenaw County Voluntary Employees' Beneficiary Association (VEBA; the "Plan") is a single-employer defined benefit postemployment healthcare plan established and administered by Washtenaw County to provide medical and healthcare benefits for retirees and their beneficiaries. Eligible participants include any retirees who receive pension benefits under one of the County's pension plans. Plan provisions are established and may be amended by the Washtenaw County Board of Commissioners, subject to the County's various collective bargaining agreements. The Plan is funded by a trust agreement established pursuant to Section 501(c)(9) of the Internal Revenue Code which allows for the formation of a VEBA.

WASHTENAW COUNTY

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Subject to certain age and length of service requirements, eligible participants receive the same or comparable medical insurance coverage under the Plan as was in effect at the time of their employment. At such time that participants become Medicare eligible, the benefits under the Plan change to Medicare Supplemental coverage.

Employer contributions to fund the Plan are currently on a pay-as-you-go basis with additional contributions intended to build the fund for purposes of paying future benefits. Employer contributions for the year ended December 31, 2013 were \$14,044,555. Although an actuarial valuation of the Plan was completed during 2012, the County has determined that it will establish an annual employer contribution rate using the actuarial valuation as a reference, but not as a definitive requirement. Employees were not required to contribute to the Plan. As of December 31, 2013, 860 members received healthcare benefits under the Plan, and the cost of those benefits amounted to \$8,689,962.

The County's annual other postemployment benefits (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the County's net OPEB obligation to the Plan:

Annual required contribution	\$ 13,714,903
Interest on net OPEB obligation	297,108
Adjustment to annual required contribution	<u>(208,683)</u>
Net OPEB cost	13,803,328
Contributions made	<u>(14,044,555)</u>
Decrease in net OPEB obligation	(241,227)
Net OPEB obligation, beginning of year	<u>3,961,446</u>
Net OPEB obligation, end of year	<u><u>\$ 3,720,219</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of December 31, 2013, and the two preceding years, were as follows:

Three-Year Trend Information			
Year Ended December 31,	Annual Net OPEB Cost	Percentage of Annual Net OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 12,128,183	107.0%	\$ 4,207,981
2012	13,179,793	101.9%	3,961,446
2013	13,803,328	101.7%	3,720,219

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Notes To Financial Statements

The funded status of the Plan as of December 31, 2012, the date of the most recent actuarial valuation, was as follows:

Actuarial accrued liability (AAL)	(1)	\$ 210,057,232	
Actuarial value of assets	(2)	<u>72,589,886</u>	
Unfunded AAL (UAAL)	(3)	<u>\$ 137,467,346</u>	(1) - (2)
Funded ratio	(4)	<u>34.6%</u>	(2) / (1)
Covered payroll	(5)	<u>\$ 70,689,010</u>	
UAAL as % of covered payroll	(6)	<u>194.5%</u>	(3) / (5)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the trust and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of trust assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The accompanying schedule of employer contributions presents trend information about the amounts contributed to the Plan by the employer in comparison to the ARC (annual required contribution), an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation includes:

WASHTENAW COUNTY

Notes To Financial Statements

Valuation date	12/31/2012
Actuarial cost method	Entry-age actuarial cost as a percentage of earnings
Amortization method	Level dollar amount
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	4.0%
Healthcare cost trend rate	Pre-Medicare 9% initial, 4.5% ultimate; Post-Medicare 7% initial, 4.5% ultimate
Inflation rate	0.0%
Post-retirement benefit increases	None

County Administered Plans - Summary of Significant Accounting Policies

The financial statements of ERS, MPPP and VEBA are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The County's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments for which market quotations are not readily available are valued at their fair values as determined by the custodian under the direction of applicable boards, with the assistance of a valuation service.

Municipal Employees' Retirement System of Michigan

The County participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan providing retirement, death and disability benefits for certain full-time Washtenaw County Sheriff Department employees. The System is administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. A publicly available financial report that includes financial statements and required supplementary information for MERS may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

WASHTENAW COUNTY

Notes To Financial Statements

The County is required to contribute at an actuarially determined rate; the current rates were 9.34% for the Police Officers Association of Michigan (POAM) and 12.09% for the Command Officers Association of Michigan (COAM), of their annual covered payrolls. The POAM and COAM employees were required to contribute 9.00% of their annual covered payrolls. The contribution requirements of the County are established and may be amended by the MERS Retirement Board. The contribution requirements of plan members are established and may be amended by the County, subject to collective bargaining agreements and depending on the MERS contribution program adopted by the County.

The County's annual pension cost and net pension obligation for the current year were as follows:

Annual required contribution	\$ 2,090,818
Contributions made	<u>2,090,818</u>
Change in net pension obligation	-
Net pension obligation, beginning of year	<u>-</u>
Net pension obligation, end of year	<u><u>\$ -</u></u>

The required contribution was determined as part of the December 31, 2011 actuarial valuation using the entry age normal cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of 8.0%; (b) projected salary increases of 1.0% per year compounded annually, attributable to inflation; and (c) additional projected salary increases of 0.0% to 13.0% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect fair value. The County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period is 26 years.

Three-Year Trend Information			
Years Ended December 31,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Obligation
2011	\$ 1,531,043	100%	\$ -
2012	1,626,313	100%	-
2013	2,090,818	100%	-

The funded status of MERS as of December 31, 2012, the date of the most recent actuarial valuation, was as follows:

Actuarial accrued liability (AAL)	(1)	\$ 65,341,060	
Actuarial value of assets	(2)	<u>55,714,731</u>	
Unfunded AAL (UAAL)	(3)	<u>\$ 9,626,329</u>	(1) - (2)
Funded ratio	(4)	<u>85.3%</u>	(2) / (1)
Covered payroll	(5)	<u>\$ 20,459,981</u>	
UAAL as % of covered payroll	(6)	<u>47.0%</u>	(3) / (5)

WASHTENAW COUNTY

Notes To Financial Statements

A schedule of funding progress presents multiyear trend information about whether the actuarial values of trust assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The accompanying schedule of employer contributions presents trend information about the amounts contributed to the System by the employer in comparison to the ARC.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation includes:

Valuation date	12/31/2012
Actuarial cost method	Entry-age normal cost
Amortization method	Level percentage of pay (open); for divisions that are closed, a 30-year level dollar method is used
Asset valuation method	10-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	1.0% to 14.0% (including 1.0% inflation)
Cost of living adjustments	None

Road Commission - Pension Plan

The Road Commission participates in MERS, an agent multiple-employer defined benefit pension plan that covers nearly all employees of the Road Commission. The Road Commission's MERS plan is separate from that of the County's. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, Michigan 48917.

The obligation to contribute to and maintain the system for these employees was established by resolution of the Road Commission Board.

WASHTENAW COUNTY

Notes To Financial Statements

For the year ended December 31, 2013, the Road Commission's annual pension cost of \$1,304,891 for the plan was equal to the Road Commission's annual required contribution of \$1,312,738 net of \$7,847 of interest earned on the prior year assets. The annual required contribution was determined as part of actuarial valuations at December 31, 2010 and 2011, using the entry age normal cost method as well as a supplemental valuation dated March 15, 2012 that is based on the December 31, 2010 valuation. Actual contributions were \$1,451,000, resulting in a net pension asset of \$244,194 as of December 31, 2013. Significant actuarial assumptions used include: (a) an 8.0% investment rate of return; (b) projected salary increases of 4.5% to 17.5% per year, which includes an inflation component of 4.5% for all years except 2012 to 2014, when the inflation component included is 1%; and (c) no post-retirement benefit increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a ten-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis for divisions that are open to new hires and as a level dollar amount for divisions that are closed to new hires. The amortization period is 26 years. Employees hired prior to January 1, 2012 are required to contribute 8% of their annual covered payroll. Employees hired on or after January 1, 2012 are required to contribute 10% of their annual covered payroll.

The valuation's computed contributions and actual funding were summarized as follows:

Annual required contribution	\$	1,312,738	
Interest on net pension asset		(7,847)	
Adjustment to annual required contribution		-	
			<hr/>
Net pension cost		1,304,891	
Contributions made		1,451,000	
			<hr/>
Change in net pension asset		(146,109)	
Net pension asset, beginning of year		(98,085)	
			<hr/>
Net pension asset, end of year	\$	(244,194)	
			<hr/> <hr/>

The funded status as of December 31, 2012, the date of the most recent actuarial valuation, was as follows:

Actuarial accrued liability (AAL)	(1)	\$	53,797,210	
Actuarial value of assets	(2)		<u>33,985,012</u>	
Unfunded AAL (UAAL)	(3)	\$	<u>19,812,198</u>	(1) - (2)
Funded ratio	(4)		<u>63.2%</u>	(2) / (1)
Covered payroll	(5)	\$	<u>5,775,392</u>	
UAAL as % of covered payroll	(6)		<u>343.0%</u>	(3) / (5)

Complete disclosures regarding the Road Commission's MERS plan are presented in the Road Commission's financial report.

WASHTENAW COUNTY

Notes To Financial Statements

Road Commission - Other Postemployment Benefit Plan

The Road Commission also participates in an agent multiple-employer defined benefit health care plan through MERS that covers all full-time employees of the Road Commission. The Road Commission's MERS health care plan is separate from that of the County's. The system provides health care, dental, and death benefits to all full-time employees upon retirement. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, Michigan 48917.

The Road Commission has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). However, as shown below, the Road Commission has made contributions to advance-fund these benefits, as determined by the Board of Road Commissioners through annual budget resolutions.

The Road Commission's annual OPEB cost is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the Road Commission's annual OPEB cost for the year, the amount actually contributed to the system, and changes in the Road Commission's net OPEB obligation to the system:

Annual required contribution	\$ 2,725,538
Interest on net OPEB obligation	53,897
Adjustment to annual required contribution	(61,557)
Annual OPEB cost	<u>2,717,878</u>
Contributions:	
Payments of current premiums	(1,392,890)
Advance funding	(664,741)
Change in net OPEB obligation	660,247
Net OPEB obligation, beginning of year	<u>673,715</u>
 Net OPEB obligation, end of year	 <u><u>\$ 1,333,962</u></u>

The Road Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the system, and the net OPEB obligation as of December 31, 2012, and for the two previous years, were as follows:

Three-Year Trend Information			
Year Ended December 31,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 1,881,955	91.35%	\$ 470,388
2012	2,000,784	89.80%	673,715
2013	2,717,878	75.71%	1,333,962

WASHTENAW COUNTY

Notes To Financial Statements

The funded status of the system as of December 31, 2012, the date of the most recent actuarial valuation, was as follows:

Actuarial accrued liability (AAL)	(1)	\$ 32,313,834	
Actuarial value of assets	(2)	<u>5,200,785</u>	
Unfunded AAL (UAAL)	(3)	<u>\$ 27,113,049</u>	(1) - (2)
Funded ratio	(4)	<u>16.09%</u>	(2) / (1)
Covered payroll	(5)	<u>\$ 5,775,392</u>	
UAAL as % of covered payroll	(6)	<u>469.46%</u>	(3) / (5)

Complete disclosures regarding the Road Commission's OPEB plan are presented in the Road Commission's financial report.

14. RESTATEMENT

Beginning net position of the governmental activities was increased by \$404,048 to account for a general purpose vehicle that had been received by the County in 2009, but not properly capitalized at that time.

15. SUBSEQUENT EVENTS

As a result of collective bargaining agreements, effective January 1, 2014, Washtenaw County will be offering a new 401(a) defined contribution plan and a new retiree health savings plan for pension and postemployment healthcare benefits, respectively. Each plan will be administered by a third-party financial institution. Beginning January 1, 2014, the Employees' Retirement System (ERS) defined benefit pension plan and the VEBA defined benefit postemployment healthcare plan will be closed to new participants. During the period January 1, 2014 through February 28, 2014, active members of the ERS will have the option to transfer their pension balances to the new defined contribution plan. Retirees of that new plan will be eligible for healthcare benefits from the retiree health savings plan.



EXHIBIT B

WASHTENAW COUNTY

Ann Arbor, Michigan

We have acted as bond counsel and have examined the law and such certified proceedings of the County of Washtenaw, State of Michigan and other documents as we deemed necessary to render this opinion in connection with the issuance by the County of its \$15,920,000 aggregate principal amount County of Washtenaw Capital Improvement Refunding Bonds, Series 2014, dated June 1, 2014 (the "Refunding Bonds"). The Refunding Bonds are being issued under and pursuant to the Constitution and statutes of the State of Michigan and in particular Act No. 34, Public Acts of Michigan, 2001, as amended, for the purpose refunding the outstanding County of Washtenaw Capital Improvement Bonds, Series 2006A, dated February 1, 2007, maturing in the years 2015 through 2027 (the "Refunded Bonds") which were issued for the purpose of expanding the jail in the County

In so acting, we have examined one executed and authenticated refunding bond. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation. We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the Official Statement or any other offering material relating to the Refunding Bonds (except to the extent, if any, stated in the Official Statement), and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the Official Statement).

Based on such examination, we are of the opinion, as of the date hereof and under existing law:

1. The Refunding Bond Resolution, as amended, has been duly adopted by the Commission of the County.

2. The principal of and interest on the Refunding Bonds are payable primarily out of the collection of a portion of the taxes levied for each year, in anticipation of which the Refunding Bonds are to be issued. In addition, the full faith and credit of the County are irrevocably pledged to the prompt payment of the principal of and interest on the Refunding Bonds when due. If the foregoing collections shall not be sufficient to pay the principal of and interest on the Refunding Bonds as the same shall become due, then moneys sufficient to meet such deficiency shall be advanced from the general funds of the County. The County's ability to raise such funds is subject to applicable constitutional, statutory and charter limitations on the taxing power of the County.

3. The Refunding Bonds and interest thereon are exempt from all taxation provided by the laws of the State of Michigan except inheritance taxes and estate taxes and taxes on gains realized from the sale, payment or other disposition of the Refunding Bonds.

4. The Refunding Bonds have not been designated by the County as "qualified tax-exempt obligations" for purposes of Section 265 (b) (3) of the Code.

The rights of holders of the Refunding Bonds may be affected by bankruptcy, reorganization, moratorium, receivership or other similar laws affecting the enforceability of creditors' rights now existing or hereafter enacted to the extent constitutionally applicable, and the enforcement of such rights may be subject to the exercise of judicial discretion in appropriate cases.

AXE & ECKLUND, P.C.

By _____

APPENDIX A

FORM OF CONTINUING DISCLOSURE CERTIFICATE

COUNTY OF WASHTENAW

\$_____

County of Washtenaw,
Capital Improvement Refunding Bonds, Series 2014

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the County of Washtenaw (the "County") in connection with the issuance by the County of its \$_____ Capital Improvement Refunding Bonds, Series 2014 (the "Bonds"). This Disclosure Certificate is being executed and delivered pursuant to a resolution adopted by the Board of Commissioners of the County on _____ (the "Resolution"). The County covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate.

(a) This Disclosure Certificate is being executed and delivered by the County for the benefit of the Bondholders and the Beneficial Owners and in order to assist the Participating Underwriters in complying with subsection (b)(5) of the Rule.

(b) In consideration of the purchase and acceptance of any and all of the Bonds by those who shall hold the same or shall own beneficial ownership interests therein from time to time, this Disclosure Certificate shall be deemed to be and shall constitute a contract between the County and the Bondholders and Beneficial Owners from time to time of the Bonds, and the covenants and agreements herein set forth to be performed on behalf of the County shall be for the benefit of the Bondholders and Beneficial Owners of any and all of the Bonds.

SECTION 2. Definitions. The following capitalized terms shall have the following meanings in this Disclosure Certificate:

"Annual Report" shall mean any Annual Report provided by the County pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall mean the County, or any successor Dissemination Agent appointed in writing by the County and which has filed with the County a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access system of the MSRB. As of the date of this Disclosure Certificate, the EMMA Internet Web site address is <http://www.emma.msrb.org>.

"GAAP" shall mean generally accepted accounting principles, as such principles are prescribed, in part, by the Financial Accounting Standards Board and modified by the Government Accounting Standards Board and in effect from time to time.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Official Statement" shall mean the Official Statement for the Bonds dated _____.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"Rule" shall mean Rule 15c2-12 promulgated by the SEC pursuant to the 1934 Act, as the same may be amended from time to time, together with all interpretive guidances or other official interpretations or explanations thereof that are promulgated by the SEC.

"SEC" shall mean the Securities and Exchange Commission.

"Securities Counsel" shall mean legal counsel expert in federal securities law.

"State" shall mean the State of Michigan.

"1934 Act" shall mean the Securities Exchange Act of 1934, as amended.

SECTION 3. Provision of Annual Reports.

(a) Each year, the County shall provide, or shall cause the Dissemination Agent to provide, not later than nine months after the first day of the County's fiscal year, commencing with the County's Annual Report for the fiscal year ending December 31, 2014, to the MSRB an Annual Report for the preceding fiscal year which is consistent with the requirements of Section 4 of this Disclosure Certificate. Currently, the County's fiscal year commences January 1. Not later than fifteen (15) business days prior to said date, the County shall provide the Annual Report to the Dissemination Agent (if other than the County). In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, however, that if the audited financial statements of the County are not available by the deadline for filing the Annual Report, they shall be provided when and if available, and unaudited financial statements in a format similar to the audited financial statements most recently prepared for the County shall be included in the Annual Report.

(b) If the County is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the County shall send a notice, in a timely manner, to the MSRB in substantially the form attached as Exhibit A.

(c) If the County's fiscal year changes, the County shall send written notice of such change to MSRB, , in substantially the form attached as Exhibit B.

(d) Whenever any Annual Report or portion thereof is filed as described above.

(e) If the Dissemination Agent is other than the County, file a report with the County certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided.

(f) In connection with providing the Annual Report, the Dissemination Agent (if other than the County) is not obligated or responsible under this Disclosure Certificate to determine the sufficiency of the content of the Annual Report for purposes of the Rule or any other state or federal securities law, rule, regulation or administrative order.

SECTION 4. Content of Annual Reports. The County's Annual Report shall contain or incorporate by reference the following:

(a) The audited financial statements of the County for its fiscal year immediately preceding the due date of the Annual Report.

(b) An update of the financial information and operating data relating to the County of the same nature as that contained in the following tables in the Official Statement: "County Tax Rates & Levies," "Tax Collection Record," "Largest Taxpayers," "State Equalized Valuation," "Taxable Valuation," "Largest Employers," "General Fund Revenues and Expenditures," and "Debt Statement".

The County's financial statements shall be audited and prepared in accordance with GAAP with such changes as may be required from time to time in accordance with State law.

Any or all of the items listed above may be included by specific reference to other documents available to the public on the MSRB's Internet Web site or filed with the SEC. The County shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The County covenants to provide, or cause to be provided, notice of any of the following events with respect to the Bonds, if material, in a timely manner and in accordance with the Rule:

(1) Principal and interest payment delinquencies;

(2) Non-payment related defaults;

- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions or events affecting the tax-exempt status of the security;
- (7) Modifications to rights of security holders;
- (8) Bond calls;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the securities; and
- (11) Rating changes.
- (12) Failure to Provide Event Filing Information as Required;
- (13) Tender Offer/Secondary Market Purchase;
- (14) Merger/Consolidation/Acquisition and Sale of All or Substantially All Assets;
- (15) Bankruptcy, Insolvency, Receivership or Similar Event; and
- (16) Successor, Additional or Change in Trustee.

(b) Whenever the County obtains knowledge of the occurrence of a Listed Event, the County shall as soon as possible determine if such event would be material under applicable federal securities laws. The County covenants that its determination of materiality will be in conformance with federal securities laws.

(c) If the County determines that the occurrence of a Listed Event would be material under applicable federal securities laws, the County shall promptly cause a notice of such occurrence to be filed with the MSRB. In connection with providing a notice of the occurrence of a Listed Event described in subsection (a)(9), the County shall include in the notice explicit disclosure as to whether the Bonds have been escrowed to maturity or escrowed to call, as well as appropriate disclosure of the timing of maturity or call.

(d) In connection with providing a notice of the occurrence of a Listed Event, the Dissemination Agent (if other than the County), solely in its capacity as such, is not obligated or responsible under this Disclosure Certificate to determine the sufficiency of the content of the

notice for purposes of the Rule or any other state or federal securities law, rule, regulation or administrative order.

(e) The County acknowledges that the "rating changes" referred to above in Section 5(a)(11) of this Disclosure Certificate may include, without limitation, any change in any rating on the Bonds or other indebtedness for which the County is liable.

(f) The County acknowledges that it is not required to provide a notice of a Listed Event with respect to credit enhancement when the credit enhancement is added after the primary offering of the Bonds, the County does not apply for or participate in obtaining such credit enhancement, and such credit enhancement is not described in the Official Statement.

SECTION 6. Mandatory Electronic Filing with EMMA: All filings with the MSRB under this Disclosure Certificate shall be made by electronically transmitting such filings through the EMMA Dataport at <http://www.emma.msrb.org> as provided by the amendments to the Rule adopted by the SEC in Securities Exchange Act Release No. 59062 on December 5, 2008.

SECTION 7. Termination of Reporting Obligation.

(a) The County's obligations under this Disclosure Certificate shall terminate upon the legal defeasance of the Resolution or the prior redemption or payment in full of all of the Bonds. If the County's obligation to pay the principal of and interest on the Bonds is assumed in full by some other entity, such entity shall be responsible for compliance with the Disclosure Certificate in the same manner as if it were the County, and the County shall have no further responsibility hereunder.

(b) This Disclosure Certificate, or any provision hereof, shall be null and void in the event that the County (i) receives an opinion of Securities Counsel, addressed to the County, to the effect that those portions of the Rule, which require such provisions of this Disclosure Certificate, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, amended or modified, or are otherwise deemed to be inapplicable to the Bonds, as shall be specified in such opinion, and (ii) delivers notice to such effect to the MSRB.

SECTION 8. Dissemination Agent. The County, from time to time, may appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Disseminating Agent. The initial Dissemination Agent shall be the County. Except as otherwise provided in this Disclosure Certificate, the Dissemination Agent (if other than the County) shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Disclosure Certificate.

SECTION 9. Amendment; Waiver. (a) Notwithstanding any other provision of this Disclosure Certificate, this Disclosure Certificate may be amended, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(1) If the amendment relates to the provisions of Section 3(a), (b), (c), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(2) This Disclosure Certificate, as so amended or taking into account such waiver, would, in the opinion of Securities Counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(3) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders.

(b) In the event of any amendment to, or waiver of a provision of, this Disclosure Certificate, the County shall describe such amendment or waiver in the next Annual Report, and shall include a narrative explanation of the reason for the amendment or waiver. In particular, if the amendment results in a change to the annual financial information required to be included in the Annual Report pursuant to Section 4 of this Disclosure Certificate, the first Annual Report that contains the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of such change in the type of operating data or financial information being provided. Further, if the annual financial information required to be provided in the Annual Report can no longer be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be included in the first Annual Report that does not include such information.

(c) If the amendment results in a change to the accounting principles to be followed in preparing financial statements as set forth in Section 4 of this Disclosure Certificate, the Annual Report for the year in which the change is made shall include a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of such differences and the impact of the changes on the presentation of the financial information. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in accounting principles shall be sent by the County, or the Dissemination Agent (if other than the County) at the written direction of the County, to the MSRB.

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the County shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Failure to Comply. In the event of a failure of the County or the Dissemination Agent (if other than the County) to comply with any provision of this Disclosure Certificate, any Bondholder or Beneficial Owner may bring an action to obtain specific performance of the obligations of the County or the Dissemination Agent (if other than the County) under this Disclosure Certificate, but no person or entity shall be entitled to recover monetary damages under any circumstances, and any failure to comply with the obligations under this Disclosure Certificate shall not constitute a default with respect to the Bonds or under the Resolution.

SECTION 12. Duties of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate.

SECTION 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriters, the Bondholders and the Beneficial Owners, and shall create no rights in any other person or entity.

SECTION 14. Transmission of Information and Notices. Unless otherwise required by law or this Disclosure Certificate, and, in the sole determination of the County or the Dissemination Agent, as applicable, subject to technical and economic feasibility, the County or the Dissemination Agent, as applicable, shall employ such methods of information and notice transmission as shall be requested or recommended by the herein designated recipients of such information and notices.

SECTION 15. Additional Disclosure Obligations. The County acknowledges and understands that other State and federal laws, including, without limitation, the Securities Act of 1933, as amended, and Rule 10b-5 promulgated by the SEC pursuant to the 1934 Act, may apply to the County, and that under some circumstances, compliance with this Disclosure Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the County under such laws.

SECTION 16. Governing Law. This Disclosure Certificate shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Disclosure Certificate shall be instituted in a court of competent jurisdiction in the State. Notwithstanding the foregoing, to the extent this Disclosure Certificate addresses matters of federal securities laws, including the Rule, this Disclosure Certificate shall be construed and interpreted in accordance with such federal securities laws and official interpretations thereof.

COUNTY OF WASHTENAW

By: _____

Its: _____

Date: _____, 2014

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EXHIBIT A

NOTICE TO
THE MSRB
OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: County of Washtenaw, Michigan

Name of Bond Issue: \$_____ County of Washtenaw
Capital Improvement Refunding Bonds, Series 2014

Date of Bonds: _____, 2014

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of its Continuing Disclosure Certificate with respect to the Bonds. The Issuer anticipates that the Annual Report will be filed by _____, _____.

COUNTY OF WASHTENAW

By: _____

Its: _____

Dated: _____, _____

EXHIBIT B

NOTICE TO
THE MSRB
OF CHANGE IN ISSUER'S FISCAL YEAR

Name of Issuer: County of Washtenaw, Michigan

Name of Bond Issue: \$_____ County of Washtenaw
Capital Improvement Refunding Bonds, Series 2014

Date of Bonds: _____, 2014

NOTICE IS HEREBY GIVEN that the Issuer's fiscal year has changed. Previously, the Issuer's fiscal year ended on _____, _____. It now ends on _____, _____.

COUNTY OF WASHTENAW

By: _____

Its: _____

Dated: _____, _____

COUNTY OF WASHTENAW

ADMINISTRATIVE OFFICIALS

VERNA J. McDANIEL, *County Administrator*

COUNTY OFFICIALS

CATHERINE McCLARY, *County Treasurer*
LAWRENCE KESTENBAUM, *Clerk/Register of Deeds*
BRIAN L. MACKIE, *Prosecuting Attorney*
JERRY L. CLAYTON, *Sheriff*
EVAN N. PRATT, *Water Resources Commissioner*

BOARD OF COMMISSIONERS

YOUSEF RABHI, *Chair*
ALICIA PING, *Vice-Chair*
FELICIA BRABEC
ANDY LABARRE
KENT MARTINEZ-KRATZ
RONNIE PETERSON
ROLLAND SIZEMORE, JR.
CONAN SMITH
DANIEL SMITH