

City of  
Ann Arbor,  
Michigan



Comprehensive  
Annual Financial  
Report

Year Ended  
June 30, 2013

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# CITY OF ANN ARBOR

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

County of Washtenaw  
State of Michigan

Fiscal Year Ended June 30, 2013



Prepared by:  
Financial and Administrative Services  
Accounting Services Unit  
301 East Huron Street  
Ann Arbor, Michigan 48107  
(734) 794-6500

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# CITY OF ANN ARBOR, MICHIGAN

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## INTRODUCTORY SECTION

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November 12, 2013

To the Honorable Mayor, Members of the City Council and  
Citizens of the City of Ann Arbor

The comprehensive annual financial report (CAFR) of the City of Ann Arbor, Michigan, for the year ended June 30, 2013, is submitted. Staff in the Accounting Services Unit prepared the report, with assistance from the Pension System, Downtown Development Authority, Housing Commission and other City staff. The City has the responsibility for all disclosure and accuracy of material contained in this report.

State law requires that all local governments, subject to certain size criteria, publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the City of Ann Arbor CAFR for the fiscal year ended June 30, 2013.

This report consists of management's representations concerning the finances of the City of Ann Arbor. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, City management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Rehmann Robson, Certified Public Accountants, have issued an unmodified ("clean") opinion on the City of Ann Arbor financial statements for the year ended June 30, 2013. The independent auditor's report is located at the front of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

## Profile of the Government

The City of Ann Arbor was founded in 1824 and incorporated as a city in 1851. The City is located in the approximate center of Washtenaw County in the southeastern section of Michigan's lower peninsula. The City is approximately 28 square miles in area and serves as the County Seat. The City has an excellent public transportation system for its citizens and visitors to enjoy. The City is nationally known for its outstanding educational and medical facilities, serving as the home of the University of Michigan.

The City operates under a Mayor/Council-Administrator type of government. The Council is comprised of the Mayor and ten council members. The City is divided into five wards; two council members are elected from each ward. The Council appoints a City Administrator, to serve as the Chief Administrative Officer of the City, responsible for daily operations. The organizational chart of the City is shown following the transmittal letter.

The City is responsible for managing and financing many of the services for its citizens. The service areas include: Community Services, Financial Services, Safety Services, and Public Services. The City provides a full range of services including: police, fire, the construction and maintenance of streets and other infrastructure, refuse collection and disposal, recycling collection and processing, recreation, social services by contract, public improvements, planning and zoning, and general administrative services. The citizens and visitors of the City enjoy these services.

The City Administrator is required by City Charter to prepare and submit an annual budget to City Council. This budget is prepared on the modified accrual basis and is adopted by City Council as required by the State of Michigan. Budgetary control is maintained at the service area level for the General Fund. The City Administrator is authorized to transfer budgeted amounts within the General Fund service areas, except for non-departmental which may be transferred to the service areas. Budgetary control for all other funds is maintained at the fund level. Revisions to the General Fund total or to any other fund total must be approved by City Council. It is the City's policy to try to match one-time expenditures to revenues to the extent possible.

Certain services are provided through legally separate component units. The City includes one blended component unit and three discretely presented component units in the City's financial reporting entity because of the significance of their operational or financial relationships with the City. In accordance with generally accepted accounting principles, these financial statements present the City (the primary government) and its component units. The Ann Arbor Building Authority is presented as a blended component unit; the Authority is reported as if it were part of the primary government because its sole purpose is to issue revenue bonds to finance major capital construction by the City. The Downtown Development Authority, Ann Arbor Housing Commission and SmartZone Local Development Finance Authority (SmartZone LDFA) are all presented as discretely presented component units of the City. Additional information on all of these legally separate entities can be found in the notes to the financial statements.

Recently the City has been recognized nationally for many of the services provided by the City to the citizens of Ann Arbor. The City was rated as seventh by Milken Institute, in their recent article, *Best U.S. Small City for Aging*. The City has been recognized nationally by U.S. News & World Report as third in their list of *Top 10 U.S. Cities for Well-Being*. Another distinction includes recognition by Frommer's in their list of *20 Best Summer Vacation Destinations*. This recognition demonstrates the commitment to excellence the City strives to provide in each area of service provided to its citizens.

## Local Economy

The City is endowed with several major corporations located within its boundaries such as Truven Health Analytics, Google and Barracuda Networks. In addition, Ann Arbor is home to the largest employer in the county, the University of Michigan, that employs 27,766 people. Ann Arbor is also known for its excellent technology infrastructure that has attracted several large technology firms to the area.

The City is surrounded by three higher educational centers: the University of Michigan, Concordia College, and Cleary College. Additionally, located within a 10-mile radius are two other higher educational centers.

The City of Ann Arbor has the largest population base in Washtenaw County and serves as the County Seat. The U.S. Census Bureau identified 113,932 residents in Ann Arbor, representing 33% of the population base in Washtenaw County. The median household income of our citizens is \$52,711. Personal income in the City has risen in recent years, which is an indication of a healthy economy.

Ann Arbor is accessible by three major Interstate highways connecting Detroit to the east, Chicago to the west, central and northern Michigan to the north, and Ohio to the south.

The City of Ann Arbor has seen strength in its local economy. The local area unemployment rate is 6.8% as of June 2013, receipts from sales taxes are increasing modestly, and residential property values are increasing in some neighborhoods.

The City continues to experience increased costs related to inflation, energy costs, and the amortization of financial market losses from fiscal 2008 and 2009 in its pension system. Pension costs are expected to continue to increase for the next two fiscal years which will then complete the amortization of financial losses incurred during the 2008 and 2009 recession. After that time a more modest increase in pension costs is anticipated. The City continues to constrain its increase in total costs through efficiencies, collaborative opportunities, and fiscal discipline in its financial policies.

## Long-term Financial Planning

The City will strive to maintain an assigned and unassigned general fund balance in a minimum range of 8% to 12% of general fund expenditures. If it is necessary to use these funds, subsequent budgets will be planned for additions to restore fund balance. The City continues to develop strategies to contain increased active employee health care and pension costs. A funding mechanism for retiree healthcare costs is in place. The City is also striving to budget a consistent level of capital outlay sufficient to maintain current infrastructure.

## Relevant Financial Policies

The City has adopted and adheres to several financial management policies governing debt, investments, fund balance, pension funding, other postemployment benefits funding and capital improvements. These policies govern the management of resources including use of one-time funds, sale and defeasance of bonds, and investment strategy.

## Major Initiatives

### *Wastewater Treatment Plant*

The Ann Arbor Wastewater Treatment Plant (WWTP) receives and treats approximately 17 million gallons of wastewater per day from the City of Ann Arbor and Pittsfield, Scio and Ann Arbor townships. The WWTP consists of two plants that were constructed at different times on the same site. The older West Plant was constructed during the 1930's and modified during the following decades. The East Plant, which was constructed in the late 1970's and early 1980's, provides primary and secondary treatment of all flow into the WWTP, currently. Due to aging and deteriorating facilities, two renovation projects, the Facilities Renovations Project and the Residuals Handling Improvements Project, have been implemented to ensure long-term treatment capacity and reliability. Bonds were issued in fiscal 2012 to initiate the Facilities Renovations Project since the Residuals Handling Improvements Project is nearing completion.

### *Facilities Renovation Project (construction cost = \$93,000,000)*

The older West Plant is in the process of being completely reconstructed and improved under the Facilities Renovations Project. In addition to reconstruction of the West Plant, upgrades and efficiency improvements to the East Plant, as well as site-wide infrastructure and systems including the plant electrical grid and stand-by generators, are being constructed under the Facilities Renovations Project. This project will be constructed in phases over a five-year period, and improvements to all plant systems and equipment are expected to be completed and in operation by November 2017.

### *Residuals Handling Improvements Project (construction cost = \$45,000,000)*

This project replaces the failed and inefficient residuals solids processing equipment and renovates the existing structure that houses the processing equipment. Additional items such as odor management and treatment are also being addressed as part of this project.

## Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City of Ann Arbor for its comprehensive annual financial report for the fiscal year ended June 30, 2012. This was the twenty-seventh consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe 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.

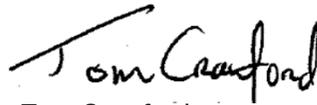
In addition, the City of Ann Arbor also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for fiscal year 2013. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the Financial and Administrative Services Unit. We wish to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and City Council for their support for maintaining the highest standards of professionalism in the management of the City of Ann Arbor's finances.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven D. Powers". The signature is fluid and cursive, with a long horizontal stroke at the end.

Steven D. Powers,  
City Administrator

A handwritten signature in black ink, appearing to read "Tom Crawford". The signature is cursive and somewhat stylized.

Tom Crawford,  
Chief Financial Officer

CITY OF ANN ARBOR, MICHIGAN

ELECTED AND APPOINTED OFFICIALS

John Hieftje, Mayor

*Council Members*

Sumi Kailasapathy  
Sally Hart Petersen  
Stephen Kunselman  
Margie Teall  
Mike Anglin

Sabra Briere  
Jane Lumm  
Christopher Taylor  
Marcia Higgins  
Chuck Warpehoski

Steve Powers  
*City Administrator*

Tom Crawford  
*Chief Financial Officer*

Karen M. Lancaster  
*Accounting Services Manager*

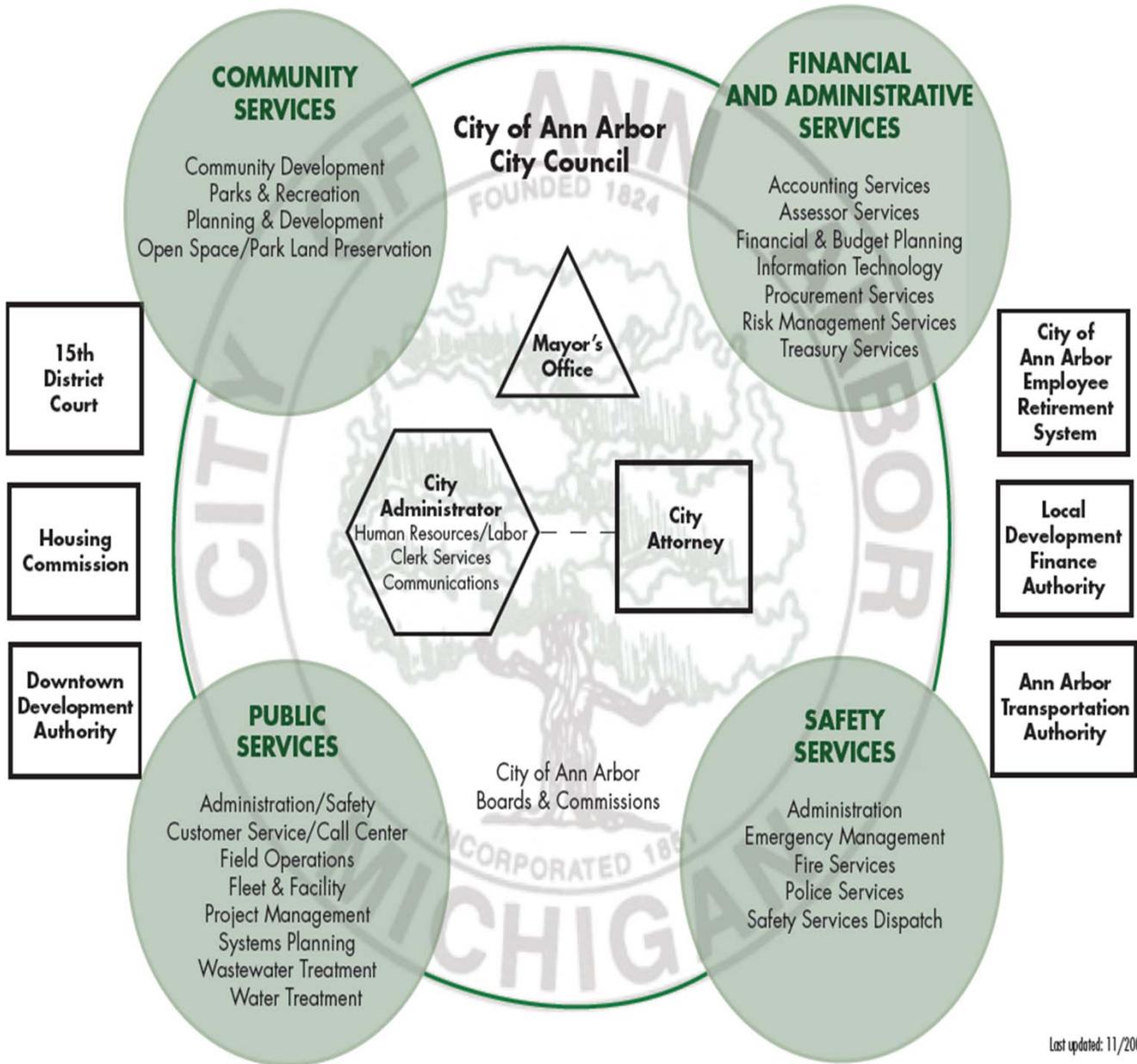
Matthew V. Horning  
*City Treasurer*

Stephen K. Postema  
*City Attorney*

Jacqueline Beaudry  
*City Clerk*

# CITY OF ANN ARBOR, MICHIGAN

## Organizational Chart





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Ann Arbor  
Michigan**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

Executive Director/CEO

## FINANCIAL SECTION

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## INDEPENDENT AUDITORS' REPORT

November 12, 2013

To the Honorable Mayor and  
Members of the City Council  
City of Ann Arbor  
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 the City of Ann Arbor, Michigan, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City'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 Ann Arbor Housing Commission, which represents 32.6% of the assets and 38.0% 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 Ann Arbor Housing 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 the 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 the *City of Ann Arbor, Michigan*, as of June 30, 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 fund 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 and other auditors 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 City's basic financial statements. The introductory section, combining 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 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 and the other auditors 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, based on our audit, the procedures performed as described above, and the report of other auditors, 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 and the other auditors 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 November 12, 2013 on our consideration of the City of Ann Arbor'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 the City of Ann Arbor's internal control over financial reporting and compliance.

*Rehmann Robson LLC*

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

# CITY OF ANN ARBOR, MICHIGAN

## Management's Discussion and Analysis

As management of the City of Ann Arbor, Michigan, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

### Financial Highlights

- The City's assets exceed its liabilities by \$1,058,267,811 at year-end. Of this amount:
  - \$890,008,138 is invested in capital assets, net of related debt;
  - \$86,560,034 is restricted for specific purposes;
  - \$81,699,639 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors, subject to the purpose of the fund in which they are located. This balance is comprised of \$33,838,840 in governmental activities and \$47,860,799 in business-type activities.
- The City's total net position increased by \$28,075,498 during the year, primarily due to increases in capital assets.
- The City's total debt increased by \$12,403,697 (new issues less retirements) during the current fiscal year.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$83,239,294. The decrease of \$4,379,464 in fund balance is primarily due to spending of bond funds for the construction of the Fifth Avenue underground parking structure as well as the street repair millage fund.
- Of the fund balance amount, \$14,392,854 is unassigned and may be used to meet the government's ongoing obligations to citizens and creditors, \$3,157,441 is assigned and \$6,088,188 is committed and may be used subject to the purpose of the fund in which they are located, and the remaining amount of \$59,600,811 is restricted by external restrictions (such as state gas and weight tax, grants or millage funds) or nonspendable (as in the corpus of a trust).
- The City's major funds, the general fund (\$16,119,093) and the street repair millage special revenue fund (\$17,955,709) account for 41% of total fund balance including restricted amounts. The remaining amount is represented across the other 36 nonmajor funds.
- The general fund recognized an increase to fund balance of \$820,783. At the end of the current fiscal year, unassigned general fund balance was 20% of the total general fund expenditures.

### Overview of the Financial Statements

This annual report consists of a series of financial statements: 1) management discussion and analysis (this section), 2) government-wide financial statements, 3) fund financial statements, and 4) notes to the financial statements.

### Government-wide Statements

The government-wide statements are designed to provide readers with an overview of the City's financial health as a whole, similar to those used in the private-sector companies. The two components of the government-wide statements include:

- The statement of net position is the difference between assets and deferred outflows of resources and liabilities, which can be used as an indicator of the City's financial health, or position. This statement includes all of the City assets, deferred outflows of resources and liabilities.
- The statement of activities provides information about the City activities as a whole, as it relates to the City's revenues and expenses. The statement of activities accounts for revenues and expenses when they occur, regardless of when cash is received or paid. This statement indicates whether the City's revenues exceed its expenses, which is another way to monitor the overall health of the City.

The statement of net position and the statement of activities, contain information in the following three categories:

- Governmental activities - All of the City's basic services such as police, fire, public works, and general administration are included in the governmental activities. Property taxes, fees and charges, state shared revenues, and state and federal grants finance most of these activities.

# CITY OF ANN ARBOR, MICHIGAN

## Management's Discussion and Analysis

- Business-type activities - Business-type activity areas include water, sewer and stormwater systems, parking facilities, market, golf courses, solid waste and an airport. The City primarily utilizes fees and charges to cover the cost of services provided in these business-type activities with the exception of the solid waste activity that is supplemented by property taxes.
- Component units - Included in the component units for the City are the Downtown Development Authority, the Smart Zone Local Development Finance Authority and the Ann Arbor Housing Commission. Although the component units are separate legal entities, the City is financially responsible for them. The Housing Commission provides low-income housing to City residents. The City provides limited, special purpose financial support to the Commission and is contingently liable for its debt.

### Fund Financial Statements

The fund financial statements provide detailed information about the City's most significant funds, not the City as a whole. The City uses the fund financial statements to account for specific funding sources and its spending patterns. Some funds are required to be established by State law and by bond covenants. The City Council establishes other funds to control and manage funds for particular purposes or to show it complies with legal requirements. The fund financial statements are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

#### *Governmental funds*

Most of the City's basic services are reported in the governmental funds, which focus on how cash flows in and out of those funds and its balances at year-end that are available for spending/reserve purposes. The governmental funds provide a detailed short-term view of the City's general operations and the basic services it provides. In addition, it assists management in the assessment of whether there are more or fewer resources, which can be spent on future City programs.

Because the focus of governmental funds is narrower than that of governmental-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 the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 38 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general and the street repair millage special revenue. Data from the other 36 governmental funds are combined in a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

#### *Proprietary funds*

The City maintains 14 individual proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The enterprise fund financial statements provide separate information for the water, sanitary sewer, parking system, market, golf courses, airport, stormwater system, and solid waste, each of which are considered major funds of the City. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its central stores, fleet services, information technology, project management, insurance funds and Wheeler Center. Because internal service funds benefit predominantly governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

#### *Fiduciary funds*

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City is the trustee, or fiduciary, for certain assets held on behalf of others. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Fiduciary funds combining statement information is contained in the combining section of the CAFR.

# CITY OF ANN ARBOR, MICHIGAN

## Management's Discussion and Analysis

### Additional Information

#### Notes to the 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 the schedule concerning the City's progress in funding its obligation to provide pension and retiree health care benefits to its 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 City as a Whole

The government-wide financial analysis focuses on the net position and changes in net position of the City's governmental and business-type activities. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As the following table demonstrates, the City's assets and deferred inflows of resources exceeded its liabilities by \$1,058,267,811 at June 30, 2013 compared to \$1,030,192,316 at June 30, 2012.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 130,532,510	\$ 137,567,375	\$ 93,454,522	\$ 83,147,865	\$ 223,987,032	\$ 220,715,240
Capital assets, net	825,757,175	805,902,343	318,684,216	304,404,520	1,144,441,391	1,110,306,863
Total assets	956,289,685	943,469,718	412,138,738	387,552,385	1,368,428,423	1,331,022,103
Deferred inflows of resources	-	-	649,972	738,848	649,972	738,848
Long-term liabilities	149,706,739	146,886,332	132,800,644	126,204,770	282,507,383	273,091,102
Other liabilities	16,326,416	20,794,720	11,976,785	7,682,816	28,303,201	28,477,536
Total liabilities	166,033,155	167,681,052	144,777,429	133,887,586	310,810,584	301,568,638
Net position:						
Net investment in capital assets	698,805,463	684,183,914	191,202,675	183,625,625	890,008,138	867,809,539
Restricted	57,612,227	67,691,069	28,947,807	21,228,475	86,560,034	88,919,544
Unrestricted	33,838,840	23,913,683	47,860,799	49,549,547	81,699,639	73,463,230
Total net position	\$ 790,256,530	\$ 775,788,666	\$ 268,011,281	\$ 254,403,647	\$ 1,058,267,811	\$ 1,030,192,313

By far the largest portion of the City's net position reflects its investment in capital assets (i.e., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City'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.

An additional portion of the City's net position at June 30, 2013 (\$86,560,034) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$81,699,639 may be used to meet the government's ongoing obligations to citizens and creditors, subject to the restrictions of the fund.

# CITY OF ANN ARBOR, MICHIGAN

## Management's Discussion and Analysis

Long-term liabilities have increased from 2012 to 2013 due to issuance of debt for the First and Washington project in Governmental Activities (\$9,226,075) and the increase in revolving debt related to the Wastewater treatment plan reconstruction. Other liabilities have decreased from 2012 to 2013 due to a decrease in the City's OPEB liability as this liability is repaid as well as a decrease in Accounts Payable in Governmental Activities as many long-term construction projects from the prior year were completed (Stadium Bridge reconstruction and the Fifth Avenue underground parking deck).

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities with the exception of the Airport fund. The Airport fund has filed a deficit elimination plan with the State of Michigan and will be out of its deficit position for unrestricted net assets in fiscal year 2014.

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 25,524,014	\$ 25,783,159	\$ 59,136,610	\$ 56,856,474	\$ 84,660,624	\$ 82,639,633
Operating grants	13,682,013	13,210,386	-	-	13,682,013	13,210,386
Capital grants	493,900	346,046	4,925,869	1,256,394	5,419,769	1,602,440
General revenues:						
Property taxes	66,703,347	65,483,779	11,154,045	11,030,550	77,857,392	76,514,329
State shared revenues and grants	9,771,731	9,748,477	-	-	9,771,731	9,748,477
Investment income	(410,361)	2,567,568	(245,003)	1,188,581	(655,364)	3,756,149
Other	145,399	3,410,739	(504,477)	484,311	(359,078)	3,895,050
<b>Total revenues</b>	<b>115,910,043</b>	<b>120,550,154</b>	<b>74,467,044</b>	<b>70,816,310</b>	<b>190,377,087</b>	<b>191,366,464</b>
<b>Expenses</b>						
Governmental activities:						
General government	14,780,995	15,051,505	-	-	14,780,995	15,051,505
Public safety	39,396,533	40,084,761	-	-	39,396,533	40,084,761
Public works	24,374,228	19,628,775	-	-	24,374,228	19,628,775
Community and economic development	1,820,460	2,931,838	-	-	1,820,460	2,931,838
Culture and recreation	10,573,584	9,995,899	-	-	10,573,584	9,995,899
Public transportation	9,233,757	8,913,232	-	-	9,233,757	8,913,232
Debt service	4,953,237	5,134,805	-	-	4,953,237	5,134,805
Unallocated depreciation	-	-	-	-	-	-
Business-type activities:						
Water	-	-	17,939,124	16,976,630	17,939,124	16,976,630
Sewer	-	-	15,024,567	14,569,815	15,024,567	14,569,815
Parking	-	-	2,537,775	2,708,673	2,537,775	2,708,673
Market	-	-	234,078	168,977	234,078	168,977
Golf courses	-	-	1,443,008	1,554,083	1,443,008	1,554,083
Airport	-	-	670,743	568,629	670,743	568,629
Stormwater	-	-	4,983,006	4,336,523	4,983,006	4,336,523
Solid waste	-	-	14,336,494	11,563,289	14,336,494	11,563,289
<b>Total expenses</b>	<b>105,132,794</b>	<b>101,740,815</b>	<b>57,168,795</b>	<b>52,446,619</b>	<b>162,301,589</b>	<b>154,187,434</b>
Change in net position, before transfers						
	10,777,249	18,809,339	17,298,249	18,369,691	28,075,498	37,179,030
Transfers	3,690,615	2,428,146	(3,690,615)	(2,428,146)	-	-
<b>Change in net position</b>	<b>14,467,864</b>	<b>21,237,485</b>	<b>13,607,634</b>	<b>15,941,545</b>	<b>28,075,498</b>	<b>37,179,030</b>
Net position:						
Beginning of year, as restated	775,788,666	754,551,181	254,403,647	238,462,102	1,030,192,313	993,013,283
<b>End of year</b>	<b>\$ 790,256,530</b>	<b>\$ 775,788,666</b>	<b>\$ 268,011,281</b>	<b>\$ 254,403,647</b>	<b>\$ 1,058,267,811</b>	<b>\$1,030,192,313</b>

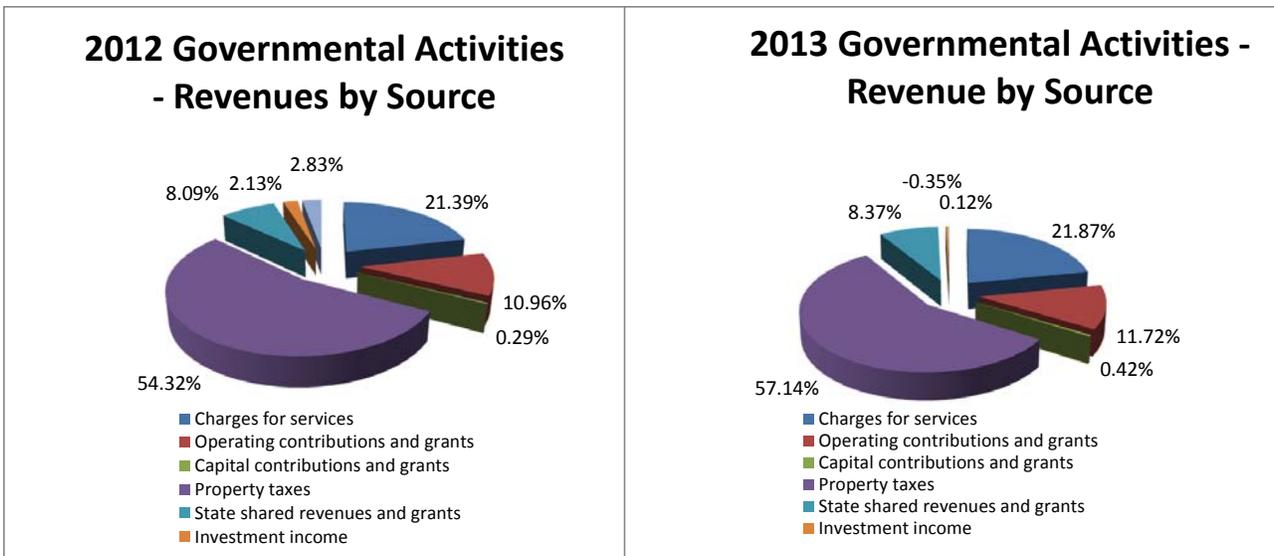
# CITY OF ANN ARBOR, MICHIGAN

## Management's Discussion and Analysis

The City's net position increased by \$28,075,498 during the current fiscal year and \$37,179,030 in the prior fiscal year.

Governmental activities increased the City's net position by \$14,467,864, accounting for a 52% increase of the City's total growth in the net position. During fiscal year 2012, governmental activities increased by \$21,237,488, which was a 57% increase of the total growth for fiscal year 2012.

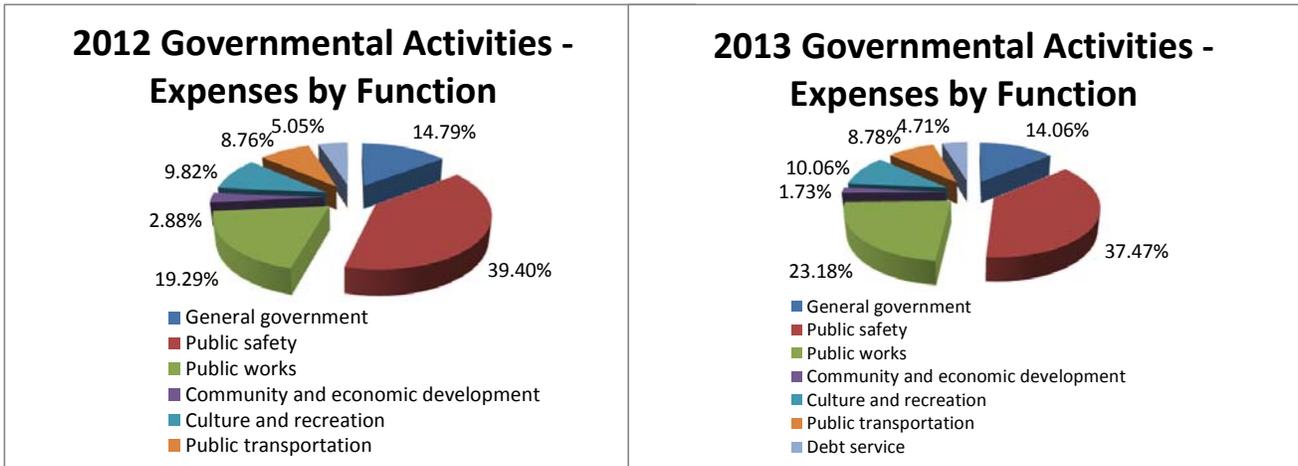
- Property taxes increased 2% during fiscal year 2013 as opposed to a decline of 3% in fiscal year 2012.
- Investment income decreased 116% due to a decrease in the market value of the City investments. Last year, investment income increased 21.8%. This is attributable to fluctuations in the market value of the investments. The unrealized loss accounted for the majority of the decrease. It is important to note that the City holds all of its investments until they mature and do not experience a realized loss on investments.
- Charges for services decreased 1.0% compared to an increase of 13.1% in fiscal year 2012. In fiscal year 2012, this is attributable to increased Charges for Services for increased volume of fire inspections, building permits and hydropower services. Also, new fees for enhancements to the Argo Liveries began in spring of fiscal year 2012. In fiscal year 2013, the majority of the decrease is due to decreased bond user fee in the General Fund (\$687,000).
- Capital contributions and grants increased 43% due to an increase in Federal Farm and Ranch Land Protection Grant for purchase of property in the City's Greenbelt as opposed to a decrease 90% in fiscal year 2012 due to fewer grants received.



Expenses for governmental activities decreased \$3,391,982 from 2012 to 2013. Key elements are as follows:

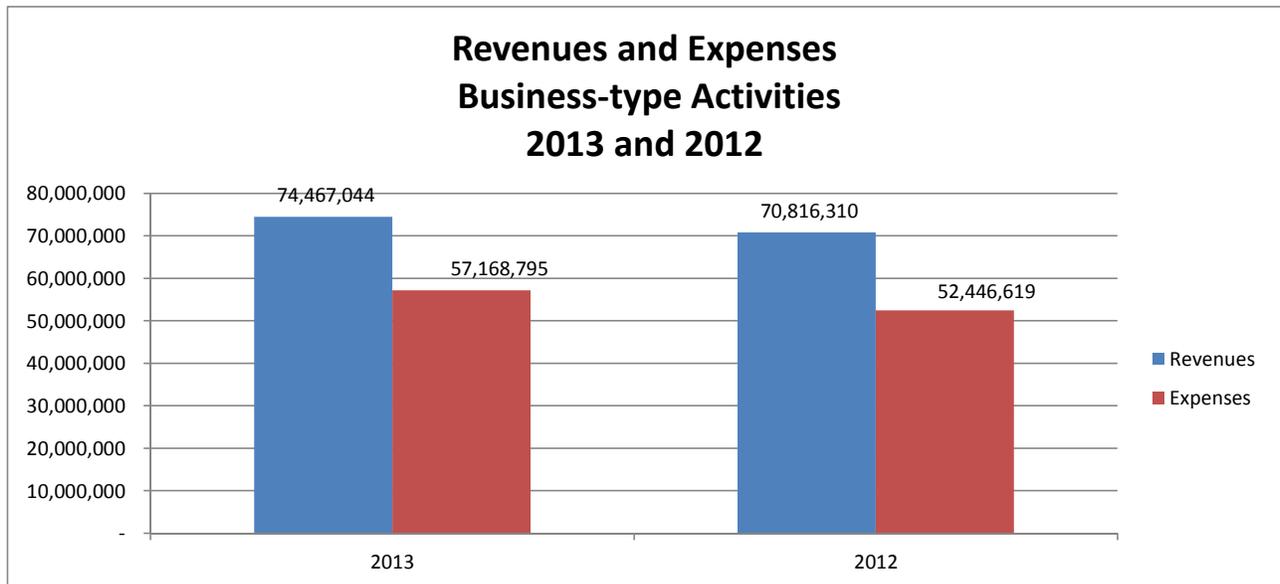
- Public Works expenses increased \$4.7 million due to increased depreciation and an increase in costs for insurance and fleet spread from the internal service funds.
- Expenses for Community and Economic Development decreased primarily due to fewer federal grants for Community Development Block Grants and HOME programs. The City is now part of the Urban County program and all new grants are administered by Washtenaw County. Also, in fiscal year 2012, there was an art project that completed during last fiscal year.
- Other-Public Transportation is a pass-through of tax revenue collected to the Ann Arbor Transportation Authority. As tax revenues are up, this pass-through increased.

Management's Discussion and Analysis



Business-type activities increased the City’s net position by \$13,607,634 for fiscal year 2013 and by \$15,941,545 for fiscal year 2012, accounting for 48% and 43% of the total growth in the government’s net position for the current year and prior year, respectively. Key elements of this increase are as follows:

- Revenues increased 5% in fiscal year 2013 compared to relatively flat growth in fiscal year 2012.
- Expenses increased \$4,722,176, or 9%, in fiscal year 2013 compared to a decrease \$2,233,857, or 4%, in fiscal year 2012, primarily due to the following:
  - In the Water fund, expenses are higher due to increased depreciation, increased cost of goods sold, increased costs of debt financing and increased overtime and temporary costs to make up for vacancies.
  - In the Sewer fund, expenses are higher due to increased depreciation, increased contracted services and increased costs for natural gas.
  - In the Stormwater fund, expenses increased due to increased depreciation, increased debt financing costs and increased overtime costs.
  - In the Solid Waste fund, a \$2.0 million liability was booked for post-closure costs after the Michigan Department of Environmental Quality (MDEQ) approved our plan for ongoing remediation.



# CITY OF ANN ARBOR, MICHIGAN

## Management's Discussion and Analysis

### Financial Analysis of the Government's Funds

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

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$83,239,294 at June 30, 2013 versus \$87,618,758 at June 30, 2012, a decrease of \$4,379,464. Of the total fund balance amount, \$14,392,854 at June 30, 2013 is unassigned fund balance, which indicates this money is available for spending at the government's discretion. At June 30, 2012, \$14,094,863 was unassigned.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$14,392,854 at June 30, 2013. At June 30, 2012, the unassigned fund balance was \$14,094,863. Total fund balance was \$16,119,093 and \$15,298,310 at June 30, 2013 and 2012, respectively. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 20 percent at June 30, 2013 of total general fund expenditures. Unassigned fund balance was 19 percent at June 30, 2012 of total general fund expenditures. The fund balance of the City's general fund increased by \$820,783 during the current fiscal year in comparison to an increase of \$1,714,276 for the prior fiscal year. For fiscal year 2013, this is attributable to one-time cost savings, and higher than expected state-shared revenues.

The street repair millage special revenue fund balance decreased by \$7,059,604 in fiscal year 2013 compared to a decrease of \$4,192,320 in fiscal year 2012. This decrease is attributable to planned use of fund balance for construction projects including funds that were set aside for the Stadium Bridge project but were able to be repurposed after a grant was received.

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

Unrestricted net position of the water, sanitary sewer, storm sewer, parking system, market, golf courses, solid waste and airport at the end of the year amounted to \$47,860,799. All funds had an increase in net position for the year totaling \$13,607,634. The Market Fund had a decrease in net assets of \$86,789 due to increased costs of programs and decreasing rental revenue for their parking lot rentals. The Solid Waste fund net assets decreased \$923,036 due to the recording of a liability for post-closure care costs. Other factors concerning the finances of these funds have been addressed in the discussion of the City's business-type activities.

### General Fund Budgetary Highlights

Differences between the original and final budgets for expenditures resulted in a 2.2% increase in fiscal year 2013 compared to a 2.6% increase in fiscal year 2012. The General Fund revenues and other financing sources exceeded expenditures and other financing uses by \$820,783.

### Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental/business-type activities as of June 30, 2013 was \$1,144,441,391 compared to \$1,110,306,863 at June 30, 2012 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, improvements, machinery and equipment, intangible assets, vehicles, and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was 3.07% compared to 3.74% in fiscal year 2012. Major capital asset events during the fiscal year 2013 included an increase in improvements (\$9,671,393) for water and sewer improvements, a decrease in construction work in progress (\$29,823,499) as the Justice Center was capitalized, and an increase in infrastructure (\$20,255,218) for road improvements. Additional information on the City's capital assets can be found in note 7 of the notes to the financial statements.

# CITY OF ANN ARBOR, MICHIGAN

## Management's Discussion and Analysis

	Capital Assets (net of depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 61,634,205	\$ 59,792,982	\$ 8,532,678	\$ 8,532,678	\$ 70,166,883	\$ 68,325,660
Construction in progress	57,306,714	101,931,072	109,234,091	94,433,232	166,540,805	196,364,304
Buildings	95,330,105	42,791,827	79,224,228	82,776,093	174,554,333	125,567,920
Improvements other than buildings	9,027,610	7,436,791	117,580,097	113,258,153	126,607,707	120,694,944
Machinery and equipment	2,666,363	3,217,823	3,999,994	4,742,722	6,666,357	7,960,545
Vehicles	6,240,020	2,989,651	113,128	661,642	6,353,148	3,651,293
Intangible assets	704,154	938,872	-	-	704,154	938,872
Infrastructure	592,848,004	586,803,325	-	-	592,848,004	586,803,325
<b>Total capital assets, net</b>	<b>\$ 825,757,175</b>	<b>\$ 805,902,343</b>	<b>\$ 318,684,216</b>	<b>\$ 304,404,520</b>	<b>\$ 1,144,441,391</b>	<b>\$ 1,110,306,863</b>

*Long-term debt.* At the end of the current fiscal year, the City had total bonded debt outstanding of \$246,589,965. Of that amount, \$123,595,000 comprises debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

The City's total debt increased by \$6,655,324 or 2.8% during the fiscal year. Further information regarding the City's outstanding debt can be found in note 12 of the notes to the financial statements.

	General Obligation and Revenue Bonds					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 123,455,000	\$ 118,345,000	\$ 16,965,000	\$ 19,190,000	\$ 140,420,000	\$ 137,535,000
Special assessment bonds	140,000	220,000	-	-	140,000	220,000
Revenue bonds	-	-	75,655,000	82,005,000	75,655,000	82,005,000
Revolving loans	-	-	30,374,965	20,174,641	30,374,965	20,174,641
<b>Total bonded debt</b>	<b>\$ 123,595,000</b>	<b>\$ 118,565,000</b>	<b>\$ 122,994,965</b>	<b>\$ 121,369,641</b>	<b>\$ 246,589,965</b>	<b>\$ 239,934,641</b>

State statutes limit the amount of the general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City is \$529,497,464, which is significantly in excess of the City's outstanding general obligation debt.

### Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for fiscal year 2014:

- Property tax revenues are budgeted to increase 2.15% in fiscal year 2014.
- Average salary costs were budgeted to remain flat in fiscal year 2014.
- Healthcare costs were projected to decrease 2% in fiscal year 2014 as the remainder of our employees transitioned to a lower cost healthcare plan structure.
- Pension costs are projected to increase 7.49% in fiscal year 2014.

### Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, requests for additional financial information or complete financial statements of the individual component units should be addressed to the City of Ann Arbor Financial and Administrative Services-Accounting Services, 301 East Huron Street, P.O. Box 8647, Ann Arbor, Michigan 48107-8647.

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## BASIC FINANCIAL STATEMENTS

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

# CITY OF ANN ARBOR, MICHIGAN

## Statement of Net Position

June 30, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash	\$ 1,250,934	\$ 10,299,711	\$ 11,550,645	\$ 3,011,009
Equity in pooled cash and investments	116,887,645	65,887,131	182,774,776	994,915
Investments, at fair value	2,074,020	180,258	2,254,278	17,089,719
Receivables	5,304,560	15,179,767	20,484,327	1,368,144
Internal balances	875,624	(875,624)	-	-
Other assets	3,102,163	2,783,279	5,885,442	101,286
Capital assets not being depreciated	118,940,919	117,766,769	236,707,688	844,637
Capital assets being depreciated, net	706,816,256	200,917,447	907,733,703	5,642,032
Net pension asset	1,037,564	-	1,037,564	-
<b>Total assets</b>	<b>956,289,685</b>	<b>412,138,738</b>	<b>1,368,428,423</b>	<b>29,051,742</b>
<b>Deferred outflows of resources</b>				
Deferred charge on refunding	-	649,972	649,972	-
<b>Liabilities</b>				
Accounts payable and accrued liabilities	15,165,203	10,205,848	25,371,051	10,118,778
Accrued interest payable	1,161,213	1,770,937	2,932,150	376,478
Unearned revenue	-	-	-	1,005,208
Long-term liabilities:				
Due within one year	11,340,472	9,467,645	20,808,117	275,242
Due in more than one year	127,898,047	123,265,572	251,163,619	850,267
Other noncurrent liability - net other postemployment benefit obligation	10,468,220	67,427	10,535,647	-
<b>Total liabilities</b>	<b>166,033,155</b>	<b>144,777,429</b>	<b>310,810,584</b>	<b>12,625,973</b>
<b>Net position</b>				
Net investment in capital assets	698,805,463	191,202,675	890,008,138	6,486,669
Restricted for:				
Debt service	174,442	10,373,263	10,547,705	-
Equipment replacement	-	18,394,742	18,394,742	-
Endowment (non-expendable)	1,984,000	-	1,984,000	-
Highway and streets	33,286,059	-	33,286,059	-
Culture and recreation	14,754,858	-	14,754,858	-
Other purposes	7,412,868	-	7,412,868	515,540
Landfill	-	179,802	179,802	-
Unrestricted	33,838,840	47,860,799	81,699,639	9,423,560
<b>Total net position</b>	<b>\$ 790,256,530</b>	<b>\$ 268,011,281</b>	<b>\$ 1,058,267,811</b>	<b>\$ 16,425,769</b>

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

CITY OF ANN ARBOR, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2013

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government</b>					
Governmental activities:					
General government	\$ 14,780,995	\$ 8,557,284	\$ 1,049,350	\$ -	\$ (5,174,361)
Public safety	39,396,533	8,110,028	1,857,650	-	(29,428,855)
Public works	24,374,228	2,620,789	9,728,313	-	(12,025,126)
Community/economic development	1,820,460	-	253,729	97,000	(1,469,731)
Culture and recreation	10,573,584	2,502,342	792,971	396,900	(6,881,371)
Public transportation	9,233,757	-	-	-	(9,233,757)
Interest on long-term debt	4,953,237	3,733,571	-	-	(1,219,666)
<b>Total governmental activities</b>	<b>105,132,794</b>	<b>25,524,014</b>	<b>13,682,013</b>	<b>493,900</b>	<b>(65,432,867)</b>
Business-type activities:					
Water	17,939,124	23,746,197	-	3,837,027	9,644,100
Sewer	15,024,567	21,456,653	-	1,088,842	7,520,928
Parking	2,537,775	2,884,220	-	-	346,445
Market	234,078	148,942	-	-	(85,136)
Golf courses	1,443,008	1,146,989	-	-	(296,019)
Airport	670,743	855,286	-	-	184,543
Stormwater	4,983,006	5,956,093	-	-	973,087
Solid waste	14,336,494	2,942,230	-	-	(11,394,264)
<b>Total business-type activities</b>	<b>57,168,795</b>	<b>59,136,610</b>	<b>-</b>	<b>4,925,869</b>	<b>6,893,684</b>
<b>Total primary government</b>	<b>\$ 162,301,589</b>	<b>\$ 84,660,624</b>	<b>\$ 13,682,013</b>	<b>\$ 5,419,769</b>	<b>\$ (58,539,183)</b>
Component units					
Housing Commission	\$ 16,056,159	\$ 857,557	\$ 13,792,200	\$ 318,063	\$ (1,088,339)
Smart Zone LDFA	1,481,475	-	-	-	(1,481,475)
Downtown Development Authority	24,519,180	19,109,258	-	-	(5,409,922)
<b>Total component units</b>	<b>\$ 42,056,814</b>	<b>\$ 19,966,815</b>	<b>\$ 13,792,200</b>	<b>\$ 318,063</b>	<b>\$ (7,979,736)</b>

continued...

# CITY OF ANN ARBOR, MICHIGAN

## Statement of Activities

For the Year Ended June 30, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net (expense) revenue	\$ (65,432,867)	\$ 6,893,684	\$ (58,539,183)	\$ (7,979,736)
General revenues:				
Property taxes	66,703,347	11,154,045	77,857,392	5,315,238
State shared revenues and grants (unrestricted)	9,771,731	-	9,771,731	-
Unrestricted investment earnings	(410,361)	(245,003)	(655,364)	15,850
Other	145,399	(504,477)	(359,078)	60,425
Transfers - internal activities	3,690,615	(3,690,615)	-	-
Total general revenues and transfers	79,900,731	6,713,950	86,614,681	5,391,513
Change in net position	14,467,864	13,607,634	28,075,498	(2,588,223)
Net position, beginning of year, as restated	775,788,666	254,403,647	1,030,192,313	19,013,992
Net position, end of year	\$ 790,256,530	\$ 268,011,281	\$ 1,058,267,811	\$ 16,425,769

concluded.

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

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## FUND FINANCIAL STATEMENTS

CITY OF ANN ARBOR, MICHIGAN

**Balance Sheet**  
**Governmental Funds**  
 June 30, 2013

	General Fund	Street Repair Millage Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash	\$ 476,069	\$ -	\$ 769,380	\$ 1,245,449
Equity in pooled cash and investments	16,716,344	21,281,468	44,799,465	82,797,277
Investments, at fair value	-	-	2,074,020	2,074,020
Receivables:				
Taxes	130,961	783	2,036	133,780
Accounts	510,080	7,514	727,871	1,245,465
Special assessments	3,635	6,801	191,434	201,870
Accrued interest and dividends	-	-	9,760	9,760
Improvement charges	-	2,339	243	2,582
Loans	-	-	20,801	20,801
Due from other funds	17,532	-	-	17,532
Due from other governments	1,745,070	-	1,896,824	3,641,894
Advances to other funds	874,924	-	-	874,924
Inventories, at cost	40,720	-	-	40,720
<b>Total assets</b>	<b>\$ 20,515,335</b>	<b>\$ 21,298,905</b>	<b>\$ 50,491,834</b>	<b>\$ 92,306,074</b>
<b>Liabilities</b>				
Accounts payable	\$ 1,330,623	\$ 3,268,357	\$ 615,948	\$ 5,214,928
Accrued liabilities	2,022,647	69,281	280,752	2,372,680
Interest payable	-	-	88,273	88,273
Due to other funds	-	-	16,832	16,832
Due to other governments	341,882	-	-	341,882
Deposits	570,304	-	-	570,304
<b>Total liabilities</b>	<b>4,265,456</b>	<b>3,337,638</b>	<b>1,001,805</b>	<b>8,604,899</b>
<b>Deferred inflows of resources</b>				
Unavailable revenue	130,786	5,558	325,537	461,881
<b>Fund balances</b>				
Nonspendable	915,644	-	1,984,000	2,899,644
Restricted	-	17,955,709	38,745,458	56,701,167
Committed	-	-	6,088,188	6,088,188
Assigned	810,595	-	2,346,846	3,157,441
Unassigned	14,392,854	-	-	14,392,854
<b>Total fund balances</b>	<b>16,119,093</b>	<b>17,955,709</b>	<b>49,164,492</b>	<b>83,239,294</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 20,515,335</b>	<b>\$ 21,298,905</b>	<b>\$ 50,491,834</b>	<b>\$ 92,306,074</b>

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

# CITY OF ANN ARBOR, MICHIGAN

## Reconciliation

Fund Balances for Governmental Funds  
to Net Position of Governmental Activities  
June 30, 2013

Fund balances of governmental funds	\$ 83,239,294
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets have not been included as financial resources in governmental fund activity.	1,009,606,709
Accumulated depreciation on governmental capital assets.	(192,337,616)
Long-term debt and compensated absences are not due and payable in the current period and therefore have not been included in the governmental funds including:	
Bonds payable	(123,595,000)
Contracts payable	(3,500,000)
Compensated absences	(11,342,343)
Unamortized bond discounts/premiums	143,288
Unfunded other postemployment benefit liability	(10,468,220)
Accrued interest payable for the current portion of interest due on bonds has not been reported in the governmental funds.	(1,072,940)
Deferred inflow of resources in governmental funds is susceptible to full accrual on the entity-wide statements.	461,881
Net pension asset has not been included as a financial resource in governmental funds	1,037,564
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net position.	38,083,913
Net position of governmental activities	\$ 790,256,530

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

CITY OF ANN ARBOR, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2013

	General	Street Repair Millage	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 49,380,189	\$ 9,623,062	\$ 7,688,907	\$ 66,692,158
Special assessments/improvement charges	1,805	-	41,297	43,102
Licenses, permits and registrations	1,300,157	-	5,236,935	6,537,092
Federal grants	-	1,669,074	1,697,760	3,366,834
State shared revenues and grants	11,755,568	(16,096)	8,177,137	19,916,609
Charges for services	7,181,207	58,897	4,810,737	12,050,841
Fines and forfeits	4,194,752	-	288,338	4,483,090
Interest and penalties	-	-	11,189	11,189
Investment income (loss)	(81,485)	(87,405)	(136,810)	(305,700)
Rentals	653,879	-	-	653,879
Contributions and donations	-	31,313	263,976	295,289
Intra-governmental sales	-	-	157,956	157,956
Other revenues	401,804	-	1,127,479	1,529,283
<b>Total revenues</b>	<b>74,787,876</b>	<b>11,278,845</b>	<b>29,364,901</b>	<b>115,431,622</b>
<b>Expenditures</b>				
Current:				
General government	12,251,812	-	2,407,540	14,659,352
Public safety	39,510,795	-	2,837,124	42,347,919
Public works	3,776,874	7,410,782	7,827,521	19,015,177
Community and economic development	1,871,187	-	47,273	1,918,460
Culture and recreation	5,494,681	-	4,647,958	10,142,639
Public transportation	9,233,757	-	-	9,233,757
Capital outlay	91,818	12,840,626	13,832,452	26,764,896
Debt service:				
Principal retirement	-	-	4,055,000	4,055,000
Interest and fiscal charges	-	-	5,045,229	5,045,229
<b>Total expenditures</b>	<b>72,230,924</b>	<b>20,251,408</b>	<b>40,700,097</b>	<b>133,182,429</b>
<b>Revenues over (under) expenditures</b>	<b>2,556,952</b>	<b>(8,972,563)</b>	<b>(11,335,196)</b>	<b>(17,750,807)</b>
<b>Other financing sources (uses)</b>				
Transfers in	1,148,853	3,103,826	6,665,054	10,917,733
Transfers out	(2,915,585)	(1,190,867)	(2,696,576)	(6,803,028)
Sale of property and equipment	30,563	-	-	30,563
Issuance of bonds	-	-	9,085,000	9,085,000
Bond premium	-	-	141,075	141,075
<b>Total other financing sources (uses)</b>	<b>(1,736,169)</b>	<b>1,912,959</b>	<b>13,194,553</b>	<b>13,371,343</b>
<b>Net change in fund balances</b>	<b>820,783</b>	<b>(7,059,604)</b>	<b>1,859,357</b>	<b>(4,379,464)</b>
<b>Fund balances, beginning of year, as restated</b>	<b>15,298,310</b>	<b>25,015,313</b>	<b>47,305,135</b>	<b>87,618,758</b>
<b>Fund balances, end of year</b>	<b>\$ 16,119,093</b>	<b>\$ 17,955,709</b>	<b>\$ 49,164,492</b>	<b>\$ 83,239,294</b>

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

## CITY OF ANN ARBOR, MICHIGAN

### Reconciliation

Net Changes in Fund Balances of Governmental Funds  
to Change in Net Position of Governmental Activities  
For the Year Ended June 30, 2013

Net change in fund balances - total governmental funds	\$ (4,379,464)
<p>Amounts reported for <i>governmental activities</i> in the statement of activities differs from the amounts reported in the statement of revenue, expenditures, and changes in fund balances because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense.</p>	
Capital outlay	36,504,254
Depreciation expense	(18,776,646)
Loss on disposal of capital assets	(19,078)
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt 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.</p>	
Principal payments on long-term liabilities	4,055,000
Proceeds from issuance of debt	(9,085,000)
Premium on bonds	(141,075)
Accrued interest is recognized on the government-wide financial statements.	154,201
Amortization of bond discount and deferred loss on refunding is an expense on statement of activities.	(62,209)
<p>Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as fund expenditures including the changes in accruals for:</p>	
Compensated absences	61,937
Other postemployment benefits liability	2,388,082
Deferred inflow of resources in governmental funds is susceptible to full accrual on the government-wide statements.	(24,442)
The changes in accrual for the net pension asset reported in the statement of activities do not reflect current financial resources and are not reported as revenue in the governmental funds.	16,774
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds.	
Change in net position of the internal service funds is allocated to governmental activities	<u>3,775,530</u>
Change in net position of governmental activities	<u>\$ 14,467,864</u>

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

CITY OF ANN ARBOR, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - General Fund  
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Taxes	\$ 49,431,784	\$ 49,431,784	\$ 49,380,189	\$ (51,595)
Special assessments / improvement charges	-	-	1,805	1,805
Licenses, permits and registrations	1,390,350	1,390,350	1,300,157	(90,193)
State shared revenues and grants	11,003,865	10,907,062	11,755,568	848,506
Charges for services	7,661,441	7,577,329	7,181,207	(396,122)
Fines and forfeits	4,501,601	4,501,601	4,194,752	(306,849)
Investment income (loss)	335,843	335,843	(81,485)	(417,328)
Rentals	508,762	592,874	653,879	61,005
Contributions and donations	1,000	1,000	-	(1,000)
Other revenues	272,299	272,299	401,804	129,505
<b>Total revenues</b>	<b>75,106,945</b>	<b>75,010,142</b>	<b>74,787,876</b>	<b>(222,266)</b>
<b>Expenditures</b>				
<b>Current:</b>				
<b>General government:</b>				
Mayor and Council	375,710	375,710	370,951	(4,759)
Administration	477,240	551,890	511,611	(40,279)
Human resources	1,345,748	1,344,498	1,342,036	(2,462)
Attorney	1,884,311	1,884,311	1,879,368	(4,943)
Clerk / Elections	1,027,813	1,041,413	1,037,120	(4,293)
Finance	3,353,179	3,429,750	3,372,303	(57,447)
Environmental coordination services	105,773	105,773	90,363	(15,410)
District court	4,068,565	4,397,099	4,323,226	(73,873)
Planning	948,556	948,556	919,981	(28,575)
Other unallocated	2,641,767	2,110,566	1,385,908	(724,658)
Municipal service charge	(2,967,920)	(2,967,920)	(2,981,055)	(13,135)
	<u>13,260,742</u>	<u>13,221,646</u>	<u>12,251,812</u>	<u>(969,834)</u>
<b>Public safety:</b>				
Police department	24,551,485	24,689,305	24,577,235	(112,070)
Fire department	13,835,988	13,866,473	13,588,120	(278,353)
Building department	1,333,737	1,367,737	1,345,440	(22,297)
	<u>39,721,210</u>	<u>39,923,515</u>	<u>39,510,795</u>	<u>(412,720)</u>
<b>Public works - public services</b>	<u>4,112,451</u>	<u>4,145,043</u>	<u>3,776,874</u>	<u>(368,169)</u>
<b>Community development</b>	<u>1,881,240</u>	<u>1,891,240</u>	<u>1,871,187</u>	<u>(20,053)</u>
<b>Culture and recreation - Parks and recreation</b>	<u>5,457,521</u>	<u>5,695,521</u>	<u>5,494,681</u>	<u>(200,840)</u>
<b>Public transportation</b>	<u>9,317,684</u>	<u>9,317,684</u>	<u>9,233,757</u>	<u>(83,927)</u>
<b>Capital outlay</b>	<u>247,672</u>	<u>353,873</u>	<u>91,818</u>	<u>(262,055)</u>
<b>Total expenditures</b>	<b>73,998,520</b>	<b>74,548,522</b>	<b>72,230,924</b>	<b>(2,317,598)</b>

continued...

CITY OF ANN ARBOR, MICHIGAN

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
 Budget and Actual - General Fund  
 For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues over (under) expenditures	1,108,425	461,620	2,556,952	2,095,332
Other financing sources (uses)				
Transfers in	\$ 1,117,747	\$ 1,121,747	\$ 1,148,853	\$ 27,106
Transfers out	(2,104,402)	(3,160,902)	(2,915,585)	245,317
Sale of property and equipment	500	500	30,563	30,063
Total other financing sources (uses)	(986,155)	(2,038,655)	(1,736,169)	302,486
Net change in fund balance	122,270	(1,577,035)	820,783	2,397,818
Fund balance, beginning of year, as restated	15,298,310	15,298,310	15,298,310	-
Fund balance, end of year	<u>\$ 15,420,580</u>	<u>\$ 13,721,275</u>	<u>\$ 16,119,093</u>	<u>\$ 2,397,818</u>

concluded.

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

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# CITY OF ANN ARBOR, MICHIGAN

## Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Street Repair Millage Special Revenue Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Taxes	\$ 9,038,516	\$ 9,038,516	\$ 9,623,062	\$ 584,546
Federal grants	-	-	1,669,074	1,669,074
State shared revenues and grants	-	198,086	(16,096)	(214,182)
Charges for services	-	45,165	58,897	13,732
Investment income (loss)	351,226	351,226	(87,405)	(438,631)
Contributions and donations	-	61,476	31,313	(30,163)
<b>Total revenues</b>	<u>9,389,742</u>	<u>9,694,469</u>	<u>11,278,845</u>	<u>1,584,376</u>
<b>Expenditures</b>				
Current - public works	16,098,951	9,738,428	7,410,782	(2,327,646)
Capital outlay	-	12,411,505	12,840,626	429,121
<b>Total expenditures</b>	<u>16,098,951</u>	<u>22,149,933</u>	<u>20,251,408</u>	<u>(1,898,525)</u>
<b>Revenues over (under) expenditures</b>	<u>(6,709,209)</u>	<u>(12,455,464)</u>	<u>(8,972,563)</u>	<u>3,482,901</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	7,623,038	3,103,826	(4,519,212)
Transfers out	(199,351)	(1,190,867)	(1,190,867)	-
<b>Total other financing sources (uses)</b>	<u>(199,351)</u>	<u>6,432,171</u>	<u>1,912,959</u>	<u>(4,519,212)</u>
<b>Net change in fund balance</b>	<u>(6,908,560)</u>	<u>(6,023,293)</u>	<u>(7,059,604)</u>	<u>(1,036,311)</u>
<b>Fund balances, beginning of year</b>	<u>25,015,313</u>	<u>25,015,313</u>	<u>25,015,313</u>	<u>-</u>
<b>Fund balances - end of year</b>	<u>\$ 18,106,753</u>	<u>\$ 18,992,020</u>	<u>\$ 17,955,709</u>	<u>\$ (1,036,311)</u>

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

CITY OF ANN ARBOR, MICHIGAN

Statement of Net Position

Proprietary Funds

June 30, 2013

	Business-type Activities - Enterprise Funds			
	Water Supply System	Sewage Disposal System	Parking System	Market
<b>Assets</b>				
Current assets:				
Cash	\$ 4,049,613	\$ 6,250,068	\$ -	\$ -
Equity in pooled cash and investments	20,202,812	22,798,536	1,822,484	509,303
Investments	-	-	-	-
Receivables:				
Accounts, net	4,461,376	3,785,033	-	1,903
Special assessments	20,063	24,175	-	-
Improvement charges	119,348	32,703	-	-
Taxes receivable	34,108	-	-	-
Interest receivable	-	-	-	-
Due from other governments	1,527,758	2,629,126	-	3,395
Prepaid items	-	2,125,999	-	-
Inventories, at cost	431,780	105,828	-	-
Total current assets	<u>30,846,858</u>	<u>37,751,468</u>	<u>1,822,484</u>	<u>514,601</u>
Noncurrent assets:				
Receivables:				
Special assessments	93,332	167,764	-	-
Improvement charges	17,301	164,027	-	-
Capital assets not depreciated	14,319,046	88,703,522	4,458,367	84,120
Capital assets being depreciated, net	83,580,948	52,542,272	38,127,600	144,655
Total noncurrent assets	<u>98,010,627</u>	<u>141,577,585</u>	<u>42,585,967</u>	<u>228,775</u>
Total assets	<u>128,857,485</u>	<u>179,329,053</u>	<u>44,408,451</u>	<u>743,376</u>
Deferred outflows of resources				
Deferred charge on refunding	-	-	649,972	-
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	2,255,929	4,398,206	-	21,217
Accrued liabilities	205,849	161,489	-	4,049
Accrued interest payable	533,726	1,000,545	230,784	-
Advance from other funds	-	-	-	-
Due to other funds	-	-	-	-
Deposits	137,898	-	-	-
Estimated claims payable, current	-	-	-	-
Bonds payable, current	3,123,721	2,688,460	2,175,000	-
Compensated absences, current	353,989	337,057	-	2,271
Capital lease payable, current	-	-	-	-
Total current liabilities	<u>6,611,112</u>	<u>8,585,757</u>	<u>2,405,784</u>	<u>27,537</u>
Noncurrent liabilities:				
Advance from other funds	-	-	-	-
Bonds payable, net	39,969,666	59,288,209	15,140,902	-
Estimated claims payable, net	-	-	-	-
Compensated absences, net	882,461	296,112	-	1,188
Net other postemployment benefit obligation	-	-	-	-
Capital lease payable	-	-	-	-
Total noncurrent liabilities	<u>40,852,127</u>	<u>59,584,321</u>	<u>15,140,902</u>	<u>1,188</u>
Total liabilities	<u>47,463,239</u>	<u>68,170,078</u>	<u>17,546,686</u>	<u>28,725</u>
<b>Net position</b>				
Net investment in capital assets	54,806,607	79,269,125	25,920,037	228,775
Restricted for debt service	4,103,733	6,269,530	-	-
Restricted for equipment replacement	10,226,951	7,840,613	-	-
Restricted for landfill	-	-	-	-
Unrestricted (deficit)	12,256,955	17,779,707	1,591,700	485,876
Total net position	<u>\$ 81,394,246</u>	<u>\$ 111,158,975</u>	<u>\$ 27,511,737</u>	<u>\$ 714,651</u>

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

Business-type Activities - Enterprise Funds					Governmental Activities
Golf Courses	Airport	Stormwater Sewer System	Solid Waste	Total	Internal Service Funds
\$ -	\$ 30	\$ -	\$ -	\$ 10,299,711	\$ 5,485
-	510,423	5,605,110	14,438,463	65,887,131	34,090,368
-	-	-	180,258	180,258	-
-	105,384	1,382,429	594,137	10,330,262	48,408
-	-	1,283	-	45,521	-
-	-	1,865	-	153,916	-
-	-	770	8,280	43,158	-
-	-	-	189	189	-
-	-	-	-	4,160,279	-
-	-	119,672	-	2,245,671	2,219,947
-	-	-	-	537,608	841,496
-	615,837	7,111,129	15,221,327	93,883,704	37,205,704
-	-	607	-	261,703	-
-	-	3,411	-	184,739	-
693,739	708,927	3,316,555	5,482,493	117,766,769	90,005
1,686,089	1,285,382	13,512,545	10,037,956	200,917,447	8,398,077
2,379,828	1,994,309	16,833,118	15,520,449	319,130,658	8,488,082
2,379,828	2,610,146	23,944,247	30,741,776	413,014,362	45,693,786
-	-	-	-	649,972	-
-	24,004	223,189	638,056	7,560,601	1,829,076
-	6,819	57,740	79,340	515,286	186,617
2,900	2,982	-	-	1,770,937	-
-	68,238	-	-	68,238	-
700	-	-	-	700	-
-	-	-	-	137,898	-
-	-	-	60,450	60,450	312,962
120,000	-	352,590	-	8,459,771	-
-	5,887	110,399	112,187	921,790	111,643
-	-	-	86,083	86,083	-
123,600	107,930	743,918	976,116	19,581,754	2,440,298
-	806,686	-	-	806,686	-
116,400	-	7,082,244	-	121,597,421	-
-	-	-	1,931,613	1,931,613	4,336,754
-	7,547	79,837	209,158	1,476,303	832,821
-	67,427	-	-	67,427	-
-	-	-	191,849	191,849	-
116,400	881,660	7,162,081	2,332,620	126,071,299	5,169,575
240,000	989,590	7,905,999	3,308,736	145,653,053	7,609,873
2,143,428	1,994,309	11,597,877	15,242,517	191,202,675	8,488,082
-	-	-	-	10,373,263	-
-	-	-	327,178	18,394,742	-
-	-	-	179,802	179,802	-
(3,600)	(373,753)	4,440,371	11,683,543	47,860,799	29,595,831
\$ 2,139,828	\$ 1,620,556	\$ 16,038,248	\$ 27,433,040	\$ 268,011,281	\$ 38,083,913

CITY OF ANN ARBOR, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Position  
 Proprietary Funds  
 For the Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds			
	Water Supply System	Sewage Disposal System	Parking System	Market
Operating revenues				
Charges for services	\$ 23,746,197	\$ 21,456,653	\$ 2,884,220	\$ 148,942
Operating expenses				
Personal services	6,618,633	5,730,272	-	122,759
Municipal service charge	390,178	408,711	-	17,945
Information technology charge	845,398	312,716	-	11,652
Other operating costs	4,996,237	4,133,723	-	72,773
Depreciation	3,148,489	2,364,013	1,770,820	8,949
Total operating expenses	15,998,935	12,949,435	1,770,820	234,078
Operating income (loss)	7,747,262	8,507,218	1,113,400	(85,136)
Nonoperating revenues (expenses)				
Interest income (loss)	(57,904)	(79,243)	(8,712)	(1,653)
Gain (loss) on sale of capital assets	22,056	(533,033)	-	-
Interest and fiscal charges	(1,940,189)	(2,075,132)	(766,955)	-
Property taxes	-	-	-	-
Total nonoperating revenues (expenses)	(1,976,037)	(2,687,408)	(775,667)	(1,653)
Income (loss) before contributions and transfers	5,771,225	5,819,810	337,733	(86,789)
Capital contributions	3,837,027	1,088,842	-	-
Transfers in	2,243,620	330,198	-	-
Transfers out	(4,088,352)	(1,216,983)	-	-
Changes in net position	7,763,520	6,021,867	337,733	(86,789)
Net position, beginning of year, as restated	73,630,726	105,137,108	27,174,004	801,440
Net position, end of year	\$ 81,394,246	\$ 111,158,975	\$ 27,511,737	\$ 714,651

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

Business-type Activities - Enterprise Funds					Governmental Activities
Golf Courses	Airport	Stormwater Sewer System	Solid Waste	Total	Internal Service Funds
\$ 1,146,989	\$ 855,286	\$ 5,956,093	\$ 2,942,230	\$ 59,136,610	\$ 47,270,552
808,228	238,467	2,163,683	3,072,404	18,754,446	7,106,191
100,967	24,105	92,788	264,855	1,299,549	1,038,016
61,047	15,442	169,161	144,707	1,560,123	653,454
329,618	310,917	2,078,581	10,264,279	22,186,128	32,436,775
131,821	44,234	302,469	590,249	8,361,044	1,882,464
1,431,681	633,165	4,806,682	14,336,494	52,161,290	43,116,900
(284,692)	222,121	1,149,411	(11,394,264)	6,975,320	4,153,652
(16,339)	(1,713)	(12,306)	(67,133)	(245,003)	(104,661)
2,000	4,500	-	-	(504,477)	139,278
(11,327)	(37,578)	(176,324)	-	(5,007,505)	-
-	-	-	11,154,045	11,154,045	-
(25,666)	(34,791)	(188,630)	11,086,912	5,397,060	34,617
(310,358)	187,330	960,781	(307,352)	12,372,380	4,188,269
-	-	-	-	4,925,869	11,351
452,648	-	102,442	-	3,128,908	351,910
-	(10,068)	(888,436)	(615,684)	(6,819,523)	(776,000)
142,290	177,262	174,787	(923,036)	13,607,634	3,775,530
1,997,538	1,443,294	15,863,461	28,356,076	254,403,647	34,308,383
\$ 2,139,828	\$ 1,620,556	\$ 16,038,248	\$ 27,433,040	\$ 268,011,281	\$ 38,083,913

CITY OF ANN ARBOR, MICHIGAN

Statement of Cash Flows  
 Proprietary Funds  
 For the Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds			
	Water System	Sewage Disposal System	Parking System	Market
Cash flow from operating activities				
Receipts from customers	\$ 23,880,251	\$ 18,963,694	\$ 2,884,220	\$ 144,344
Payments to suppliers	(5,726,507)	(1,686,059)	-	(100,996)
Payments on behalf of employees	(6,674,379)	(5,692,673)	-	(119,675)
Net cash provided by (used in) operating activities	11,479,365	11,584,962	2,884,220	(76,327)
Cash flows from noncapital financing activities				
Transfers in	2,243,620	330,198	-	-
Transfers out	(4,088,352)	(1,216,983)	-	-
Property taxes	-	-	-	-
Advance from investment pool	-	-	-	-
Net cash provided by (used in) noncapital financing activities	(1,844,732)	(886,785)	-	-
Cash flows from capital and related financing activities				
Proceeds from sales of bonds and notes	2,672,133	12,153,288	-	-
Capital contributions	3,837,027	1,088,842	-	-
Acquisition and construction of capital assets	(5,674,319)	(15,521,724)	-	-
Principal paid on revenue bonds, maturities, capital leases and notes	(4,672,668)	(2,567,044)	(2,102,273)	-
Interest paid on bonds, notes, and capital leases	(1,365,519)	(2,058,007)	(781,946)	-
Proceeds from sale of equipment	29,901	-	-	-
Net cash used in capital and related financing activities	(5,173,445)	(6,904,645)	(2,884,219)	-
Cash flows from investing activities				
Purchase of investment securities	-	-	-	-
Sale of investment securities	-	-	-	-
Interest and dividends on investments	(57,904)	(79,243)	(8,712)	(1,653)
Net cash provided used in investing activities	(57,904)	(79,243)	(8,712)	(1,653)
Net change in cash and cash equivalents	4,403,284	3,714,289	(8,711)	(77,980)
Cash and cash equivalents, beginning of the year	19,849,141	25,334,315	1,831,195	587,283
Cash and cash equivalents, end of the year	\$ 24,252,425	\$ 29,048,604	\$ 1,822,484	\$ 509,303
Reconciliation to statement of net position				
Cash	\$ 4,049,613	\$ 6,250,068	\$ -	\$ -
Equity in pooled cash and investments	20,202,812	22,798,536	1,822,484	509,303
Cash and cash equivalent, end of year	\$ 24,252,425	\$ 29,048,604	\$ 1,822,484	\$ 509,303

Business-type Activities - Enterprise Funds					Governmental Activities
Golf Courses	Airport	Stormwater Sewer System	Solid Waste	Total	Internal Service Funds
\$ 1,148,742 (557,000) (942,547)	\$ 874,117 (383,074) (248,232)	\$ 5,800,043 (2,780,524) (2,175,843)	\$ 2,400,498 (8,552,152) (3,022,138)	\$ 56,095,909 (19,786,312) (18,875,487)	\$ 47,368,208 (32,675,932) (7,054,305)
(350,805)	242,811	843,676	(9,173,792)	17,434,110	7,637,971
452,648	-	102,442	-	3,128,908	351,910
-	(10,068)	(888,436)	(615,684)	(6,819,523)	(776,000)
-	-	-	11,154,045	11,154,045	-
-	(68,735)	-	-	(68,735)	-
452,648	(78,803)	(785,994)	10,538,361	7,394,695	(424,090)
-	-	3,424,708	-	18,250,129	-
-	-	-	-	4,925,869	-
-	-	(1,530,471)	(222,192)	(22,948,706)	(4,583,708)
(113,275)	-	(2,872,599)	(64,930)	(12,392,789)	-
(12,631)	(34,596)	(176,324)	-	(4,429,023)	-
2,000	4,500	109,946	-	146,347	705,574
(123,906)	(30,096)	(1,044,740)	(287,122)	(16,448,173)	(3,878,134)
-	-	-	(180,041)	(180,041)	-
-	-	-	179,584	179,584	-
(16,339)	(1,713)	(12,306)	(66,949)	(244,819)	(104,661)
(16,339)	(1,713)	(12,306)	(67,406)	(245,276)	(104,661)
(38,402)	132,199	(999,364)	1,010,041	8,135,356	3,231,086
38,402	378,254	6,604,474	13,428,422	68,051,486	30,864,767
\$ -	\$ 510,453	\$ 5,605,110	\$ 14,438,463	\$ 76,186,842	\$ 34,095,853
\$ -	\$ 30	\$ -	\$ -	\$ 10,299,711	\$ 5,485
-	510,423	5,605,110	14,438,463	65,887,131	34,090,368
\$ -	\$ 510,453	\$ 5,605,110	\$ 14,438,463	\$ 76,186,842	\$ 34,095,853

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CITY OF ANN ARBOR, MICHIGAN

**Statement of Cash Flows**  
 Proprietary Funds  
 For the Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds			
	Water System	Sewage Disposal System	Parking System	Market
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ 7,747,262	\$ 8,507,218	\$ 1,113,400	\$ (85,136)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	3,148,489	2,364,013	1,770,820	8,949
Changes in assets and liabilities:				
Accounts receivable	216,804	144,567	-	(5,649)
Allowance for uncollectible accounts	4,043	(8,399)	-	1,051
Due from other governments	(86,792)	(2,629,126)	-	-
Prepaid items	-	1,042,785	-	-
Inventory	45,070	(20,199)	-	-
Accounts payable	456,591	2,146,498	-	1,376
Accrued liabilities	(39,058)	5,698	-	468
Due to other funds	-	-	-	-
Deposits	3,643	-	-	-
Estimated claims payable	-	-	-	-
Landfill liability [1]	-	-	-	-
Accrued compensated absences	(16,687)	31,907	-	2,614
Judgment payable	-	-	-	-
Other postemployment benefits	-	-	-	-
Net cash provided by (used in) operating activities	<u>\$ 11,479,365</u>	<u>\$ 11,584,962</u>	<u>\$ 2,884,220</u>	<u>\$ (76,327)</u>

[1] This represents a non-cash transaction.

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

Business-type Activities - Enterprise Funds					Governmental Activities
Golf Courses	Airport	Stormwater Sewer System	Solid Waste	Total	Internal Service Funds
\$ (284,692)	\$ 222,121	\$ 1,149,411	\$ (11,394,264)	\$ 6,975,320	\$ 4,153,652
131,821	44,234	302,469	590,249	8,361,044	1,882,464
2,504	(5,063)	(159,546)	(549,562)	(355,945)	120,280
(751)	23,895	3,496	7,831	31,166	(22,626)
-	-	-	-	(2,715,918)	-
-	-	(87,001)	-	955,784	345,036
32,669	-	-	-	57,540	49,031
(23,117)	(32,613)	(352,989)	129,629	2,325,375	212,570
(40,560)	5,622	(1,397)	2,236	(66,991)	13,191
(74,920)	-	-	-	(74,920)	-
-	-	-	-	3,643	-
-	-	-	-	-	845,674
-	-	-	1,992,063	-	-
(79,489)	615	(10,767)	48,026	(23,781)	37,137
-	-	-	-	-	1,562
(14,270)	(16,000)	-	-	(30,270)	-
<u>\$ (350,805)</u>	<u>\$ 242,811</u>	<u>\$ 843,676</u>	<u>\$ (9,173,792)</u>	<u>\$ 17,434,110</u>	<u>\$ 7,637,971</u>

concluded.

# CITY OF ANN ARBOR, MICHIGAN

## Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2013

	Pension and Employee Benefit Trust Funds	Agency Funds
<b>Assets</b>		
Cash	\$ 139,831	\$ 544,318
Equity in pooled cash and investments	187,541	228,376
Investments, at fair value:		
Common stock	34,068,504	-
Common stock funds	187,226,974	-
Government bonds	7,703,385	-
Government agencies	1,528,445	-
Corporate bonds	28,351,227	-
Corporate bond funds	80,264,647	-
Bank loan participation	2,996,328	-
Government mortgage backed	18,305,688	-
Commercial mortgage backed	6,351,213	-
Asset backed securities	4,060,183	-
Non-government backed CMOs	2,204,508	-
Real estate	4,254,539	-
Real estate trust funds	2,765,745	-
Partnerships	104,004,352	-
Hedge funds	33,537,260	-
Short-term bills and notes	410,369	-
Short-term investment funds	18,024,815	-
Portfolio cash	1,211,358	-
Accrued interest and dividends	685,066	-
Due from broker for securities sold	1,602,558	-
Capital assets (net of depreciation of \$54,265)	408,654	-
<b>Total assets</b>	<b>540,293,190</b>	<b>\$ 772,694</b>
<b>Liabilities</b>		
Accounts payable	2,808,357	\$ -
Accrued liabilities	67,739	-
Due to broker for securities purchased	2,524,559	-
Mortgage payable, due in one year	23,984	-
Mortgage payable, due in more than one year	270,726	-
Due to others	-	509,660
Due to other governments	-	165,604
Deposits	-	97,430
<b>Total liabilities</b>	<b>5,695,365</b>	<b>\$ 772,694</b>
<b>Net position</b>		
Net investment in capital assets	113,944	
Held in trust for pension and postemployment benefits	534,483,881	
<b>Total net position</b>	<b>\$ 534,597,825</b>	

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

# CITY OF ANN ARBOR, MICHIGAN

## Statement of Changes in Fiduciary Net Position

Pension and Other Employee Benefit Trust Funds

For the Year Ended June 30, 2013

### Additions

#### Investment income:

##### *From investing activities:*

Appreciation in fair value of investments	\$ 51,898,881
Interest and dividends	8,944,261
Total investment income	<u>60,843,142</u>
Investment management fees	<u>(1,183,154)</u>
Net investment income from investing activities	<u>59,659,988</u>

##### *From securities lending activities:*

Gross earnings	118,901
Borrower rebates received (paid)	8,715
Securities lending fees	<u>(38,157)</u>
Net investment income from securities lending activities	<u>89,459</u>

Total net investment income	<u>59,749,447</u>
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#### Contributions:

Employer	24,745,639
Plan members	2,854,605
Total contributions	<u>27,600,244</u>

Total additions	<u>87,349,691</u>
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### Deductions

Benefits	40,036,431
Refund of contributions	1,489,250
Administrative expense	<u>742,992</u>

Total deductions	<u>42,268,673</u>
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Change in net position	45,081,018
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Net position, beginning of year	<u>489,516,807</u>
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Net position, end of year	<u><u>\$ 534,597,825</u></u>
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The accompanying notes are an integral part of the financial statements.

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## COMPONENT UNIT FINANCIAL STATEMENTS

# CITY OF ANN ARBOR, MICHIGAN

## Combining Statement of Net Position

Discretely Presented Component Units

June 30, 2013

	Housing Commission	SmartZone Local Development Finance Authority	Downtown Development Authority	Total
<b>Assets</b>				
Cash	\$ 2,622,427	\$ -	\$ 388,582	\$ 3,011,009
Equity in pooled cash and investments	-	874,391	120,524	994,915
Investments, at fair value	-	-	17,089,719	17,089,719
Receivables	257,812	995,932	114,400	1,368,144
Other assets	101,286	-	-	101,286
Capital assets not being depreciated	844,637	-	-	844,637
Capital assets being depreciated, net	5,642,032	-	-	5,642,032
<b>Total assets</b>	<b>9,468,194</b>	<b>1,870,323</b>	<b>17,713,225</b>	<b>29,051,742</b>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	522,291	224,886	9,371,601	10,118,778
Due to other governments	297,126	-	79,352	376,478
Unearned revenue	9,276	995,932	-	1,005,208
Long-term liabilities:				
Due within one year	36,401	-	238,841	275,242
Due in more than one year:	17,071	-	833,196	850,267
<b>Total liabilities</b>	<b>882,165</b>	<b>1,220,818</b>	<b>10,522,990</b>	<b>12,625,973</b>
<b>Net position</b>				
Net investment in capital assets	6,486,669	-	-	6,486,669
Restricted for capital projects	395,016	-	120,524	515,540
Unrestricted	1,704,344	649,505	7,069,711	9,423,560
<b>Total net position</b>	<b>\$ 8,586,029</b>	<b>\$ 649,505</b>	<b>\$ 7,190,235</b>	<b>\$ 16,425,769</b>

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

# CITY OF ANN ARBOR, MICHIGAN

## Combining Statement of Activities

Discretely Presented Component Units

June 30, 2013

	Housing Commission	SmartZone Local Development Finance Authority	Downtown Development Authority	Total
<b>Expenses</b>				
Housing and economic development	\$ 16,056,159	\$ 1,481,475	\$ 24,519,180	\$ 42,056,814
<b>Program revenues</b>				
Charges for services	857,557	-	19,109,258	19,966,815
Operating grants and contributions	13,792,200	-	-	13,792,200
Capital grants and contributions	318,063	-	-	318,063
<b>Total program revenues</b>	<b>14,967,820</b>	<b>-</b>	<b>19,109,258</b>	<b>34,077,078</b>
<b>Net program (expense) revenue</b>	<b>(1,088,339)</b>	<b>(1,481,475)</b>	<b>(5,409,922)</b>	<b>(7,979,736)</b>
<b>General revenues</b>				
Property taxes	-	1,546,577	3,768,661	5,315,238
Unrestricted investment earnings	17,064	(4,359)	3,145	15,850
Other general revenues	-	-	60,425	60,425
<b>Total general revenues</b>	<b>17,064</b>	<b>1,542,218</b>	<b>3,832,231</b>	<b>5,391,513</b>
<b>Change in net position</b>	<b>(1,071,275)</b>	<b>60,743</b>	<b>(1,577,691)</b>	<b>(2,588,223)</b>
<b>Net position, beginning of year</b>	<b>9,657,304</b>	<b>588,762</b>	<b>8,767,926</b>	<b>19,013,992</b>
<b>Net position, end of year</b>	<b>\$ 8,586,029</b>	<b>\$ 649,505</b>	<b>\$ 7,190,235</b>	<b>\$ 16,425,769</b>

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

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## NOTES TO FINANCIAL STATEMENTS

# CITY OF ANN ARBOR, MICHIGAN

## Notes to Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Reporting Entity

The City of Ann Arbor, Michigan (the "City") was incorporated in 1851. On April 9, 1956, a City Charter (home rule) was ratified by electors in accordance with Michigan law. The City operates under a Mayor/Council - Administrator form of government and provides the following services as authorized by its charter: public safety (police, fire, and building inspection), traffic control and street maintenance, refuse collection, water and wastewater, parks and recreation, public improvements, planning and zoning, airport, urban redevelopment and housing, golf courses, and general administrative services. The component units discussed below are included in the City's financial reporting entity because of the significance of their operational or financial relationships with the City. In accordance with generally accepted accounting principles, these financial statements present the City (the primary government) and its component units. The criteria established by the GASB (Governmental Accounting Standards Board) for determining the reporting entity includes financial accountability and whether the financial statements would be misleading if data were not included.

#### *Blended Component Unit*

The Ann Arbor Building Authority is presented as a blended component unit. Commissioners of the Authority are appointed by the Mayor and confirmed by City Council. Although it is legally separate from the City, the Authority is reported as if it were part of the primary government because its sole purpose is to issue bonds to finance major capital construction by the City.

#### *Discretely Presented Component Units*

The component units column in the government-wide financial statements include the financial data of the City's other component units. They are reported in a separate column to emphasize that they are legally separate from the City. The following component units are included in the reporting entity because the primary government is financially accountable and is able to impose its will on the organizations.

**Downtown Development Authority (DDA).** The DDA was created to finance rehabilitation and redevelopment in the downtown area. Commissioners of the DDA are appointed by the Mayor and approved by City Council. Development plans are approved by Council and Council must approve all modifications to the plans. The DDA's primary source of funding is charges for services (parking) and tax increment financing revenues. Bonds secured by those revenues are issued by the City on behalf of the DDA, which does not have the ability to issue debt. During the fiscal year, the DDA paid \$3.2 million to the City as part of an agreement between the City and DDA, wherein the DDA distributes 17% of the parking revenues to the City. Also, during the fiscal year the DDA transferred \$6.6 million for debt service payments and other transfers for maintenance. The DDA issues separate audited financial statements.

**Ann Arbor Housing Commission.** The Housing Commission was created to provide low-income housing for City residents. Commissioners of the Housing Commission are appointed by the Mayor and approved by City Council. City Council is notified of all grant applications and any changes to contracts with the U.S. Department of Housing and Urban Development, the Commission's primary funding source. The Commission maintains its own accounting records and bank accounts. The City provides limited, special purpose financial support to the Commission, subject to request and Council approval, and is contingently liable for its debt. The Housing Commission issues separate audited financial statements.

# CITY OF ANN ARBOR, MICHIGAN

## Notes to Financial Statements

SmartZone Local Development Finance Authority (SmartZone LDFA). The SmartZone LDFA was established in accordance with the authority granted under Public Act 248 of 2000 by the cities of Ann Arbor and Ypsilanti in June 2002 to encourage high-tech business investment within the boundaries of the SmartZone, comprising portions of the cities of Ann Arbor and Ypsilanti, and the funding of the SmartZone through a local development financing authority. The SmartZone LDFA provides financing through a tax capture mechanism within a specific district. Presently, tax increment finance revenue is generated only within the geographic boundaries of the Ann Arbor DDA. The governing body consists of a nine-member board of directors of which six members are appointed by the Ann Arbor City Council and three members are appointed by the Ypsilanti City Council. The SmartZone LDFA operates under bylaws initially approved by the Ann Arbor and Ypsilanti City Councils. The City approves the budget and maintains the accounting records for the SmartZone LDFA.

Complete financial statements of the individual component units can be requested from the City of Ann Arbor Finance Department. With respect to SmartZone LDFA, no separate financial statements are necessary as the financial activities are contained in a single fund.

*Related Organizations.* The Ann Arbor Transportation Authority (AATA) and the Ann Arbor Economic Development Corporation (EDC) are not included in the financial reporting entity. The members of the governing board of each are appointed by the Mayor and confirmed by the City Council, but the City's accountability for these organizations does not extend beyond making these appointments. The EDC, whose purpose is to foster business development within the City, and which has issued bonds bearing the City's tax-exempt status (for which the City is not contingently liable), had assets and fund balance of \$15,806 as of June 30, 2013.

### *Government-wide and Fund Financial Statements*

The government-wide financial statements (i.e., the statement of net position and the statement of 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 component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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 governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

# CITY OF ANN ARBOR, MICHIGAN

## Notes to 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 fund 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. Therefore, 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 or within one year for reimbursement-based grants. 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, franchise taxes, intergovernmental 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 City reports the following major funds:

*General fund.* This fund is the general operating fund of the City; it is used to account for all financial resources not accounted for and reported in another fund.

*Street repair millage special revenue fund.* This fund is used to account for the proceeds of a special millage to repair streets.

The government reports the following major enterprise funds:

The *water supply system* accounts for the provision of treated water to City and certain township residents.

The *sewage disposal system* accounts for the collection and treatment of the sewage for City and certain township residents.

The *parking system* accounts for the operations of the City's parking structures, lots and meters.

The *market fund* accounts for the costs of operating the City's Farmers' Market.

The *golf courses fund* accounts for the operation of the City's two 18-hole golf courses.

## CITY OF ANN ARBOR, MICHIGAN

### Notes to Financial Statements

The *airport fund* accounts for the operation of the City's airport including the rental of hangars and tie-down space.

The *stormwater sewer system* accounts for the collection and disposal of the City's stormwater.

The *solid waste fund* accounts for the collection and disposal of the City's solid waste and recycling.

Additionally, the government reports the following fund types:

*Special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

*Debt service funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

*Capital projects funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The *permanent fund* accounts for monies provided by a private bequest to finance tree planting and maintenance for the Elizabeth Dean Fund. The principal amount of the bequest is to remain intact and invested. Investment earnings are used for the above stated purposes.

*Internal service funds* account for goods or services provided by the central stores, fleet services, information technology, project management, insurance and the maintenance facility (the "Wheeler Center") to the service areas of the City on a charges for services basis.

The *pension and other employee benefits trust funds* account for the activities of the employees' retirement system and retiree health insurance plan.

The *agency funds* account for assets held for other governments in an agency capacity, including tax collections, delinquent taxes receivable and other monies.

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 other charges between the government's water and sewer function 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.

# CITY OF ANN ARBOR, MICHIGAN

## Notes to Financial Statements

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 wastewater and water enterprise funds and of the government's internal service funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. 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.

Restricted net position are assets that are subject to restrictions beyond the government's control. The restrictions may be externally imposed or imposed by law. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

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

#### *Deposits and 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 from the date of acquisition. State statutes authorize the government 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.

The pension and other employee benefits trust funds are authorized by the State's Pension Investment Act, as amended, to invest in common stocks, real estate, and various other investment instruments, subject to certain limitations.

Investments are reported at fair value.

#### *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 "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent 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". Interfund balances at year-end relate to items accrued after year-end related to interfund transfers. These items are repaid immediately in the new year.

# CITY OF ANN ARBOR, MICHIGAN

## Notes to Financial Statements

### *Inventories and Prepaid Items*

Inventories of materials and supplies are stated at cost using the first-in, first-out method. The cost is accounted for as an expenditure in governmental funds and an expense in the proprietary funds at the time inventories are used. Prepaid items represent payments made to vendors for goods and services applicable to future fiscal years. Inventories and prepaid items are offset by nonspendable fund balance in governmental funds.

### *Capital Assets*

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. 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. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives (in years):

Structures and improvements	40-50
Improvements other than buildings	20-99
Machinery, equipment and vehicles	3-15
Intangible assets	5
Infrastructure	15-25

### *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 one or more 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. 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.

# CITY OF ANN ARBOR, MICHIGAN

## Notes to Financial Statements

### *Compensated Absences*

The City accrues vacation pay, compensatory time off, severance pay for sick leave, and any salary-related payments for these compensated absences. The current obligations of all funds and the long-term obligations of proprietary funds are recorded in the respective funds. City employees are granted vacation time based on length of service. Most employees have the option of receiving compensatory time off in lieu of pay for overtime worked up to 40 hours. Sick pay is earned at the rate of one day per month, and unused sick days may be accumulated without limitation. An employee is paid, in most cases, a maximum of 960 unused sick hours and the total of any remaining accumulated hours upon retirement or death. City policy provides for payment of unused vacation and compensatory time off, but not unused sick hours, to terminated employees. Paid time off that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Paid time off is accrued when incurred in proprietary funds and reported as a liability. For governmental funds, the current portion of the liability for compensated absences reflects only the unpaid balance of reimbursable unused leave for employees that terminated by the fiscal year end. In accordance with GAAP, for the governmental funds, in the fund financial statements, the noncurrent portion of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and government-wide presentations. In addition to the proprietary funds, the general fund, and several nonmajor special revenue funds have been used to liquidate the liability for compensated absences.

### *Deferred Inflows of Resources*

In addition to liabilities, the statement of financial position will sometimes 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 one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds also report unavailable revenues, which arise only under a modified accrual basis of accounting, that are reported as deferred inflows of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

### *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 required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the City Council. A formal resolution of the City Council is required to establish, modify, or rescind a fund balance commitment. The City reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. City Council designates the Chief Finance Officer as the authority to assign fund balance. Unassigned fund balance is the residual classification for the general fund.

# CITY OF ANN ARBOR, MICHIGAN

## Notes to Financial Statements

When the government incurs an expenditure for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed, assigned, and finally unassigned fund balance.

### *Statements of Cash Flows*

The City presents statements of cash flows for all proprietary fund types. These statements, which have been prepared utilizing the direct method, analyze the net increase or decrease in cash and cash equivalents by source. For purposes of the statements of cash flows, the City considers all highly liquid investments purchased with an original maturity of three months or less and the deposits in the investment funds to be cash equivalents.

### *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make significant estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### *Encumbrances*

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting (under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation) is utilized in the governmental funds. Outstanding encumbrances at year-end of \$290,705 are included in assigned fund balance of the general fund, \$10,111,680 in restricted fund balance of the street repair millage special revenue fund, and \$1,847,111 in the restricted or assigned fund balance of the other governmental funds. The encumbrances do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

## 2. BUDGETARY CONTROLS AND INFORMATION

The City Administrator is required by City Charter to prepare and submit an annual budget to City Council. A budget is prepared for the general fund and special revenue funds; these budgets are prepared on the modified accrual basis and are adopted by City Council as required by the State of Michigan. Budgetary control is maintained at the departmental level for the general fund. The City Administrator is authorized to transfer budgeted amounts within general fund departments. Budgetary control for the special revenue funds is maintained at the fund level. Revisions to a department total of the general fund or to the fund total of a special revenue fund must be approved by City Council; some supplemental budgetary appropriations, of immaterial size, were necessary during the fiscal year. At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Any outstanding encumbrances are carried forward to the succeeding fiscal year. Annual operating plans are prepared for debt service, capital projects, enterprise and internal service funds (i.e., those funds not legally required to have adopted budgets under State law).

# CITY OF ANN ARBOR, MICHIGAN

## Notes to Financial Statements

The City follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- The City uses the "target based" budgeting technique. Under this system, the City Administrator determines funding levels for each department by matching funding needs with available revenues. Targets are established based on anticipated revenues and growth in expenditures.
- In late November, each department is given a "bottom line" amount for operations. The department then determines the best way to allocate funds among expenditures to remain within the target while meeting the assigned goals.
- Department budget requests are then submitted with expenditures outlined and areas of concern identified so that adjustments can be made as needed. By allowing the departments to determine how funds are spent within the department, the operating departments have a greater ownership in how they provide services.
- The City Administrator's recommended budget is submitted to City Council at the second meeting in April. The City Council, with at least seven affirmative votes, must adopt the budget no later than the end of its second meeting in May. According to City Charter, should the City Council not adopt an amended budget, the City Administrator's recommended budget will automatically take effect as submitted.
- After the budget has been adopted, City Council may amend the budget by a concurring vote of not fewer than eight members.

Formal budgetary integration is employed as a management control device during the year. The City presents a comparison of annual budgets to actual results for all major governmental funds. Budgeted revenue amounts represent the original budget modified by Council-authorized adjustments during the year which were contingent upon new or additional revenue sources. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year. Budgets are prepared in accordance with GAAP using the modified accrual basis of accounting.

The City Administrator is authorized to transfer appropriated funds between major expenditure categories within departments. However, any revisions which alter the total appropriations of a department must be approved by City Council. For budgetary purposes, the general fund is composed of several departments. Expenditures may not legally exceed appropriations at the department level.

The City utilizes an encumbrance system as a management control technique to assist in controlling expenditures. Under this procedure, encumbrances representing purchase orders, contracts, and other commitments are closely monitored throughout the fiscal year. All appropriations lapse at the end of the fiscal year, except for certain capital projects which are approved without regard to fiscal year. For any of these projects which are under construction at year-end, the appropriations are allowed to carry forward with the amount being adopted for the current budget year.

# CITY OF ANN ARBOR, MICHIGAN

## Notes to Financial Statements

### 3. EXPENDITURES IN EXCESS OF APPROPRIATIONS AND NET POSITION DEFICIT

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the City were adopted on a department level basis for the general fund and the fund level for the special revenue funds. An excess of expenditures over appropriation were reported in the local street nonmajor special revenue fund (final budget of \$1,582,562 and actual of \$1,623,495); this excess of \$40,933 was absorbed by available fund balance. No other expenditures in excess of appropriations were reported.

At year-end, the golf course and airport enterprise funds reported deficits in unrestricted net position of \$3,600 and \$373,753, respectively.

### 4. DEPOSITS AND INVESTMENTS

The following is a reconciliation of deposit and investment balances as of June 30, 2013:

	Primary Government	Component Units	Total
<b>Statement of net position</b>			
Cash	\$ 11,550,645	\$ 3,011,009	\$ 14,561,654
Equity in pooled cash and investments	182,774,776	994,915	183,769,691
Investments	2,254,278	17,089,719	19,343,997
<b>Statement of fiduciary net position</b>			
Cash	684,149	-	684,149
Equity in pooled cash and investments	415,917	-	415,917
Investments	537,269,540	-	537,269,540
<b>Total</b>	<b>\$ 734,949,305</b>	<b>\$ 21,095,643</b>	<b>\$ 756,044,948</b>
<b>Deposits and investments</b>			
Bank deposits (demand accounts and certificates of deposit)			\$ 14,696,739
Investments in securities, mutual funds and similar vehicles:			
City investment pool			186,977,120
Employees' Retirement System			430,491,771
Retiree Health Care Trust Fund			106,777,769
Downtown Development Authority			17,089,719
Cash on hand			11,830
			<u>\$ 756,044,948</u>

The City maintains an investment pool for all City funds. Each fund's portion of the investment pool is displayed on the balance sheet as "Equity in Pooled Cash and Investments." The cash resources of the pension and other employee benefit trust funds and certain component units are invested separately.

# CITY OF ANN ARBOR, MICHIGAN

## Notes to Financial Statements

### Deposits

*Custodial Credit Risk - Deposits.* For deposits, custodial credit risk is the risk that, in the event of a bank failure, the entity's deposits may not be returned to the government. At year-end, the carrying amount, bank balance and federal depository insurance were as follows:

	Carrying Amount	Bank Balance	Insured	Uninsured
City cash pool	\$ 11,359,856	\$ 12,723,004	\$ 480,764	\$ 12,242,240
15th District Court	326,174	321,376	250,000	71,376
Downtown Development Authority	388,382	778,091	250,000	528,091
Housing Commission	2,622,327	2,859,752	500,000	2,359,752
Totals	<u>\$ 14,696,739</u>	<u>\$ 16,682,223</u>	<u>\$ 1,480,764</u>	<u>\$ 15,201,459</u>

The uninsured bank balance of \$15,201,459 was exposed to custodial credit risk as it was uninsured and uncollateralized, except that the Housing Commission's uninsured balance was collateralized with government securities having a fair value of \$2,909,884 as of year-end.

The City's depository policy does not specifically address this risk, although the City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

### Investments - City Investment Pool

Following is a summary of the City's investments as of June 30, 2013:

U.S. treasuries	\$ 87,822,415
U.S. agencies	88,118,769
Money market accounts	<u>11,035,936</u>
Total Investments	<u>\$ 186,977,120</u>

Michigan statutes and City policy authorize the City to invest in U.S. Treasury obligations, U.S. agency securities, federal instrumentality securities, repurchase agreements, money market accounts that limit assets of the fund to securities authorized in M.C.L. 129.91 as legal investments for a public corporation, eligible bankers acceptances, prime commercial paper, obligations of the State of Michigan or any of its political subdivisions, investment pools, and joint interlocal investment ventures.

*Custodial Credit Risk - Investments.* For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that investment securities be held in third-party safekeeping by a designated institution and that the safekeeping agent follow the procedure of delivery vs. payment. As of June 30, 2013, none of the City's investments were exposed to risk since the securities are held in the City's name by the counterparty.

# CITY OF ANN ARBOR, MICHIGAN

## Notes to Financial Statements

*Credit Risk.* The City analyzes credit risk of banking institutions and issuers of securities prior to depositing or investing City funds. State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROS). In addition to the restrictions placed on the City by Public Act 20 of 1943, the City's investment policy further requires that banks in which the City invests public funds must have maintained an average Highline Banking Data Services Rating of 30 or better for the four most recent reporting quarters. Securities purchased by the City always conform to the rating requirements set forth in Public Act 20. As of June 30, 2013, all of the City's investments in securities of the U.S. Treasury and U.S. agencies were rated AAA by Standard & Poor's (S&P) and Aaa by Moody's. All of the City's investments comply with its policy regarding the types of investments it may hold.

*Concentration of Credit Risk.* At June 30, 2013, the investment portfolio was concentrated as follows:

Investment Type	Issuer	% of Portfolio
U.S. agencies	Federal National Mortgage Association	10.07%
U.S. agencies	Federal Farm Credit Bank	12.48%
U.S. agencies	Federal Home Loan Mortgage	12.27%
U.S. agencies	Federal Home Loan Bank	12.31%

The City's investment policy states that the amount of investments shall not exceed the following limits in each of the categories listed below as a percentage of the total portfolio.

- 50% in prime commercial paper
- 30% in eligible bankers acceptances
- 30% in money market accounts
- 20% in certificates of deposit
- 10% in federal agency securities
- 10% in obligations of the State of Michigan or any of its political subdivisions
- 10% in investment pools (composed of otherwise legal investments)
- 10% in joint interlocal investment ventures

Tax funds collected on behalf of other taxing authorities and held pending disbursement are not subject to the diversification limits above. No more than 5% of the total portfolio shall be invested in any one issuer of commercial paper, eligible bankers acceptances or obligations of the State of Michigan or any of its political subdivisions.

# CITY OF ANN ARBOR, MICHIGAN

## Notes to Financial Statements

*Interest Rate Risk.* As of June 30, 2013, maturities of the City's debt securities were as follows:

Investment Type	Fair Value	Investments Maturities (fair value by years)		
		1-5	6-10	More Than 10
U.S. treasuries	\$ 87,822,415	\$ 71,608,563	\$ 16,029,069	\$ 184,783
U.S. agencies	88,118,769	43,037,123	36,970,616	8,111,030
	<u>\$ 175,941,184</u>	<u>\$ 114,645,686</u>	<u>\$ 52,999,685</u>	<u>\$ 8,295,813</u>

Of the above balances, \$42,182,260 of U.S. agencies securities are callable.

The City does not have a formal policy relating to interest rate risk. However, the City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. To the extent possible, the Treasurer shall match investments with anticipated cash flow requirements. The City will not invest in securities maturing more than fifteen years from the date of purchase, and the weighted average maturity of the portfolio shall not exceed 6.5 years.

### Investments - Employees' Retirement System

*Deposits* - The System does not maintain any checking or other demand/time deposit accounts. Amounts reported as cash in the statement of plan net position are composed entirely of amounts held by the City of Ann Arbor as part of its cash pool. As a result, the insured and uninsured amounts related to these accounts cannot be determined.

*Investments* - The Michigan Public Employees Retirement Systems' Investment Act, Public Act 314 of 1965, as amended, authorizes the System to invest in stocks, government and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitations. The System's governing body has the responsibility and authority to oversee the investment portfolio. Various professional investment managers are contracted to assist in managing the System's investments; all investment decisions are subject to Michigan law and the investment policy established by the governing body.

## CITY OF ANN ARBOR, MICHIGAN

### Notes to Financial Statements

The System's investments are held by an independent trust company. Following is a summary of the System's investments as of June 30, 2013: (investments at fair value, as determined by quoted market price).

	Domestic	Foreign	Total	On Loan
Common stock	\$ 21,760,510	\$ -	\$ 21,760,510	\$ 11,270,644
Common stock funds	157,999,581	-	157,999,581	-
Government bonds	4,921,447	1,386,190	6,307,637	4,593,910
Government agencies	112,012	1,207,286	1,319,298	-
Corporate bonds	21,656,382	3,089,027	24,745,409	5,835,484
Corporate bond funds	63,804,046	-	63,804,046	-
Bank loan participation	2,882,666	113,662	2,996,328	-
Government mortgage-backed	15,997,695	-	15,997,695	-
Commercial mortgage-backed	5,508,140	-	5,508,140	-
Asset-backed securities	3,583,407	-	3,583,407	-
Non-government backed CMOs	1,911,034	-	1,911,034	-
Real estate	4,754	-	4,754	-
Real estate trust funds	2,050,775	-	2,050,775	-
Partnerships	83,601,850	-	83,601,850	-
Hedge funds	20,637,100	9,009,989	29,647,089	-
Short-term bills and notes	-	357,418	357,418	-
Short-term investment funds	7,859,553	-	7,859,553	-
Portfolio cash	1,037,247	-	1,037,247	-
<b>Total</b>	<b>\$ 415,328,199</b>	<b>\$ 15,163,572</b>	<b>\$ 430,491,771</b>	<b>\$ 21,700,038</b>

*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. As such, although uninsured and unregistered, the System's investments are not exposed to custodial credit risk since the securities are held by the counterparty's trust department in the System's name. Short-term investments in money market funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book form.

# CITY OF ANN ARBOR, MICHIGAN

## Notes to Financial Statements

*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 its investments in fixed income securities be limited to those rated investment grade or better by a NRSRO. The System's investments in fixed income securities were rated by S&P as follows at June 30, 2013 (investments in short-term funds, corporate bond bonds and hedge funds are not rated):

AAA	\$ 2,646,138
AA	3,486,768
A	7,483,287
BBB	17,452,074
BB	2,885,863
B	2,969,612
Not rated	5,823,904
U.S. government guaranteed	<u>19,978,720</u>
	<u>\$ 62,726,366</u>

The System's fixed income securities consisted of the following at June 30:

Government bonds	\$ 6,307,637
Government agencies	1,319,298
Corporate bonds	24,745,409
Bank loan participation	2,996,328
Government mortgage-backed	15,997,695
Commercial mortgage-backed	5,508,140
Asset-backed securities	3,583,407
Non-government backed CMOs	1,911,034
Short-term bills and notes	<u>357,418</u>
	<u>\$ 62,726,366</u>

*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 5% of the total fund be invested in any one company or governmental agency.

*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. The System's investment policy does not address weighted average portfolio maturities.

# CITY OF ANN ARBOR, MICHIGAN

## Notes to Financial Statements

As of June 30, 2013, maturities of the System's debt securities were as follows: (in years)

Government bonds	14.76
Government agencies	4.74
Municipal bonds	2.95
Corporate bonds	9.09
Bank loans	5.93
Government mortgage-backed	27.29
Commercial mortgage-backed	27.35
Asset-backed securities	7.46
Non-government backed CMOs	23.96
Short-term bills and notes	0.24

*Securities Lending.* A contract approved by the System's Board of Trustees, permits the System to lend its securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The System's custodial trust company manages the securities lending program and receives securities, cash or irrevocable bank letters of credit as collateral. The collateral securities cannot be pledged or sold by the System unless the borrower defaults. Collateral is initially pledged at 102 percent of the market value of the securities lent, and may not fall below 100 percent during the term of the loan. There are no restrictions on the amount of securities that can be loaned.

At year end, the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceeds the amounts the borrowers owe the System. The contract with the System's custodian requires it to indemnify the System if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the System for income distributions by the securities' issuers while the securities are on loan.

At June 30, 2013, the total collateral received from borrowers had a fair value of \$22,217,696 (of which \$22,217,696 was cash).

### Investments - Retiree Health Care Trust Fund

The Retiree Health Care Trust Fund is a voluntary employee benefit association (VEBA or "Association") under Section 501(c)(9) of the Internal Revenue Code.

*Deposits* - The Association does not maintain any checking or other demand/time deposit accounts. Amounts reported as cash in the statement of plan net position are composed entirely of amounts held by the City of Ann Arbor as part of its cash pool. As a result, the insured and uninsured amounts related to these accounts cannot be determined.

*Investments* - The Michigan Public Employees Retirement Associations' Investment Act, Public Act 314 of 1965, as amended, authorizes the Association to invest in stocks, government and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitations. The Association's governing body has the responsibility and authority to oversee the investment portfolio. Various professional investment managers are contracted to assist in managing the Association's investments; all investment decisions are subject to Michigan law and the investment policy established by the governing body.

## CITY OF ANN ARBOR, MICHIGAN

### Notes to Financial Statements

The Association's investments are held by an independent trust company. Following is a summary of the Association's investments as of June 30, 2013:

	Domestic	Foreign	Total	On Loan
Common stock	\$ 11,953,912	\$ 354,082	\$ 12,307,994	\$ 8,599,857
Common stock funds	29,227,393	-	29,227,393	-
Government bonds	1,149,589	246,159	1,395,748	1,100,805
Government agencies	30,548	178,599	209,147	20,405
Corporate bonds	3,223,790	382,028	3,605,818	1,255,902
Corporate bond funds	16,460,601	-	16,460,601	-
Government mortgage-backed	2,307,993	-	2,307,993	-
Commercial mortgage-backed	843,073	-	843,073	-
Asset-backed securities	476,776	-	476,776	-
Non-government backed CMOs	293,474	-	293,474	-
Real estate	4,249,785	-	4,249,785	-
Partnerships	8,109,997	12,292,505	20,402,502	-
Hedge funds	3,890,171	-	3,890,171	-
Real estate investment trust	714,970	-	714,970	-
Short-term bills and notes	-	52,951	52,951	-
Short-term fund	10,165,262	-	10,165,262	-
Portfolio cash	174,111	-	174,111	-
<b>Total</b>	<b>\$ 93,271,445</b>	<b>\$ 13,506,324</b>	<b>\$ 106,777,769</b>	<b>\$ 10,976,969</b>

*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 Association will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Association's investment policy requires that securities be held in trust by a third-party institution in the Association's name. As such, although uninsured and unregistered, the Association's investments are not exposed to custodial credit risk since the securities are held by the counterparty's trust department in the Association's name. Short-term investments in money market funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book form.

*Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Association's investment policy provides that its investments in fixed income securities be limited to those rated investment grade or better by a nationally recognized statistical rating organization.

# CITY OF ANN ARBOR, MICHIGAN

## Notes to Financial Statements

The Association's investments in fixed income securities were rated by S&P as follows at June 30, 2013 (investments in short-term funds and corporate bond funds are not rated):

AAA	\$ 217,270
AA	513,191
A	1,059,527
BBB	2,466,777
BB	738,592
B	306,019
Not rated	518,472
U.S. government guaranteed	<u>3,365,132</u>
	<u>\$ 9,184,980</u>

The Association's fixed income securities consisted of the following at June 30, 2013:

Government bonds	\$ 1,395,748
Government agencies	209,147
Corporate bonds	3,605,818
Government mortgage-backed	2,307,993
Commercial mortgage-backed	843,073
Asset-backed securities	476,776
Non-government backed CMOs	293,474
Short-term bills and notes	<u>52,951</u>
	<u>\$ 9,184,980</u>

*Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of the Association's investment in a single issuer. The Association's investment policy requires that no more than 5% of the total fund be invested in any one company or governmental agency.

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Association's investment policy requires a maximum term to maturity of 30 years for any single fixed income security. The Association's investment policy does not address weighted average portfolio maturities.

As of June 30, 2013, maturities of the Association's debt securities were as follows: (in years)

Government bonds	10.12
Government agencies	4.98
Corporate bonds	9.07
Government mortgage-backed	27.32
Commercial mortgage-backed	30.31
Asset-backed securities	6.93
Non-government backed CMOs	21.40
Short-term bills and notes	0.24

# CITY OF ANN ARBOR, MICHIGAN

## Notes to Financial Statements

*Securities Lending.* A contract approved by the Association's Board of Trustees, permits the VEBA to lend its securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The Association's custodial trust company manages the securities lending program and receives securities, cash or irrevocable bank letters of credit as collateral. The collateral securities cannot be pledged or sold by the Association unless the borrower defaults. Collateral is initially pledged at 102 percent of the market value of the securities lent, and may not fall below 100 percent during the term of the loan. There are no restrictions on the amount of securities that can be loaned.

At year end, the Association has no credit risk exposure to borrowers because the amounts the Association owes the borrowers exceeds the amounts the borrowers owe the Association. The contract with the Association's custodian requires it to indemnify the Association if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the Association for income distributions by the securities' issuers while the securities are on loan.

At June 30, 2013, the total collateral received from borrowers had a fair value of \$11,239,010 (of which \$11,239,010 was cash).

### Investments - DDA Component Unit

*Custodial Credit Risk - Deposits.* As of June 30, 2013, the carrying amounts of the DDA's deposits were \$388,382 and the bank balance was \$779,204, of which \$529,204 was exposed to custodial credit risk because it was uninsured and uncollateralized. For the deposits held at the City of Ann Arbor, it is impossible to determine custodial credit risk since the DDA's deposits are pooled with other City deposits.

*Custodial Credit Risk - Investment.* Following is a summary of the DDA's investments as of June 30, 2013:

U.S. government agencies	\$ 278,472
Money market accounts	<u>16,811,247</u>
Total Investments	<u>\$ 17,089,719</u>

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the DDA will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the DDA does not have a policy for investment custodial credit risk. Money market accounts are unclassified as to custodial credit risk as the invested amount is part of an investment pool. The investments in U.S. government agencies above are uninsured and unregistered, with securities held by the agent in the DDA's name.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The DDA does not have an investment policy that sets specific limits in excess of state law on investment credit risk. As of June 30, 2013, all of the investments in U.S. agencies were rated Aaa by Moody's.

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of investments above. The DDA does not have an investment policy that sets specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

# CITY OF ANN ARBOR, MICHIGAN

## Notes to Financial Statements

As of June 30, 2013, the maturities of the DDA's investments in U.S. agencies were as follows:

Investment Type	Fair Value	Investments Maturities (fair value by years)		
		1-5	6-10	More Than 10
U.S. agencies	\$ 278,472	\$ 26,217	\$ -	\$ 252,255

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The DDA does not have an investment policy that limits concentration of credit risk. All investments held at year-end are reported above.

### 5. RECEIVABLES

Receivables in the governmental activities are 24.5% trade, 68.7% due from other governments, 2.4% taxes, 3.8% special assessments and 0.6% other receivables. Receivables in the business-type activities are 68.1% trade, 27.4% due from other governments, 2.2% improvement charges, 2.0% special assessments and 0.3% other receivables.

### 6. INTERFUND RECEIVABLES AND PAYABLES

For the year ended June 30, 2013, interfund receivables and payables consisted of the following:

	Due from Other Funds	Due to Other Funds
General fund	\$ 17,532	\$ -
Nonmajor governmental funds	-	16,832
Golf courses enterprise fund	-	700
	<u>\$ 17,532</u>	<u>\$ 17,532</u>
	Advances from Other Funds	Advances to Other Funds
General fund	\$ -	\$ 874,924
Airport enterprise fund	874,924	-
	<u>\$ 874,924</u>	<u>\$ 874,924</u>

# CITY OF ANN ARBOR, MICHIGAN

## Notes to Financial Statements

### 7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land	\$ 59,792,982	\$ 1,841,223	\$ -	\$ 61,634,205
Construction in progress	101,931,072	11,349,127	(55,973,485)	57,306,714
Total capital assets not depreciated	<u>161,724,054</u>	<u>13,190,350</u>	<u>(55,973,485)</u>	<u>118,940,919</u>
Capital assets being depreciated:				
Buildings	58,531,625	53,984,436	-	112,516,061
Improvements other than buildings	13,088,697	2,020,351	-	15,109,048
Machinery and equipment	15,881,098	246,187	(118,088)	16,009,197
Vehicles	13,021,421	4,612,614	(1,291,957)	16,342,078
Intangible assets	1,173,590	-	-	1,173,590
Infrastructure	729,243,012	22,598,356	(2,343,137)	749,498,231
Total capital assets being depreciated	<u>830,939,443</u>	<u>83,461,944</u>	<u>(3,753,182)</u>	<u>910,648,205</u>
Less accumulated depreciation for:				
Buildings	(15,739,798)	(1,446,158)	-	(17,185,956)
Improvements other than buildings	(5,651,906)	(429,532)	-	(6,081,438)
Machinery and equipment	(12,663,275)	(796,813)	117,254	(13,342,834)
Vehicles	(10,031,770)	(1,264,984)	1,194,696	(10,102,058)
Intangible assets	(234,718)	(234,718)	-	(469,436)
Infrastructure	(142,439,687)	(16,486,905)	2,276,365	(156,650,227)
Total accumulated depreciation	<u>(186,761,154)</u>	<u>(20,659,110)</u>	<u>3,588,315</u>	<u>(203,831,949)</u>
Total capital assets being depreciated, net	<u>644,178,289</u>	<u>62,802,834</u>	<u>(164,867)</u>	<u>706,816,256</u>
Governmental activities capital assets, net	<u>\$ 805,902,343</u>	<u>\$ 75,993,184</u>	<u>\$ (56,138,352)</u>	<u>\$ 825,757,175</u>

Depreciation expense was charged to governmental activities functions/programs as follows:

<b>Depreciation of governmental activities by function</b>	
General government	\$ 232,958
Public safety	229,455
Public works	17,414,926
Culture and recreation	899,307
Capital assets held by the government's internal service are charge to various activities based on asset usage	<u>1,882,464</u>
Total depreciation expense - governmental activities	<u>\$ 20,659,110</u>

# CITY OF ANN ARBOR, MICHIGAN

## Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Ending Balance
<b>Business-type activities</b>				
Capital assets not being depreciated:				
Land	\$ 8,532,678	\$ -	\$ -	\$ 8,532,678
Construction in progress	94,433,232	22,561,846	(7,760,987)	109,234,091
Total capital assets not depreciated	<u>102,965,910</u>	<u>22,561,846</u>	<u>(7,760,987)</u>	<u>117,766,769</u>
Capital assets being depreciated:				
Buildings	146,909,616	117,965	-	147,027,581
Improvements other than buildings	184,093,337	7,760,988	(109,946)	191,744,379
Machinery and equipment	37,815,397	532,941	(12,473,313)	25,875,025
Vehicles	6,064,609	78,816	(1,388,881)	4,754,544
Total capital assets being depreciated	<u>374,882,959</u>	<u>8,490,710</u>	<u>(13,972,140)</u>	<u>369,401,529</u>
Less accumulated depreciation for:				
Buildings	(64,133,523)	(3,669,830)	-	(67,803,353)
Improvements other than buildings	(70,835,184)	(3,329,098)	-	(74,164,282)
Machinery and equipment	(33,072,675)	(1,104,782)	12,302,426	(21,875,031)
Vehicles	(5,402,967)	(257,334)	1,018,885	(4,641,416)
Total accumulated depreciation	<u>(173,444,349)</u>	<u>(8,361,044)</u>	<u>13,321,311</u>	<u>(168,484,082)</u>
Total capital assets being depreciated, net	<u>201,438,610</u>	<u>129,666</u>	<u>(650,829)</u>	<u>200,917,447</u>
<b>Business-type activities capital assets, net</b>	<u><u>\$ 304,404,520</u></u>	<u><u>\$ 22,691,512</u></u>	<u><u>\$ (8,411,816)</u></u>	<u><u>\$ 318,684,216</u></u>

## 8. PAYABLES

Payables in the governmental activities are 16.9% accrued liabilities, 46.4% vendors, 30.7% claims payable, 3.8% deposits payable and 2.3% due to other governments. Payables in the business-type activities are 24.6% accrued liabilities, 74.1% vendors and 1.4% deposits payable.

# CITY OF ANN ARBOR, MICHIGAN

## Notes to Financial Statements

### 9. LEASES

*Operating Leases Payable.* The City is the lessee of various properties (primarily office and storage space, as well as parking facilities) under operating leases for periods through 2019. The expenses and related revenues in connection with the leases are recorded in the general, special revenue and pension trust funds. The total rent expense for fiscal year 2013 was \$200,426. The following is a table of future minimum noncancellable lease payments by the City:

2014	\$	107,000
2015		108,932
2016		110,864
2017		112,796
2018		114,728
2019		<u>19,336</u>
Total	\$	<u>573,656</u>

The City as lessee has other lease arrangements, which have been appropriately accounted for as operating leases. Minimum lease payments on such leases are immaterial in amount.

*Operating Leases Receivable.* The City is the lessor of various parking, office and airport facilities under operating leases for periods through 2035. Revenues and the related expenses for these leases are recorded in various funds. The total rent revenue for fiscal year 2013 was \$1,012,967. The total revenue includes \$546,324 for cell towers, \$16,211 for office space, \$317,797 for airport hangers, and \$132,635 for other rentals. All related City assets are fully depreciated. The following is a table of future minimum noncancellable lease payments to the City:

2014	\$	948,853
2015		770,197
2016		689,792
2017		713,659
2018		723,830
2019-2023		3,127,379
2024-2028		1,653,883
2029-2033		683,615
2034-2035		<u>175,593</u>
Total	\$	<u>9,486,801</u>

The City as lessor has other lease arrangements which have been appropriately accounted for as operating leases. Minimum lease payments receivable on such leases are immaterial in amount.

# CITY OF ANN ARBOR, MICHIGAN

## Notes to Financial Statements

### 10. TRANSFERS

A summary of interfund transfers for the year ended June 30, 2013, is as follows:

	Transfers In								Totals
	General	Street Repair Millage	NMGF	Water Supply System	Sewage Disposal System	Golf Courses	Stormwater System	Internal Service	
<b>Transfers Out</b>									
General	\$ -	\$ -	\$ 2,410,977	\$ 51,960	\$ -	\$ 452,648	\$ -	\$ -	\$ 2,915,585
SRM	-	-	122,508	761,548	330,198	-	(29,351)	5,964	1,190,867
NMGF	50,565	(339,844)	2,879,569	85,152	-	-	14,618	6,516	2,696,576
WTR	983,292	2,810,000	236,848	-	-	-	-	58,212	4,088,352
SWR	-	71,600	105,493	905,856	-	-	109,866	24,168	1,216,983
AIR	-	-	1,836	8,232	-	-	-	-	10,068
STRM	84,996	562,070	6,818	224,160	-	-	-	10,392	888,436
SW	30,000	-	224,486	114,540	-	-	-	246,658	615,684
ISF	-	-	676,519	92,172	-	-	7,309	-	776,000
	<u>\$ 1,148,853</u>	<u>\$ 3,103,826</u>	<u>\$ 6,665,054</u>	<u>\$ 2,243,620</u>	<u>\$ 330,198</u>	<u>\$ 452,648</u>	<u>\$ 102,442</u>	<u>\$ 351,910</u>	<u>\$ 14,398,551</u>

SRM - Street repair millage special revenue fund

NMGF - Nonmajor governmental funds

WTR - Water supply system enterprise fund

SWR - Sewer disposal system enterprise fund

AIR - Airport enterprise fund

STRM - Stormwater system enterprise fund

SW - Solid waste enterprise fund

ISF - Internal service funds

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.

# CITY OF ANN ARBOR, MICHIGAN

## Notes to Financial Statements

### 11. CONTINGENT LIABILITIES

*Litigation.* Various lawsuits are pending against the City, some of which are for substantial amounts. On the basis of opinions and information furnished by the City Attorney, it is the judgment of City management that the ultimate liability, if any, resulting from such lawsuits would not materially affect the financial position of the City.

*Landfill.* The City owns and maintains a closed landfill in full compliance with Michigan Department of Environmental Quality (MDEQ) requirements. The City had received approval for an onsite and (interim) offsite Remedial Action Plan (RAP) that has been implemented. This implementation included a slurry wall almost two miles in length enclosing most of the landfill. As part of these requirements, the City has posted a \$1,000,000 letter of credit to ensure compliance with the landfill cleanup regulations. The City is working on a final RAP and evaluating the feasibility of treating the collected landfill groundwater prior to discharge to the sanitary sewer. Treating the water onsite with discharge to surface or groundwater may reduce annual operating costs because of reduced payments for discharge to the sanitary system. Capital costs associated with the landfill cleanup are funded by a series of voter-approved bonds totaling \$28,000,000. Operating and maintenance costs for the closed landfill are funded out of the annual solid waste budget. Therefore, no liability has been accrued in the statement of net position. These costs will be funded through the City's earmarked solid waste (refuse collection) property tax levy. The projects to be accomplished are subject to major changes (both in the nature of the work to be accomplished and in the cost thereof) due to inflation, changes in technology or changes in regulatory requirements.

*Grants.* Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily 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 the grantor cannot be determined at this time, although the City expects such amounts to be immaterial.

*Wetland Restoration.* MDEQ has issued a permit to the City of Ann Arbor for wetland restoration. The City was required to obtain a \$90,650 letter of credit in favor of MDEQ to ensure compliance with its wetland restoration requirements. A site inspection by the MDEQ determined that the wetlands are beginning to conform to the conditions of the permit and authorized a 50 percent reduction in the required financial assurance. The total amount of the letter of credit is now \$45,325 and shall remain in force until the end of the monitoring period.

### 12. LONG-TERM DEBT

*General obligation bonds.* The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

# CITY OF ANN ARBOR, MICHIGAN

## Notes to Financial Statements

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

	Year of Maturity	Interest Rates	Original Amount	Amount Outstanding
<b>Governmental activities</b>				
1999 special assessment (G.O. portion)	2014	5.15 - 5.2%	\$ 760,000	\$ 60,000
2002 special assessment (G.O. portion)	2017	4.3 - 4.7%	290,000	90,000
2005 open space preservation	2034	4.0 - 4.5%	20,250,000	17,590,000
2006 maintenance facility	2031	4.0 - 5.0%	24,636,000	20,180,000
2008 court and police facilities	2038	4.0 - 5.0%	27,660,000	26,530,000
2009 capital improvements (BAB)	2035	3.5 - 6.5%	49,420,000	47,460,000
2012 transportation fund	2023	2.0 - 2.4%	2,670,000	2,460,000
2013 1st and Washington (series A)	2032	1.75 - 3.0%	4,480,000	4,480,000
2013 1st and Washington (series B)	2032	2.0 - 3.75%	4,045,000	4,045,000
2013 clean energy	2024	3.5 - 4.34%	560,000	560,000
Total governmental activities			<u>\$ 134,771,000</u>	<u>\$ 123,455,000</u>
<b>Business-type activities</b>				
2003 golf course - refunding	2015	3.4 - 3.7%	\$ 1,160,000	\$ 240,000
2005 parking - refunding	2021	4.0 - 5.0%	13,305,000	9,105,000
2007 parking	2027	4.0 - 4.25%	4,250,000	3,465,000
2009 parking - refunding	2017	2.5 - 3.5%	3,570,000	2,125,000
2012 parking - refunding	2022	1.0 - 2.0%	2,230,000	2,030,000
Total business-type activities			<u>\$ 24,515,000</u>	<u>\$ 16,965,000</u>

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

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 3,850,000	\$ 4,961,134	\$ 2,295,000	\$ 662,914
2015	3,981,000	4,840,472	2,360,000	568,841
2016	4,131,000	4,713,611	2,325,000	473,937
2017	4,286,000	4,577,769	2,385,000	373,415
2018	4,431,000	4,434,488	1,880,000	286,719
2019-23	24,990,000	19,630,769	4,490,000	559,410
2024-28	29,271,000	14,417,950	1,230,000	132,769
2029-33	32,650,000	7,651,109	-	-
2034-38	15,865,000	1,671,664	-	-
	<u>\$ 123,455,000</u>	<u>\$ 66,898,966</u>	<u>\$ 16,965,000</u>	<u>\$ 3,058,005</u>

# CITY OF ANN ARBOR, MICHIGAN

## Notes to Financial Statements

*Revenue bonds.* The government issues revenue bonds where the income derived from the acquired or constructed assets is pledged to pay debt service. Revenue bonds currently outstanding are as follows:

	Year of Maturity	Interest Rates	Original Amount	Amount Outstanding
<b>Business-type activities</b>				
2008 water	2028	4.0 - 4.75%	\$ 23,375,000	\$ 21,125,000
2012 water - refunding	2024	2.0 - 2.5%	10,450,000	10,450,000
1998 sewer	2014	4.4 - 4.5%	8,900,000	355,000
2004 sewer	2025	3.25 - 4.25%	27,170,000	21,100,000
2008 sewer	2033	3.25 - 4.75%	24,550,000	22,625,000
Total business-type activities			<u>\$ 94,445,000</u>	<u>\$ 75,655,000</u>

Annual debt service requirements to maturity for revenue bonds (business-type activities) are as follows:

	Principal	Interest
2014	\$ 5,000,000	\$ 2,878,948
2015	4,635,000	2,736,236
2016	4,765,000	2,587,380
2017	4,930,000	2,431,372
2018	4,385,000	2,271,292
2019-23	24,485,000	8,738,451
2024-28	19,630,000	3,857,463
2029-33	7,825,000	958,907
	<u>\$ 75,655,000</u>	<u>\$ 26,460,049</u>

# CITY OF ANN ARBOR, MICHIGAN

## Notes to Financial Statements

*Revolving loans.* The government borrows from State of Michigan revolving loan funds where the income derived from the acquired or constructed assets is pledged to pay debt service. Revolving loans currently outstanding are as follows:

	Year of Maturity	Interest Rates	Original Amount	Amount Outstanding
<b>Business-type activities</b>				
DWRF #7319-01	2031	2.50%	\$ 4,575,000	\$ 4,210,000
DWRF #7146-01	2024	2.13%	557,950	312,950
DWRF #7325-01	2030	2.50%	624,750	538,271
DWRF #7333-01	2032	2.50%	5,614,250	4,525,120
DWRF #7362-01	2034	2.50%	8,864,396	1,609,944
2004 SWQIF #3002-01	2024	1.625%	874,672	519,672
2005 SWQIF #3002-02	2025	1.625%	879,382	564,382
2006 SWQIF #3002-03	2026	1.625%	889,903	609,903
2007 SWQIF #3002-04	2027	1.625%	964,976	704,976
2008 SWQIF #3002-05	2028	2.50%	900,000	715,000
2009 SWQIF #3010-01	2029	2.50%	1,310,000	1,095,000
2010 SWQIF #3010-02	2030	2.50%	1,320,000	1,160,000
2012 SWQIF #3010-03	2032	2.50%	1,365,000	1,309,760
2013 SWQIF #3010-04	2033	2.50%	1,390,000	87,448
2012 CWRF #5441-01	2036	2.50%	34,407,832	11,498,119
2012 SRF (Washtenaw County)	TBD	2.50%	TBD	914,420
<b>Total business-type activities</b>			<b>\$ 64,538,111</b>	<b>\$ 30,374,965</b>

TBD = the maturities and the City's portion of the total original amount of the project (which is being managed by Washtenaw County) is yet to be determined.

Annual debt service requirements to maturity for revolving loans (business-type activities) are as follows:

	Principal	Interest
2014	\$ 900,000	\$ 715,183
2015	1,264,396	695,252
2016	1,295,000	674,668
2017	2,677,832	653,565
2018	2,745,000	620,845
2019-23	14,755,000	2,583,914
2024-28	15,966,883	1,648,595
2029-33	15,338,031	693,804
2034-36	6,855,000	107,738
	<u>61,797,142</u>	<u>8,393,564</u>
Remaining available to draw	(32,336,597)	-
Unscheduled maturities	914,420	-
	<u>\$ 30,374,965</u>	<u>\$ 8,393,564</u>

# CITY OF ANN ARBOR, MICHIGAN

## Notes to Financial Statements

*Special assessment bonds.* The government issues special assessment bonds to finance certain infrastructure projects will be repaid through the assessment of benefitting property owners. Special assessment bonds are backed by the full faith and credit of the City to the extent that liens enforced against property included in the special assessment district are insufficient to service the debt. Special assessment bonds currently outstanding are as follows:

	Year of Maturity	Interest Rates	Original Amount	Amount Outstanding
<b>Governmental activities</b>				
1999 special assessment	2014	5.15 - 5.2%	\$ 770,000	\$ 55,000
2002 special assessment	2017	4.3 - 4.7%	525,000	85,000
			<u>\$ 1,295,000</u>	<u>\$ 140,000</u>

Annual debt service requirements to maturity for special assessment bonds are as follows:

	Principal	Interest
2014	\$ 80,000	\$ 6,710
2015	25,000	2,750
2016	20,000	1,625
2017	15,000	705
	<u>\$ 140,000</u>	<u>\$ 11,790</u>

*Drain notes.* The government's share of the debt for drainage district projects are as follows:

	Year of Maturity	Interest Rates	Original Amount	Amount Outstanding
<b>Business-type activities</b>				
2006 Mallets Creek project	2026	1.625%	\$ 2,180,000	\$ 1,163,173
2006 Traver Creek project	2016	3.85 - 4.2%	492,602	156,306
2009 Pioneer High project	2031	2.5%	2,661,000	2,450,000
2010 Stadium Blvd phase I	2029	2.5%	165,000	145,000
2010 Stadium Blvd phase II	2030	2.5%	953,386	840,875
2010 West Park project	2031	2.5%	1,035,000	917,755
2010 Sylvan Ave project	2030	2.5%	405,000	299,980
2012 Leslie Park project	2033	2.5%	747,500	547,326
			<u>\$ 8,639,488</u>	<u>\$ 6,520,415</u>

# CITY OF ANN ARBOR, MICHIGAN

## Notes to Financial Statements

Annual debt service requirements to maturity for the drain notes are as follows:

	Principal	Interest
2014	\$ 352,590	\$ 138,400
2015	354,420	133,722
2016	371,494	124,599
2017	329,392	115,723
2018	334,197	108,213
2019-23	1,792,696	422,179
2024-28	1,924,786	206,456
2029-33	1,060,840	14,896
	<u>\$ 6,520,415</u>	<u>\$ 1,264,188</u>

*Installment purchase agreement.* The government entered into a long-term installment purchase agreement in fiscal 2009 for the purchase of the old Ann Arbor YMCA building for \$3,500,000. The agreement provides for a balloon payment of the principal in 2014 along with annual interest at rate of 3.89%. Interest payments totaling \$68,266 will be due in 2014.

*Capital leases.* The City has entered into certain lease agreements as lessee for financing of two MRF loaders. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. The following is an analysis of the items recorded under capital leases in the enterprise funds as of June 30, 2013:

Equipment	\$ 430,418
Less: accumulated depreciation	<u>(58,248)</u>
Net book value	<u>\$ 372,170</u>

The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2013:

2014	\$ 86,083
2015	86,084
2016	42,305
2017	42,305
2018	<u>21,155</u>
Present value of future minimum lease payments	<u>\$ 277,932</u>

# CITY OF ANN ARBOR, MICHIGAN

## Notes to Financial Statements

Changes in long-term debt. Long-term debt activity for fiscal 2013 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<b>Primary government</b>					
<b>Governmental activities</b>					
General obligation bonds	\$ 118,345,000	\$ 9,085,000	\$ (3,975,000)	\$ 123,455,000	\$ 3,850,000
Special assessment bonds	220,000	-	(80,000)	140,000	80,000
Purchase agreement	3,500,000	-	-	3,500,000	3,500,000
Deferred amounts:					
For issuance premiums	69,143	141,075	(3,383)	206,835	-
For issuance discounts	(361,285)	-	11,162	(350,123)	-
Compensated absences	12,311,601	4,094,790	(4,119,584)	12,286,807	3,910,472
<b>Total governmental activities debt</b>	<b>\$ 134,084,459</b>	<b>\$ 13,320,865</b>	<b>\$ (8,166,805)</b>	<b>\$ 139,238,519</b>	<b>\$ 11,340,472</b>
<b>Business-type activities</b>					
General obligation bonds	\$ 19,190,000	\$ -	\$ (2,225,000)	\$ 16,965,000	\$ 2,295,000
Revenue bonds	82,005,000	-	(6,350,000)	75,655,000	5,000,000
Revolving loans	20,174,641	16,058,579	(5,858,255)	30,374,965	812,182
Drain notes	1,469,659	5,430,350	(379,594)	6,520,415	352,590
Capital leases	-	430,418	(152,486)	277,932	86,083
Deferred amounts:					
For issuance premiums	1,155,499	-	(176,702)	978,797	-
For issuance discounts	(468,800)	-	31,816	(436,984)	-
Compensated absences	2,421,872	924,124	(947,904)	2,398,092	921,790
<b>Total business-type activities debt</b>	<b>\$ 125,947,871</b>	<b>\$ 22,843,471</b>	<b>\$ (16,058,125)</b>	<b>\$ 132,733,217</b>	<b>\$ 9,467,645</b>
<b>Component unit</b>					
Downtown Development Authority purchase agreement					
	\$ -	\$ 1,278,765	\$ (206,728)	\$ 1,072,037	\$ 238,841
Housing Commission compensated absences					
	44,379	59,573	(50,480)	53,472	36,401
<b>Total component unit</b>	<b>\$ 44,379</b>	<b>\$ 1,338,338</b>	<b>\$ (257,208)</b>	<b>\$ 1,125,509</b>	<b>\$ 275,242</b>

# CITY OF ANN ARBOR, MICHIGAN

## Notes to Financial Statements

### 13. RISK MANAGEMENT

The City 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. During fiscal year 1969, the City established the insurance internal service fund to account for and finance its uninsured risk of loss. Under this program, coverage is provided for up to a maximum of \$500,000 for each general liability claim, \$50,000 for each property damage claim, and Blue Cross Blue Shield health insurance claims. The City purchases (where coverage is available and properly priced) commercial insurance for claims in excess of coverage provided by the insurance fund. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

All funds of the City participate in the insurance program and make payments to the insurance fund based on estimates of the amounts needed to pay prior and current year claims and to establish a reserve for incurred but not reported (IBNR) losses. The IBNR reserve was \$1,761,680 at June 30, 2013 and is included in estimated claims payable. The total estimated claims payable of \$4,649,716 is reflected in the insurance fund at June 30, 2013. A liability for claims must be reported if information prior to the issuance of the financial statements indicates 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. Changes in the fund's claim liability amount for the last two years are summarized below:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2012	\$ 4,178,482	\$ 15,004,618	\$ (15,379,058)	\$ 3,804,042
2013	3,804,042	15,388,597	(14,542,923)	4,649,716

### 14. PROPERTY TAXES

Each July 1, the City property tax is levied and becomes a lien on the related property, the value of which is equalized by the State of Michigan and limited by Act 415 of 1994. The City's operating tax rate levied July 1, 2012 as controlled by the Headlee Amendment, Act 415 and City Charter, is 6.1682 mills raising \$27.9 million. Other tax rates and amounts raised are as follows: employee benefits (2.0560) raising \$9.3 million, refuse collection (2.4670) raising \$11.15 million, Ann Arbor Transportation Authority (2.0560) raising \$9.3 million, street & sidewalk repair (2.125) raising \$9 million, parks maintenance and repair (1.0969) raising \$4.98 million, open space and parkland preservation Millage (0.4779) raising \$2.1 million, and debt service (0.1250) raising \$0.6 million. Real and personal property located in the City as of December 31, 2011 were assessed and equalized at \$5,294,974,640, representing 50% of estimated current value. Act 415 of 1994 limits annual increases in taxable value to 5% or the Consumer Price Index, whichever is less. The 2012 taxable value on March 17, 2013, was \$4,683,218,542. Property taxes are due July 31st of each year and any delinquent real property taxes are turned over to Washtenaw County for collection the following March 1st. Delinquent personal property taxes are immaterial.

# CITY OF ANN ARBOR, MICHIGAN

## Notes to Financial Statements

Property tax revenue of the discretely presented component units is derived pursuant to tax increment financing agreements between those entities (i.e., the DDA and SmartZone LDFA) and the various applicable taxing districts. Real and personal property taxes are levied and attach as an enforceable lien on properties located within the boundaries of the tax increment financing district. The City of Ann Arbor bills and collects the taxes on behalf of the component units. Delinquent taxes on ad valorem real property are purchased by the County of Washtenaw. Property tax revenue is recognized in the year it is levied in both the government-wide financial statements and in the fund financial statements.

### 15. EMPLOYEES' RETIREMENT SYSTEM

The City of Ann Arbor Employees' Retirement Plan is a single-employer defined benefit plan administered by the City of Ann Arbor Employees' Retirement System (CAAERS). CAAERS provides retirement, disability and death benefits to plan members and beneficiaries. Cost of living adjustments are provided to members and beneficiaries per the Ann Arbor City Code Section 1:573 of Chapter 18. Chapter 17.1 of the Ann Arbor City Charter assigns the authority to establish and amend benefit provisions to City Council. CAAERS issues a publicly available financial report that may be obtained by writing to City of Ann Arbor Employees' Retirement System, 532 South Maple Road, Ann Arbor, Michigan, 48103 or by calling 877-994-4590.

The System's financial statements are prepared on the accrual basis of accounting. Member contributions are recognized in the period in which they are due. The City's contributions are recognized when due and the employer has made a formal commitment to provide them. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The System's 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 System's governing body, with the assistance of a valuation service; and (d) cash deposits are reported at carrying amounts which reasonably approximates fair value.

The contribution requirements of plan members are established and may be amended by the City Council. Plan members are required to contribute 6% of annual compensation. The City is required to contribute at an actuarially determined rate; the rate for the most current actuarial report, was 23.79% of annual covered payroll. Administrative costs of CAAERS are financed through investment earnings.

# CITY OF ANN ARBOR, MICHIGAN

## Notes to Financial Statements

The City's annual pension cost and net pension obligation (asset) to CAAERS for the current year were as follows:

Annual required contribution	\$ 9,748,510
Interest on net pension obligation	(71,455)
Adjustment to annual required contribution	<u>54,681</u>
Net pension cost	9,731,736
Contributions made	<u>9,748,510</u>
Change in net pension asset	(16,774)
Net pension asset, beginning of year	<u>(1,020,790)</u>
 Net pension asset, end of year	 <u><u>\$ (1,037,564)</u></u>

Three-Year Trend Information			
Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
2013	\$ 9,731,736	100.2%	\$ (1,037,564)
2012	9,440,262	111.0%	(1,020,790)
2011	8,658,372	100.0%	-

The annual required contribution for the current year was determined as part of the June 30, 2011, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.0% rate of return (net of administrative expenses) and (b) projected salary increases of 0.3% to 6.0% per year. Both (a) and (b) included an inflation component of 3.5%. Unfunded actuarial accrued liabilities are amortized as a level percent-of-payroll over a 27-year open period rolling down to 25 years.

As of June 30, 2012, the most recent actuarial valuation date, the plan was 82.7 percent funded. The actuarial accrued liability for benefits was \$496.8 million and the actuarial value of assets was \$410.7 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$86.1 million. The covered payroll (annual payroll of active employees covered by the plan) was \$44.0 million and the ratio of the UAAL to the covered payroll was 195.6 percent.

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, present multi-year trend information about whether the actuarial values of trust assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

# CITY OF ANN ARBOR, MICHIGAN

## Notes to Financial Statements

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.

### 16. OTHER POSTEMPLOYMENT BENEFITS

The City of Ann Arbor Retiree Health Care Benefits Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the City of Ann Arbor Employees' Retirement System. The plan provides certain health care and life insurance benefits for eligible retired employees and their dependents in accordance with Ann Arbor City Code Chapter 21. Substantially all the City's employees may become eligible for these benefits if they retire directly from City employment. These and similar benefits for active employees are provided by various insurance companies. Health insurance benefits are provided through an administrative service contract under which the City reimburses the administrator for claims paid plus an administration fee. The Plan issues a publicly available financial report that may be obtained by writing to City of Ann Arbor Employees' Retirement System, 532 South Maple Road, Ann Arbor, Michigan, 48103 or by calling 877-994-4590.

The Plan's financial statements are prepared on the accrual basis of accounting. Member contributions, if any, are recognized in the period in which they are due. The City's contributions are recognized when due and the employer has made a formal commitment to provide them. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Plan's 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 System's governing body, with the assistance of a valuation service; and (d) cash deposits are reported at carrying amounts which reasonably approximates fair value.

The contribution requirements of plan members and the City are established and may be amended by the City Council. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the actuary. For fiscal year 2013, the City contributed \$14,997,129 to the plan, including \$9,207,043 for current premiums and an additional \$5,790,086 to prefund benefits.

# CITY OF ANN ARBOR, MICHIGAN

## Notes to Financial Statements

The City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 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 City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 12,379,000
Interest on net OPEB obligation	906,780
Adjustment to annual required contribution	<u>(707,003)</u>
Net OPEB cost	12,578,777
Contributions made	<u>14,997,129</u>
Change in net OPEB obligation	<u>(2,418,352)</u>
Net OPEB obligation, beginning of year	<u>12,953,999</u>
Net OPEB obligation, end of year	<u><u>\$ 10,535,647</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the new OPEB obligation for 2013 and the prior two years were as follows:

Three-Year Trend Information			
Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 12,578,777	119%	\$ 10,535,647
2012	15,098,093	73%	12,953,999
2011	14,533,000	96%	8,908,794

As of June 30, 2012, the most recent actuarial valuation date, the plan was 35.1 percent funded. The actuarial accrued liability for benefits was \$249.8 million, and the actuarial value of assets was \$87.7 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$162.2 million. The covered payroll (annual payroll of active employees covered by the plan) was \$44.0 million, and the ratio of the UAAL to the covered payroll was 368.6 percent.

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 plan 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 schedules of funding progress and employer contributions, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

# CITY OF ANN ARBOR, MICHIGAN

## Notes to Financial Statements

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 and actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The June 30, 2011, actuarial valuation used the entry age actuarial cost method. The actuarial assumptions included a 7.0 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.5 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after ten years. Both rates include a 3.5 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll contributions on an open basis over 30 years.

### 17. PERMANENT FUND

In 1964, the City became the recipient of an endowment from Elizabeth Dean which is recorded as a permanent fund. The corpus of the trust is to remain invested and may not be liquidated in order to generate investment income. This investment income is to be used for the purchase and maintenance of trees in the City of Ann Arbor. Net appreciation on investments is not considered investment income until realized. The amount in the Elizabeth Dean fund is shown as restricted for endowment on the statement of net position. The corpus of the trust is and shall remain \$1,984,000. Fund balance at June 30, 2013 was \$2,161,482, representing the corpus of the trust and appreciation of investments from prior years. This amount is reflected in cash, equity in pooled cash, investments and accrued interest. The corpus of the trust is restricted to the limitations established by the trust and is considered nonspendable. The entire amount exceeding the corpus, \$1,984,000, is also restricted to the limitations established by the trust, but is available for expenditure and is restricted as to use.

### 18. SIGNIFICANT COMMITMENTS

As of June 30, 2013, the City had \$10,328,071 in construction commitments for various projects including wastewater treatment plant reconstruction, resurfacing of streets, bridge reconstruction and other road improvements. The commitments will be satisfied using millage proceeds, fund balance and bond proceeds.

### 19. ADVANCES FROM POOLED INVESTMENTS

The City's general fund provided two advances in fiscal year 2009. The first advance was made to the Retirement System for \$400,000 for the purchase of the new retirement office. The retirement board determined it would be cost effective to purchase office space rather than to rent. It was determined that the City could provide the funds to the Retirement System at a lower interest rate than any financial institution. An agreement was reached between the City and Retirement System to advance \$400,000 at 4.45% with a 15-year repayment schedule shown below.

# CITY OF ANN ARBOR, MICHIGAN

## Notes to Financial Statements

The second advance was made to the Airport fund for the renovation of the airport hangars at the Ann Arbor Airport. It was determined that the City could provide the funds to the Airport at a lower interest rate than any financial institution. An agreement was reached between the City and Airport to advance \$1,150,000 at 4.09% with a 15-year repayment schedule shown below.

Repayment Schedules					
Fiscal Year	2009 Retirement (\$400,000) 7/1/2008; Due 3/1 & 9/1		2009 Airport (\$1,150,000) 7/3/2008; Due 6/1 & 12/1		
	Principal	Interest (4.45%)	Principal	Interest (4.09%)	
2014	\$ 23,984	\$ 12,851	\$ 68,238	\$ 35,094	
2015	25,063	11,772	71,057	32,274	
2016	26,191	10,644	73,993	29,339	
2017	27,369	9,465	77,050	26,281	
2018	28,601	8,234	80,234	23,098	
2019	29,887	6,947	83,549	19,782	
2020	31,232	5,602	87,001	16,330	
2021	32,637	4,197	90,596	12,736	
2022	34,106	2,728	94,339	8,993	
2023	35,640	1,194	98,237	5,094	
2024	-	-	50,630	1,035	
	<u>\$ 294,710</u>	<u>\$ 73,634</u>	<u>\$ 874,924</u>	<u>\$ 210,056</u>	
Total principal	\$ 1,169,634				
Total interest	283,690				
Total requirements	<u>\$ 1,453,324</u>				

## 20. RESTATEMENT OF FUND BALANCES

The beginning fund balance of the insurance internal service fund was increased by \$1,085,896 to recognize a hospital prepayment amount. Also, the beginning fund balance in the stormwater sewer system enterprise fund was decreased by \$697,799 to record amounts as long-term debt that had been erroneously recorded as revenue in previous years. Also, the beginning fund balance in the general fund was increased by \$1,016, and decreased in the senior center endowment special revenue fund by the same amount, to account for a market value adjustment amount that was allocated to the senior center endowment fund after the fund had been closed.

# CITY OF ANN ARBOR, MICHIGAN

## Notes to Financial Statements

### 21. DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS

Fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds, is as follows:

	General	Street Repair Millage	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>				
Long-term advances	\$ 874,924	\$ -	\$ -	\$ 874,924
Inventories	40,720	-	-	40,720
Trust corpus	-	-	1,984,000	1,984,000
<b>Total nonspendable</b>	<b>915,644</b>	<b>-</b>	<b>1,984,000</b>	<b>2,899,644</b>
<b>Restricted</b>				
Debt service	-	-	1,247,382	1,247,382
Culture and recreation	-	-	14,754,858	14,754,858
Road maintenance and repairs	-	-	15,330,350	15,330,350
Road construction	-	17,955,709	-	17,955,709
Law enforcement	-	-	1,361,769	1,361,769
Capital projects	-	-	158,073	158,073
Other purposes	-	-	5,893,026	5,893,026
<b>Total restricted</b>	<b>-</b>	<b>17,955,709</b>	<b>38,745,458</b>	<b>56,701,167</b>
<b>Committed</b>				
Culture and recreation	-	-	110,620	110,620
Public safety	-	-	3,947,221	3,947,221
Other purposes	-	-	2,030,347	2,030,347
<b>Total committed</b>	<b>-</b>	<b>-</b>	<b>6,088,188</b>	<b>6,088,188</b>
<b>Assigned</b>				
Capital projects	-	-	2,346,846	2,346,846
Culture and recreation	28,775	-	-	28,775
Other purposes	781,820	-	-	781,820
<b>Total assigned</b>	<b>810,595</b>	<b>-</b>	<b>2,346,846</b>	<b>3,157,441</b>
<b>Unassigned</b>	<b>14,392,854</b>	<b>-</b>	<b>-</b>	<b>14,392,854</b>
<b>Total fund balances</b>	<b>\$ 16,119,093</b>	<b>\$ 17,955,709</b>	<b>\$ 49,164,492</b>	<b>\$ 83,239,294</b>

# CITY OF ANN ARBOR, MICHIGAN

## Notes to Financial Statements

### 22. NET INVESTMENT IN CAPITAL ASSETS

Below is a calculation of the amount shown on the statement of net position for invested in capital assets net of related debt:

	Governmental Activities	Business-type Activities
Capital assets		
Not being depreciated	\$ 118,940,919	\$ 117,766,769
Being depreciated	706,816,256	200,917,447
Total capital assets	<u>825,757,175</u>	<u>318,684,216</u>
Less related debt		
General obligation bonds	(123,455,000)	(16,965,000)
Revenue bonds	-	(75,655,000)
Revolving loans	-	(30,374,965)
Drain notes	-	(6,520,415)
Plus drain notes related to assets not belonging to the City	-	2,203,612
Special assessment debt	(140,000)	-
Installment purchase agreement	(3,500,000)	-
Capital leases	-	(277,932)
Deferred amounts:		
For issuance premiums	(206,835)	(978,797)
For issuance discounts	350,123	436,984
On refunding	-	649,972
Net investment in capital assets	<u><u>\$ 698,805,463</u></u>	<u><u>\$ 191,202,675</u></u>



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## REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ANN ARBOR, MICHIGAN

Required Supplementary Information

Employees' Retirement System

Schedule of Funding Progress  
(in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
6/30/2012	\$ 410,709	\$ 496,770	\$ 86,061	82.7%	\$ 44,004	195.6%
6/30/2011	423,734	481,330	57,596	88.0%	45,921	125.4%
6/30/2010	421,387	466,883	45,496	90.3%	48,688	93.4%
6/30/2009	426,283	455,219	28,936	93.6%	51,076	56.7%
6/30/2008	428,689	430,438	1,749	99.6%	51,287	3.4%
6/30/2007	413,712	413,490	(222)	100.1%	50,678	-0.4%
6/30/2006	398,258	407,302	9,044	97.8%	49,627	18.2%

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contributions	Percentage Contributed
2013	\$ 9,748,510	100%
2012	9,440,262	111%
2011	8,658,372	100%
2010	7,559,781	100%
2009	6,894,506	100%
2008	7,517,024	100%
2007	5,038,578	100%
2006	2,871,450	100%

CITY OF ANN ARBOR, MICHIGAN

Required Supplementary Information

Retiree Healthcare Benefits Plan and Trust

Schedule of Funding Progress  
(in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
6/30/2012	\$ 87,660	\$ 249,844	\$ 162,184	35.1%	\$ 44,004	368.6%
6/30/2011	82,416	241,122	158,706	34.2%	45,921	345.6%
6/30/2010	73,205	242,842	169,637	30.1%	48,688	348.4%
6/30/2009	70,770	232,180	161,410	30.5%	51,076	316.0%
6/30/2008	68,312	225,998	157,686	30.2%	51,287	307.5%
6/30/2007	60,090	215,949	155,859	27.8%	50,678	307.5%
6/30/2006	55,250	197,199	141,949	28.0%	49,627	286.0%
6/30/2005	45,256	166,824	121,568	27.1%	47,225	257.4%

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contributions	Current Premiums Paid by City	Pre-funding Contributions to VEBA Trust	Percentage Contributed
2013	\$ 12,379,000	\$ 9,207,043	\$ 5,790,086	121.1%
2012	14,859,285	8,889,686	2,163,202	74.4%
2011	14,395,148	9,181,437	4,839,659	97.4%
2010	14,284,470	9,349,438	927,417	71.9%
2009	13,908,444	7,890,737	1,699,505	69.0%
2008	12,360,028	7,737,424	4,622,604	100.0%
2007	N/A	7,616,064	-	N/A
2006	N/A	7,292,343	7,065,913	N/A

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**COMBINING FUND FINANCIAL  
STATEMENTS AND SCHEDULES**

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# CITY OF ANN ARBOR, MICHIGAN

## Nonmajor Governmental Funds

### Special Revenue Funds

*Energy Projects* - to account for funding of City Energy Consumption Improvement projects.

*Local Law Enforcement Block Grant* - to account for federal grant monies received for fingerprinting equipment.

*Community Television Network* - to account for the costs of running the City's community access channels on the local cable television system. Revenues are derived primarily from franchise fees.

*Homeland Security Fund* - to account for federal Office of Homeland Security grant money.

*Major Streets* - to account for repairs, maintenance and construction on the City's major streets. The revenues consist primarily of State-shared gasoline and weight tax collections.

*Local Streets* - to account for repairs, maintenance and construction on the City's local streets. The revenues consist primarily of State-shared gasoline and weight tax collections.

*Court Facilities* - to account for a court fee to pay for facility improvements for the district court.

*Open Space and Parkland Preservation* - to account for funds derived from property tax millage and bond proceeds earmarked for parks acquisition and development rights for open space.

*Bandemer* - to account for rental income used to maintain and operate Bandemer Park.

*Construction Code* - to account for the costs of planning and development activities related to construction. Revenues are derived primarily from licenses and permits.

*Drug Enforcement* - to account for confiscated property and money related to drug law enforcement activity and provide funds for future enforcement activity.

*Federal Equitable Sharing Forfeiture* - to account for monies received as a result of joint operations with federal law enforcement. These monies are restricted for use in future law enforcement activities.

*Parks Memorial and Contributions* - to account for the proceeds of various contributions to the Parks System to erect memorials or finance special parks improvement projects.

*Metro Expansion* - to account for the monies passed through from telecom companies for the purpose of maintaining the roadway (above, below, and adjacent to) right of ways.

*Special Assistance* - to account for funds provided by a utility bill checkoff to provide assistance to needy citizens.

# CITY OF ANN ARBOR, MICHIGAN

## Nonmajor Governmental Funds

### Special Revenue Funds (Concluded)

*Open Space Endowment* - to account for funds allotted for the perpetual care of lands purchased with the City's Open Space and Parkland Preservation Millage.

*Police and Fire Relief* - to account for the receipt of investment earnings on previously transferred General fund monies. These earnings are used to subsidize the incomes of certain beneficiaries of deceased police officers and firefighters.

*Cemetery Perpetual Care* - to account for the receipt and expenditures of fees paid for the perpetual care of gravesites at the City-owned Fairview Cemetery.

*Art In Public Places* - to account for funds provided by capital improvements projects for public art equal to one percent of the construction costs, with a maximum of \$250,000 per project.

*Alternative Transportation* - to account for funding set aside for the City's alternative transportation program.

*Michigan Justice Training* - to account for State funds used for law enforcement training.

*Affordable Housing* - to account for funding of selected affordable housing projects with the General Fund and federal funds.

*Parks Maintenance and Capital Improvements Millage* - to account for funds derived from property tax millage earmarked for parks maintenance and capital improvements of the parks system.

*Local Forfeiture* - to account for monies received as a result of police seizures from non-federal investigations. These monies are restricted for use in future law enforcement activities.

*Community Development Block Grant* - to account for funds received from the federal government for the City's Community Development Block grant program.

*Senior Center Endowment* - used to account for funds donated to the Senior Center.

*Sidewalk Improvement* - to account for funds related to the City's sidewalk improvement efforts.

*Major Grants* - to account for various grant monies other than community development.

### Debt Service Funds

*General Debt Service* - to accumulate tax revenues and transfers in for payment of principal and interest on non-bonded debt and general obligation bonds sold for various capital purposes.

*Special Assessment Bonds* - to accumulate revenues for payment of principal and interest on general obligation bonds sold to finance various special assessment projects. The primary sources of revenues are special assessments and related revenues (including interest and penalties).

## CITY OF ANN ARBOR, MICHIGAN

### Nonmajor Governmental Funds

#### Capital Projects Funds

*Maintenance Facility* - to account for revenues and expenditures related to the construction of the new maintenance facility.

*Municipal Center* - to account for revenues expended for the construction of a new City facility for Police and District Courts.

*DDA Build America Parking Bond 2009* - to account for the proceeds from the Build America bond for the construction of the new Fifth Avenue underground parking structure and for infrastructure improvements to the surrounding area.

*First and Washington Capital Improvement Bonds* - to account for the proceeds from the First and Washington 2013 bonds for the purchase of the First and Washington parking garage.

*General Capital Improvements* - to account for capital project expenditures for various non-bonded improvements to certain City-owned facilities.

#### Permanent Fund

*Elizabeth R. Dean Trust Fund* - to account for monies provided by a private bequest to finance tree planting and maintenance. The principal amount of the bequest is to remain intact and invested. Investment earnings are used for the above stated purposes.

CITY OF ANN ARBOR, MICHIGAN

**Combining Balance Sheet**  
 Nonmajor Governmental Funds  
 June 30, 2013

	Special Revenue Funds			
	Energy Projects	Local Law Enforcement Block Grant	Community Television Network	Homeland Security Fund
<b>Assets</b>				
Cash	\$ 200,162	\$ -	\$ -	\$ -
Equity in pooled cash and investments	950,419	5,773	4,399,238	-
Investments, at fair value	-	-	-	-
Receivables:				
Taxes	-	-	-	-
Accounts	-	-	512,536	-
Special assessments	88,488	-	-	-
Accrued interest and dividends	-	-	-	-
Improvement charges	-	-	-	-
Loans	-	-	-	-
Due from other governments	-	6,678	-	16,832
<b>Total assets</b>	<b>\$ 1,239,069</b>	<b>\$ 12,451</b>	<b>\$ 4,911,774</b>	<b>\$ 16,832</b>
<b>Liabilities</b>				
Accounts payable	\$ 1,083	\$ -	\$ 21,248	\$ -
Accrued liabilities	381	-	31,634	-
Interest payable	-	-	-	-
Due to other funds	-	-	-	16,832
<b>Total liabilities</b>	<b>1,464</b>	<b>-</b>	<b>52,882</b>	<b>16,832</b>
<b>Deferred inflows of resources</b>				
Unavailable revenue	88,488	12,154	-	-
<b>Fund balances</b>				
Nonspendable	-	-	-	-
Restricted for:				
Debt service	-	-	-	-
Culture and recreation	-	-	-	-
Road maintenance and repairs	-	-	-	-
Law enforcement	-	297	-	-
Capital projects	-	-	-	-
Other purposes	-	-	4,858,892	-
Committed for:				
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Other purposes	1,149,117	-	-	-
Assigned to capital projects	-	-	-	-
<b>Total fund balances</b>	<b>1,149,117</b>	<b>297</b>	<b>4,858,892</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,239,069</b>	<b>\$ 12,451</b>	<b>\$ 4,911,774</b>	<b>\$ 16,832</b>



Special Revenue Funds

Major Streets	Local Streets	Court Facilities	Open Space & Parkland Preservation	Bandemer	Construction Code	Drug Enforcement
\$ -	\$ -	\$ 2,734	\$ 470,233	\$ -	\$ -	\$ -
9,131,918	3,393,675	1,632	8,276,043	110,045	3,988,895	234,961
-	-	-	-	-	-	-
1,052	-	-	118	-	-	-
202,541	-	-	-	575	12,214	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
941,254	264,489	-	-	-	-	-
<u>\$ 10,276,765</u>	<u>\$ 3,658,164</u>	<u>\$ 4,366</u>	<u>\$ 8,746,394</u>	<u>\$ 110,620</u>	<u>\$ 4,001,109</u>	<u>\$ 234,961</u>
\$ 70,021	\$ 18,491	\$ -	\$ 31,954	\$ -	\$ 3,168	\$ -
81,282	4,425	-	1,408	-	50,720	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
151,303	22,916	-	33,362	-	53,888	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
10,125,462	3,635,248	4,366	8,713,032	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	234,961
-	-	-	-	-	-	-
-	-	-	-	110,620	-	-
-	-	-	-	-	3,947,221	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
10,125,462	3,635,248	4,366	8,713,032	110,620	3,947,221	234,961
<u>\$ 10,276,765</u>	<u>\$ 3,658,164</u>	<u>\$ 4,366</u>	<u>\$ 8,746,394</u>	<u>\$ 110,620</u>	<u>\$ 4,001,109</u>	<u>\$ 234,961</u>

continued...

CITY OF ANN ARBOR, MICHIGAN

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2013

	Special Revenue Funds			
	Federal Equitable Sharing Forfeiture	Parks Memorial & Contribution	Metro Expansion	Special Assistance
<b>Assets</b>				
Cash	\$ -	\$ -	\$ -	\$ -
Equity in pooled cash and investments	327,568	509,520	1,578,827	6,739
Investments, at fair value	-	-	-	-
Receivables:				
Taxes	-	-	-	-
Accounts	-	-	-	5
Special assessments	-	-	-	-
Accrued interest and dividends	-	-	-	-
Improvement charges	-	-	-	-
Loans	-	-	-	-
Due from other governments	-	-	-	-
<b>Total assets</b>	<b>\$ 327,568</b>	<b>\$ 509,520</b>	<b>\$ 1,578,827</b>	<b>\$ 6,744</b>
<b>Liabilities</b>				
Accounts payable	\$ 3,283	\$ 6,927	\$ 9,187	\$ -
Accrued liabilities	-	219	-	-
Interest payable	-	-	-	-
Due to other funds	-	-	-	-
<b>Total liabilities</b>	<b>3,283</b>	<b>7,146</b>	<b>9,187</b>	<b>-</b>
<b>Deferred inflows of resources</b>				
Unavailable revenue	-	-	-	-
<b>Fund balances</b>				
Nonspendable	-	-	-	-
Restricted for:				
Debt service	-	-	-	-
Culture and recreation	-	502,374	-	-
Road maintenance and repairs	-	-	1,569,640	-
Law enforcement	324,285	-	-	-
Capital projects	-	-	-	-
Other purposes	-	-	-	-
Committed for:				
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Other purposes	-	-	-	6,744
Assigned to capital projects	-	-	-	-
<b>Total fund balances</b>	<b>324,285</b>	<b>502,374</b>	<b>1,569,640</b>	<b>6,744</b>
<b>Total liabilities and fund balances</b>	<b>\$ 327,568</b>	<b>\$ 509,520</b>	<b>\$ 1,578,827</b>	<b>\$ 6,744</b>



Special Revenue Funds

Open Space Endowment	Police and Fire Relief	Cemetery Perpetual Care	Art in Public Places	Alternative Transportation	Michigan Justice Training	Affordable Housing
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
643,071	674,794	76,287	1,560,686	217,741	61,708	525,152
-	62,075	-	-	-	-	-
-	-	-	-	558	-	-
-	-	-	-	42,445	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 643,071</u>	<u>\$ 736,869</u>	<u>\$ 76,287</u>	<u>\$ 1,560,686</u>	<u>\$ 260,744</u>	<u>\$ 61,708</u>	<u>\$ 525,152</u>
\$ -	\$ -	\$ -	\$ 6,487	\$ 837	\$ 4,183	\$ 704
-	-	-	-	3,986	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	6,487	4,823	4,183	704
-	-	-	-	42,445	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
643,071	-	-	1,554,199	-	-	-
-	-	-	-	-	-	-
-	736,869	-	-	-	57,525	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	76,287	-	213,476	-	524,448
-	-	-	-	-	-	-
<u>643,071</u>	<u>736,869</u>	<u>76,287</u>	<u>1,554,199</u>	<u>213,476</u>	<u>57,525</u>	<u>524,448</u>
<u>\$ 643,071</u>	<u>\$ 736,869</u>	<u>\$ 76,287</u>	<u>\$ 1,560,686</u>	<u>\$ 260,744</u>	<u>\$ 61,708</u>	<u>\$ 525,152</u>

continued...

CITY OF ANN ARBOR, MICHIGAN

**Combining Balance Sheet**  
 Nonmajor Governmental Funds  
 June 30, 2013

	Special Revenue Funds			
	Parks Maint & Capital Imp Millage	Local Forfeiture	Community Dev. Block Grant	Senior Center Endowment
<b>Assets</b>				
Cash	\$ -	\$ -	\$ -	\$ -
Equity in pooled cash and investments	3,387,459	3,466	90,487	-
Investments, at fair value	-	-	-	-
Receivables:				
Taxes	272	-	-	-
Accounts	-	-	-	-
Special assessments	-	-	-	-
Accrued interest and dividends	-	-	-	-
Improvement charges	-	-	-	-
Loans	-	-	20,801	-
Due from other governments	181,661	-	-	-
<b>Total assets</b>	<b>\$ 3,569,392</b>	<b>\$ 3,466</b>	<b>\$ 111,288</b>	<b>\$ -</b>
<b>Liabilities</b>				
Accounts payable	\$ 328,142	\$ -	\$ -	\$ -
Accrued liabilities	76,550	-	-	-
Interest payable	-	-	-	-
Due to other funds	-	-	-	-
<b>Total liabilities</b>	<b>404,692</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deferred inflows of resources</b>				
Unavailable revenue	-	-	111,288	-
<b>Fund balances</b>				
Nonspendable	-	-	-	-
Restricted for:				
Debt service	-	-	-	-
Culture and recreation	3,164,700	-	-	-
Road maintenance and repairs	-	-	-	-
Law enforcement	-	3,466	-	-
Capital projects	-	-	-	-
Other purposes	-	-	-	-
Committed for:				
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Other purposes	-	-	-	-
Assigned to capital projects	-	-	-	-
<b>Total fund balances</b>	<b>3,164,700</b>	<b>3,466</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,569,392</b>	<b>\$ 3,466</b>	<b>\$ 111,288</b>	<b>\$ -</b>

Special Revenue Funds		Debt Service		Capital Projects		
Sidewalk Improvement	Major Grants	General Debt Service	Special Assessment Bonds	Maintenance Facility	Municipal Center	DDA Build America Parking Bond 2009 Fund
\$ -	\$ -	\$ 91,061	\$ 5,190	\$ -	\$ -	\$ -
73,595	654,218	394,428	831,652	1,824,764	333,940	129,234
-	-	-	-	-	-	-
-	-	36	-	-	-	-
-	-	-	60,501	-	-	-
-	-	-	243	-	-	-
-	-	-	-	-	-	-
-	485,910	-	-	-	-	-
<u>\$ 73,595</u>	<u>\$ 1,140,128</u>	<u>\$ 485,525</u>	<u>\$ 897,586</u>	<u>\$ 1,824,764</u>	<u>\$ 333,940</u>	<u>\$ 129,234</u>
\$ 13,320	\$ 53,191	\$ -	\$ -	\$ 1,083	\$ 35,438	\$ -
-	29,097	-	-	-	-	-
-	-	88,273	-	-	-	-
-	-	-	-	-	-	-
<u>13,320</u>	<u>82,288</u>	<u>88,273</u>	<u>-</u>	<u>1,083</u>	<u>35,438</u>	<u>-</u>
-	23,706	-	47,456	-	-	-
-	-	-	-	-	-	-
-	-	397,252	850,130	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	129,234
-	1,034,134	-	-	-	-	-
-	-	-	-	-	-	-
60,275	-	-	-	-	-	-
-	-	-	-	1,823,681	298,502	-
<u>60,275</u>	<u>1,034,134</u>	<u>397,252</u>	<u>850,130</u>	<u>1,823,681</u>	<u>298,502</u>	<u>129,234</u>
<u>\$ 73,595</u>	<u>\$ 1,140,128</u>	<u>\$ 485,525</u>	<u>\$ 897,586</u>	<u>\$ 1,824,764</u>	<u>\$ 333,940</u>	<u>\$ 129,234</u>

continued...

CITY OF ANN ARBOR, MICHIGAN

**Combining Balance Sheet**  
 Nonmajor Governmental Funds  
 June 30, 2013

	Capital Projects		Permanent	Total
	First & Washington Capital Improvement Bonds	General Capital Improvements	Elizabeth R. Dean Trust	
<b>Assets</b>				
Cash	\$ -	\$ -	\$ -	\$ 769,380
Equity in pooled cash and investments	28,839	231,934	140,757	44,799,465
Investments, at fair value	-	-	2,011,945	2,074,020
Receivables:				
Taxes	-	-	-	2,036
Accounts	-	-	-	727,871
Special assessments	-	-	-	191,434
Accrued interest and dividends	-	-	9,760	9,760
Improvement charges	-	-	-	243
Loans	-	-	-	20,801
Due from other governments	-	-	-	1,896,824
<b>Total assets</b>	<b>\$ 28,839</b>	<b>\$ 231,934</b>	<b>\$ 2,162,462</b>	<b>\$ 50,491,834</b>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 7,201	\$ -	\$ 615,948
Accrued liabilities	-	70	980	280,752
Interest payable	-	-	-	88,273
Due to other funds	-	-	-	16,832
<b>Total liabilities</b>	<b>-</b>	<b>7,271</b>	<b>980</b>	<b>1,001,805</b>
<b>Deferred inflows of resources</b>				
Unavailable revenue	-	-	-	325,537
<b>Fund balances</b>				
Nonspendable	-	-	1,984,000	1,984,000
Restricted for:				
Debt service	-	-	-	1,247,382
Culture and recreation	-	-	177,482	14,754,858
Road maintenance and repairs	-	-	-	15,330,350
Law enforcement	-	-	-	1,361,769
Capital projects	28,839	-	-	158,073
Other purposes	-	-	-	5,893,026
Committed for:				
Culture and recreation	-	-	-	110,620
Public safety	-	-	-	3,947,221
Other purposes	-	-	-	2,030,347
Assigned to capital projects	-	224,663	-	2,346,846
<b>Total fund balances</b>	<b>28,839</b>	<b>224,663</b>	<b>2,161,482</b>	<b>49,164,492</b>
<b>Total liabilities and fund balances</b>	<b>\$ 28,839</b>	<b>\$ 231,934</b>	<b>\$ 2,162,462</b>	<b>\$ 50,491,834</b>

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CITY OF ANN ARBOR, MICHIGAN

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
 Nonmajor Governmental Funds  
 For the Year Ended June 30, 2013

	Special Revenue Funds			
	Energy Projects	Local Law Enforcement Block Grant	Community Television Network	Homeland Security Grant
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Special assessments/improvement charges	-	-	-	-
Licenses, permits and registration	-	-	2,143,579	-
Federal grants	-	48,131	-	62,542
State shared revenues and grants	-	-	-	-
Charges for services	2,590	-	-	-
Fines and forfeits	-	-	-	-
Interest and penalties	-	-	-	-
Investment income (loss)	(3,115)	292	(14,632)	2
Contributions and donations	-	-	-	-
Intra-governmental sales	-	-	-	-
Other revenues	13,731	-	932	-
<b>Total revenues</b>	<b>13,206</b>	<b>48,423</b>	<b>2,129,879</b>	<b>62,544</b>
<b>Expenditures</b>				
Current:				
General government	130,008	-	1,585,733	-
Public safety	-	48,868	-	62,544
Public works	-	-	-	-
Community and economic development	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	169,549	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total expenditures</b>	<b>130,008</b>	<b>48,868</b>	<b>1,755,282</b>	<b>62,544</b>
Revenues over (under) expenditures	(116,802)	(445)	374,597	-
<b>Other financing sources (uses)</b>				
Transfers in	102,436	742	-	-
Transfers out	-	-	-	-
Sale of property and equipment	-	-	-	-
Issuance of debt	560,000	-	-	-
Bond premium	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>662,436</b>	<b>742</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>545,634</b>	<b>297</b>	<b>374,597</b>	<b>-</b>
Fund balances, beginning of year, as restated	603,483	-	4,484,295	-
<b>Fund balances, end of year</b>	<b>\$ 1,149,117</b>	<b>\$ 297</b>	<b>\$ 4,858,892</b>	<b>\$ -</b>

**Special Revenue Funds**

Major Streets	Local Streets	Court Facilities	Open Space & Parkland Preservation	Bandemer	Construction Code	Drug Enforcement
\$ -	\$ -	\$ -	\$ 2,141,370	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	3,093,356	-
187,546	-	-	396,900	-	-	-
5,905,135	1,597,407	-	-	-	-	-
921,724	182,535	-	-	-	-	352
-	-	146,115	-	-	-	42,372
7,913	-	-	-	-	-	-
(29,681)	(11,890)	108	(30,831)	1,278	(12,272)	3,156
-	-	-	5,000	-	-	-
157,956	-	-	-	-	-	-
577,722	-	-	330	6,900	3,054	-
<u>7,728,315</u>	<u>1,768,052</u>	<u>146,223</u>	<u>2,512,769</u>	<u>8,178</u>	<u>3,084,138</u>	<u>45,880</u>
-	-	-	-	-	-	-
-	-	-	-	-	2,307,332	69,952
5,530,657	1,623,495	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	199,557	2,381	-	-
11,090	-	-	1,841,223	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>5,541,747</u>	<u>1,623,495</u>	<u>-</u>	<u>2,040,780</u>	<u>2,381</u>	<u>2,307,332</u>	<u>69,952</u>
<u>2,186,568</u>	<u>144,557</u>	<u>146,223</u>	<u>471,989</u>	<u>5,797</u>	<u>776,806</u>	<u>(24,072)</u>
38,401	-	81,511	-	-	99,996	-
(627,207)	(83,661)	(225,000)	(1,346,485)	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>(588,806)</u>	<u>(83,661)</u>	<u>(143,489)</u>	<u>(1,346,485)</u>	<u>-</u>	<u>99,996</u>	<u>-</u>
1,597,762	60,896	2,734	(874,496)	5,797	876,802	(24,072)
<u>8,527,700</u>	<u>3,574,352</u>	<u>1,632</u>	<u>9,587,528</u>	<u>104,823</u>	<u>3,070,419</u>	<u>259,033</u>
<u>\$ 10,125,462</u>	<u>\$ 3,635,248</u>	<u>\$ 4,366</u>	<u>\$ 8,713,032</u>	<u>\$ 110,620</u>	<u>\$ 3,947,221</u>	<u>\$ 234,961</u>

continued...

CITY OF ANN ARBOR, MICHIGAN

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
 Nonmajor Governmental Funds  
 For the Year Ended June 30, 2013

	Special Revenue Funds			
	Federal Equitable Sharing Forfeiture	Parks Memorial & Contributions	Metro Expansion	Special Assistance
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Special assessments/improvement charges	-	-	-	-
Licenses, permits and registration	-	-	-	-
Federal grants	-	-	-	-
State shared revenues and grants	-	-	353,820	-
Charges for services	-	-	-	-
Fines and forfeits	99,851	-	-	-
Interest and penalties	-	-	-	-
Investment income (loss)	3,408	(1,888)	(4,546)	47
Contributions and donations	-	31,111	-	4,653
Intra-governmental sales	-	-	-	-
Other revenues	-	23,800	-	-
<b>Total revenues</b>	<b>103,259</b>	<b>53,023</b>	<b>349,274</b>	<b>4,700</b>
<b>Expenditures</b>				
Current:				
General government	-	-	-	-
Public safety	92,066	-	-	-
Public works	-	-	159,011	-
Community and economic development	-	-	-	-
Culture and recreation	-	34,695	-	-
Capital outlay	-	42,570	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total expenditures</b>	<b>92,066</b>	<b>77,265</b>	<b>159,011</b>	<b>-</b>
<b>Revenues over (under) expenditures</b>	<b>11,193</b>	<b>(24,242)</b>	<b>190,263</b>	<b>4,700</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	(13,065)	-	-
Sale of property and equipment	-	-	-	-
Issuance of debt	-	-	-	-
Bond premium	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(13,065)</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>11,193</b>	<b>(37,307)</b>	<b>190,263</b>	<b>4,700</b>
<b>Fund balances, beginning of year, as restated</b>	<b>313,092</b>	<b>539,681</b>	<b>1,379,377</b>	<b>2,044</b>
<b>Fund balances, end of year</b>	<b>\$ 324,285</b>	<b>\$ 502,374</b>	<b>\$ 1,569,640</b>	<b>\$ 6,744</b>

Special Revenue Funds						
Open Space Endowment	Police and Fire Relief	Cemetery Perpetual Care	Art in Public Places	Alternative Transportation	Michigan Justice Training	Affordable Housing
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	7,917	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	7,200	-	21,034	-
-	-	1,900	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	69	-	-
(2,025)	(2,386)	887	(5,146)	1,249	832	(1,379)
-	-	-	-	-	-	97,000
-	-	-	-	-	-	-
-	-	-	-	-	-	225
<u>(2,025)</u>	<u>(2,386)</u>	<u>2,787</u>	<u>2,054</u>	<u>9,235</u>	<u>21,866</u>	<u>95,846</u>
-	-	-	-	18,561	-	-
-	-	-	-	-	44,820	-
-	-	-	46,342	284,699	-	-
-	-	-	-	-	-	11,136
-	-	-	8,911	-	-	-
-	-	-	36,418	18,332	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	91,671	321,592	44,820	11,136
<u>(2,025)</u>	<u>(2,386)</u>	<u>2,787</u>	<u>(89,617)</u>	<u>(312,357)</u>	<u>(22,954)</u>	<u>84,710</u>
119,335	-	-	314,928	169,872	-	90,000
-	-	-	-	5,040	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>119,335</u>	<u>-</u>	<u>-</u>	<u>314,928</u>	<u>174,912</u>	<u>-</u>	<u>90,000</u>
117,310	(2,386)	2,787	225,311	(137,445)	(22,954)	174,710
525,761	739,255	73,500	1,328,888	350,921	80,479	349,738
<u>\$ 643,071</u>	<u>\$ 736,869</u>	<u>\$ 76,287</u>	<u>\$ 1,554,199</u>	<u>\$ 213,476</u>	<u>\$ 57,525</u>	<u>\$ 524,448</u>

continued...

CITY OF ANN ARBOR, MICHIGAN

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
 Nonmajor Governmental Funds  
 For the Year Ended June 30, 2013

	Special Revenue Funds			
	Parks Maint. & Capital Impr. Millage	Local Forfeiture	Community Development	Senior Center Endowment
<b>Revenues</b>				
Taxes	\$ 4,978,047	\$ -	\$ -	\$ -
Special assessments/improvement charges	-	-	-	-
Licenses, permits and registration	-	-	-	-
Federal grants	-	-	36,137	-
State shared revenues and grants	188,659	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Interest and penalties	-	-	-	-
Investment income (loss)	(21,577)	42	-	(204)
Contributions and donations	26,212	-	-	-
Intra-governmental sales	-	-	-	-
Other revenues	7,628	-	-	-
<b>Total revenues</b>	<b>5,178,969</b>	<b>42</b>	<b>36,137</b>	<b>(204)</b>
<b>Expenditures</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Community and economic development	-	-	36,137	-
Culture and recreation	4,299,386	-	-	-
Capital outlay	1,637,254	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total expenditures</b>	<b>5,936,640</b>	<b>-</b>	<b>36,137</b>	<b>-</b>
<b>Revenues over (under) expenditures</b>	<b>(757,671)</b>	<b>42</b>	<b>-</b>	<b>(204)</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	(12,660)	-	-	(37,500)
Sale of property and equipment	-	-	-	-
Issuance of debt	-	-	-	-
Bond premium	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(12,660)</b>	<b>-</b>	<b>-</b>	<b>(37,500)</b>
<b>Net change in fund balances</b>	<b>(770,331)</b>	<b>42</b>	<b>-</b>	<b>(37,704)</b>
Fund balances, beginning of year, as restated	3,935,031	3,424	-	37,704
<b>Fund balances, end of year</b>	<b>\$ 3,164,700</b>	<b>\$ 3,466</b>	<b>\$ -</b>	<b>\$ -</b>

Special Revenue Funds		Debt Service		Capital Projects		
Sidewalk Improvement	Major Grants	General Debt Service	Special Assessment Bonds Debt Service	Maintenance Facility	Municipal Center	DDA Build America Parking Bond 2009 Fund
\$ -	\$ -	\$ 569,490	\$ -	\$ -	\$ -	\$ -
-	-	-	33,380	-	-	-
-	-	-	-	-	-	-
-	886,239	-	-	-	-	80,265
-	103,882	-	-	-	-	-
(1,350)	-	3,700,191	-	-	-	-
-	-	-	-	-	-	-
2,774	-	-	433	-	-	-
983	1,088	5,949	1,122	(6,155)	(1,320)	(1,635)
-	100,000	-	-	-	-	-
-	-	-	-	-	-	-
2,440	400,000	-	-	90,717	-	-
<u>4,847</u>	<u>1,491,209</u>	<u>4,275,630</u>	<u>34,935</u>	<u>84,562</u>	<u>(1,320)</u>	<u>78,630</u>
-	651,878	21,360	-	-	-	-
-	211,542	-	-	-	-	-
7,200	105,671	-	-	-	-	-
-	-	-	-	-	-	-
-	57,117	-	-	-	-	-
-	29,300	-	-	16,966	173,706	1,218,808
-	-	3,975,000	80,000	-	-	-
-	-	5,034,061	11,168	-	-	-
<u>7,200</u>	<u>1,055,508</u>	<u>9,030,421</u>	<u>91,168</u>	<u>16,966</u>	<u>173,706</u>	<u>1,218,808</u>
<u>(2,353)</u>	<u>435,701</u>	<u>(4,754,791)</u>	<u>(56,233)</u>	<u>67,596</u>	<u>(175,026)</u>	<u>(1,140,178)</u>
-	577,723	4,831,971	-	-	-	-
-	(100,000)	-	(91,725)	-	-	(164,313)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>477,723</u>	<u>4,831,971</u>	<u>(91,725)</u>	<u>-</u>	<u>-</u>	<u>(164,313)</u>
(2,353)	913,424	77,180	(147,958)	67,596	(175,026)	(1,304,491)
<u>62,628</u>	<u>120,710</u>	<u>320,072</u>	<u>998,088</u>	<u>1,756,085</u>	<u>473,528</u>	<u>1,433,725</u>
<u>\$ 60,275</u>	<u>\$ 1,034,134</u>	<u>\$ 397,252</u>	<u>\$ 850,130</u>	<u>\$ 1,823,681</u>	<u>\$ 298,502</u>	<u>\$ 129,234</u>

continued...

CITY OF ANN ARBOR, MICHIGAN

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
 Nonmajor Governmental Funds  
 For the Year Ended June 30, 2013

	Capital Projects		Permanent	Total
	First & Washington Capital Improvement Bonds	General Capital Improvements	Elizabeth R. Dean Trust	
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ 7,688,907
Special assessments/improvement charges	-	-	-	41,297
Licenses, permits and registration	-	-	-	5,236,935
Federal grants	-	-	-	1,697,760
State shared revenues and grants	-	-	-	8,177,137
Charges for services	-	-	2,795	4,810,737
Fines and forfeits	-	-	-	288,338
Interest and penalties	-	-	-	11,189
Investment income (loss)	-	1,186	(7,757)	(136,810)
Contributions and donations	-	-	-	263,976
Intra-governmental sales	-	-	-	157,956
Other revenues	-	-	-	1,127,479
<b>Total revenues</b>	<b>-</b>	<b>1,186</b>	<b>(4,962)</b>	<b>29,364,901</b>
<b>Expenditures</b>				
Current:				
General government	-	-	-	2,407,540
Public safety	-	-	-	2,837,124
Public works	-	70,446	-	7,827,521
Community and economic development	-	-	-	47,273
Culture and recreation	-	-	45,911	4,647,958
Capital outlay	8,637,236	-	-	13,832,452
Debt service:				
Principal retirement	-	-	-	4,055,000
Interest and fiscal charges	-	-	-	5,045,229
<b>Total expenditures</b>	<b>8,637,236</b>	<b>70,446</b>	<b>45,911</b>	<b>40,700,097</b>
<b>Revenues over (under) expenditures</b>	<b>(8,637,236)</b>	<b>(69,260)</b>	<b>(50,873)</b>	<b>(11,335,196)</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	238,139	-	6,665,054
Transfers out	-	-	-	(2,696,576)
Sale of property and equipment	-	-	-	-
Issuance of debt	8,525,000	-	-	9,085,000
Bond premium	141,075	-	-	141,075
<b>Total other financing sources (uses)</b>	<b>8,666,075</b>	<b>238,139</b>	<b>-</b>	<b>13,194,553</b>
<b>Net change in fund balances</b>	<b>28,839</b>	<b>168,879</b>	<b>(50,873)</b>	<b>1,859,357</b>
<b>Fund balances, beginning of year, as restated</b>	<b>-</b>	<b>55,784</b>	<b>2,212,355</b>	<b>47,305,135</b>
<b>Fund balances, end of year</b>	<b>\$ 28,839</b>	<b>\$ 224,663</b>	<b>\$ 2,161,482</b>	<b>\$ 49,164,492</b>

concluded.

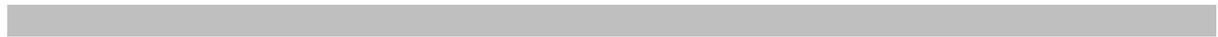
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CITY OF ANN ARBOR, MICHIGAN

**Schedule of Revenues, Expenditures and Changes in Fund Balances**

Budget and Actual - Nonmajor Special Revenue Funds  
For the Year Ended June 30, 2013

	Energy Projects		
	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>			
Taxes	\$ -	\$ -	\$ -
Special assessments/improvement charges	-	-	-
Licenses, permits and registration	-	-	-
Federal grants	-	-	-
State shared revenues and grants	-	-	-
Charges for services	12,000	2,590	(9,410)
Fines and forfeits	-	-	-
Interest and penalties	-	-	-
Investment income	8,091	(3,115)	(11,206)
Contributions and donations	-	-	-
Intra-governmental sales	-	-	-
Other revenues	-	13,731	13,731
<b>Total revenues</b>	<b>20,091</b>	<b>13,206</b>	<b>(6,885)</b>
<b>Expenditures</b>			
Current:			
General government	612,286	130,008	(482,278)
Public safety	-	-	-
Public works	-	-	-
Community and economic development	-	-	-
Culture and recreation	-	-	-
Capital outlay	120,000	-	(120,000)
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
<b>Total expenditures</b>	<b>732,286</b>	<b>130,008</b>	<b>(602,278)</b>
<b>Revenues over (under) expenditures</b>	<b>(712,195)</b>	<b>(116,802)</b>	<b>595,393</b>
<b>Other financing sources (uses)</b>			
Transfers in	2,434	102,436	100,002
Transfers out	-	-	-
Issuance of debt	560,000	560,000	-
<b>Total other financing sources (uses)</b>	<b>562,434</b>	<b>662,436</b>	<b>100,002</b>
<b>Net change in fund balances</b>	<b>(149,761)</b>	<b>545,634</b>	<b>695,395</b>
<b>Fund balances, beginning of year</b>	<b>603,483</b>	<b>603,483</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$ 453,722</b>	<b>\$ 1,149,117</b>	<b>\$ 695,395</b>



Local Law Enforcement Block Grant		
Final Budget	Actual	Actual Over (Under) Final Budget
\$ -	\$ -	\$ -
-	-	-
-	-	-
60,285	48,131	(12,154)
-	-	-
-	-	-
-	-	-
-	-	-
-	292	292
-	-	-
-	-	-
-	-	-
60,285	48,423	(11,862)
-	-	-
48,873	48,868	(5)
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
48,873	48,868	(5)
11,412	(445)	(11,857)
742	742	-
-	-	-
-	-	-
742	742	-
12,154	297	(11,857)
-	-	-
\$ 12,154	\$ 297	\$ (11,857)

Community Television Network		
Final Budget	Actual	Actual Over (Under) Final Budget
\$ -	\$ -	\$ -
-	-	-
1,766,550	2,143,579	377,029
-	-	-
-	-	-
-	-	-
-	-	-
37,518	(14,632)	(52,150)
-	-	-
-	-	-
1,000	932	(68)
1,805,068	2,129,879	324,811
1,607,313	1,585,733	(21,580)
-	-	-
-	-	-
-	-	-
310,873	169,549	(141,324)
-	-	-
-	-	-
1,918,186	1,755,282	(162,904)
(113,118)	374,597	487,715
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
4,484,295	4,484,295	-
\$ 4,371,177	\$ 4,858,892	\$ 487,715

continued...

CITY OF ANN ARBOR, MICHIGAN

**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
 Budget and Actual - Nonmajor Special Revenue Funds  
 For the Year Ended June 30, 2013

	Homeland Security Grant		
	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>			
Taxes	\$ -	\$ -	\$ -
Special assessments/improvement charges	-	-	-
Licenses, permits and registration	-	-	-
Federal grants	64,029	62,542	(1,487)
State shared revenues and grants	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and penalties	-	-	-
Investment income	-	2	2
Contributions and donations	-	-	-
Intra-governmental sales	-	-	-
Other revenues	-	-	-
<b>Total revenues</b>	<b>64,029</b>	<b>62,544</b>	<b>(1,485)</b>
<b>Expenditures</b>			
Current:			
General government	-	-	-
Public safety	64,029	62,544	(1,485)
Public works	-	-	-
Community and economic development	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
<b>Total expenditures</b>	<b>64,029</b>	<b>62,544</b>	<b>(1,485)</b>
Revenues over (under) expenditures	-	-	-
<b>Other financing sources (uses)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
Issuance of debt	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in fund balances	-	-	-
Fund balances, beginning of year	-	-	-
<b>Fund balances, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Major Streets			Local Streets		
Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
622,884	187,546	(435,338)	-	-	-
5,473,889	5,905,135	431,246	1,511,645	1,597,407	85,762
840,513	921,724	81,211	180,000	182,535	2,535
-	-	-	-	-	-
-	7,913	7,913	-	-	-
71,298	(29,681)	(100,979)	35,232	(11,890)	(47,122)
-	-	-	-	-	-
302,894	157,956	(144,938)	-	-	-
29,500	577,722	548,222	-	-	-
<u>7,340,978</u>	<u>7,728,315</u>	<u>387,337</u>	<u>1,726,877</u>	<u>1,768,052</u>	<u>41,175</u>
-	-	-	-	-	-
-	-	-	-	-	-
6,044,008	5,530,657	(513,351)	1,582,562	1,623,495	40,933
-	-	-	-	-	-
-	-	-	-	-	-
18,214	11,090	(7,124)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>6,062,222</u>	<u>5,541,747</u>	<u>(520,475)</u>	<u>1,582,562</u>	<u>1,623,495</u>	<u>40,933</u>
<u>1,278,756</u>	<u>2,186,568</u>	<u>907,812</u>	<u>144,315</u>	<u>144,557</u>	<u>242</u>
38,401	38,401	-	-	-	-
(912,310)	(627,207)	(285,103)	(144,315)	(83,661)	(60,654)
-	-	-	-	-	-
<u>(873,909)</u>	<u>(588,806)</u>	<u>285,103</u>	<u>(144,315)</u>	<u>(83,661)</u>	<u>(60,654)</u>
404,847	1,597,762	1,192,915	-	60,896	(60,412)
<u>8,527,700</u>	<u>8,527,700</u>	<u>-</u>	<u>3,574,352</u>	<u>3,574,352</u>	<u>-</u>
<u>\$ 8,932,547</u>	<u>\$ 10,125,462</u>	<u>\$ 1,192,915</u>	<u>\$ 3,574,352</u>	<u>\$ 3,635,248</u>	<u>\$ (60,412)</u>

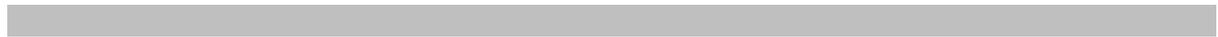
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CITY OF ANN ARBOR, MICHIGAN

**Schedule of Revenues, Expenditures and Changes in Fund Balance**

Budget and Actual - Nonmajor Special Revenue Funds  
For the Year Ended June 30, 2013

	Court Facilities		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ -	\$ -	\$ -
Special assessments/improvement charges	-	-	-
Licenses, permits and registration	-	-	-
Federal grants	-	-	-
State shared revenues and grants	-	-	-
Charges for services	-	-	-
Fines and forfeits	160,000	146,115	(13,885)
Interest and penalties	-	-	-
Investment income	-	108	108
Contributions and donations	-	-	-
Intra-governmental sales	-	-	-
Other revenues	-	-	-
<b>Total revenues</b>	<b>160,000</b>	<b>146,223</b>	<b>(13,777)</b>
Expenditures			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Community and economic development	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>
Revenues over (under) expenditures	160,000	146,223	(13,777)
Other financing sources (uses)			
Transfers in	65,000	81,511	16,511
Transfers out	(225,000)	(225,000)	-
Issuance of debt	-	-	-
<b>Total other financing sources (uses)</b>	<b>(160,000)</b>	<b>(143,489)</b>	<b>16,511</b>
Net change in fund balances	-	2,734	2,734
Fund balances, beginning of year	1,632	1,632	-
Fund balances, end of year	\$ 1,632	\$ 4,366	\$ 2,734



Open Space & Parkland Preservation		
Final Budget	Actual	Actual Over (Under) Final Budget
\$ 2,165,818	\$ 2,141,370	\$ (24,448)
-	-	-
-	-	-
396,900	396,900	-
-	-	-
-	-	-
-	-	-
-	-	-
139,205	(30,831)	(170,036)
-	5,000	5,000
-	-	-
-	330	330
<u>2,701,923</u>	<u>2,512,769</u>	<u>(189,154)</u>
-	-	-
-	-	-
-	-	-
-	-	-
272,438	199,557	(72,881)
2,725,855	1,841,223	(884,632)
-	-	-
-	-	-
<u>2,998,293</u>	<u>2,040,780</u>	<u>(957,513)</u>
<u>(296,370)</u>	<u>471,989</u>	<u>768,359</u>
-	-	-
(1,346,710)	(1,346,485)	(225)
-	-	-
<u>(1,346,710)</u>	<u>(1,346,485)</u>	<u>(225)</u>
(1,643,080)	(874,496)	768,134
<u>9,587,528</u>	<u>9,587,528</u>	<u>-</u>
<u>\$ 7,944,448</u>	<u>\$ 8,713,032</u>	<u>\$ 768,134</u>

Bandemer		
Final Budget	Actual	Actual Over (Under) Final Budget
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
58	1,278	1,220
-	-	-
-	-	-
4,200	6,900	2,700
<u>4,258</u>	<u>8,178</u>	<u>3,920</u>
-	-	-
-	-	-
-	-	-
-	-	-
2,381	2,381	-
1,877	-	(1,877)
-	-	-
-	-	-
<u>4,258</u>	<u>2,381</u>	<u>(1,877)</u>
<u>-</u>	<u>5,797</u>	<u>5,797</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	5,797	5,797
<u>104,823</u>	<u>104,823</u>	<u>-</u>
<u>\$ 104,823</u>	<u>\$ 110,620</u>	<u>\$ 5,797</u>

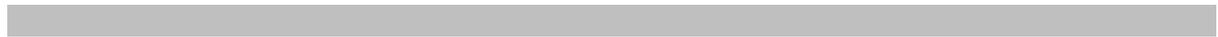
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CITY OF ANN ARBOR, MICHIGAN

**Schedule of Revenues, Expenditures and Changes in Fund Balance**

Budget and Actual - Nonmajor Special Revenue Funds  
For the Year Ended June 30, 2013

	Construction Code		
	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>			
Taxes	\$ -	\$ -	\$ -
Special assessments/improvement charges	-	-	-
Licenses, permits and registration	1,938,800	3,093,356	1,154,556
Federal grants	-	-	-
State shared revenues and grants	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and penalties	-	-	-
Investment income	4,000	(12,272)	(16,272)
Contributions and donations	-	-	-
Intra-governmental sales	-	-	-
Other revenues	-	3,054	3,054
<b>Total revenues</b>	<b>1,942,800</b>	<b>3,084,138</b>	<b>1,141,338</b>
<b>Expenditures</b>			
Current:			
General government	-	-	-
Public safety	2,371,572	2,307,332	(64,240)
Public works	-	-	-
Community and economic development	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
<b>Total expenditures</b>	<b>2,371,572</b>	<b>2,307,332</b>	<b>(64,240)</b>
<b>Revenues over (under) expenditures</b>	<b>(428,772)</b>	<b>776,806</b>	<b>1,205,578</b>
<b>Other financing sources (uses)</b>			
Transfers in	100,000	99,996	(4)
Transfers out	-	-	-
Issuance of debt	-	-	-
<b>Total other financing sources (uses)</b>	<b>100,000</b>	<b>99,996</b>	<b>(4)</b>
<b>Net change in fund balances</b>	<b>(328,772)</b>	<b>876,802</b>	<b>1,205,574</b>
<b>Fund balances, beginning of year</b>	<b>3,070,419</b>	<b>3,070,419</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$ 2,741,647</b>	<b>\$ 3,947,221</b>	<b>\$ 1,205,574</b>



Drug Enforcement		
Final Budget	Actual	Actual Over (Under) Final Budget
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
-	-	-
-	352	352
-	42,372	42,372
-	-	-
1,000	3,156	2,156
-	-	-
-	-	-
-	-	-
1,000	45,880	44,880
146,000	69,952	(76,048)
-	-	-
-	-	-
-	-	-
-	-	-
146,000	69,952	(76,048)
(145,000)	(24,072)	120,928
-	-	-
-	-	-
-	-	-
(145,000)	(24,072)	120,928
259,033	259,033	-
\$ 114,033	\$ 234,961	\$ 120,928

Federal Equitable Sharing Forfeiture		
Final Budget	Actual	Actual Over (Under) Final Budget
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	99,851	99,851
-	-	-
1,000	3,408	2,408
-	-	-
-	-	-
-	-	-
1,000	103,259	102,259
151,000	92,066	(58,934)
-	-	-
-	-	-
-	-	-
-	-	-
151,000	92,066	(58,934)
(150,000)	11,193	161,193
-	-	-
-	-	-
-	-	-
(150,000)	11,193	161,193
313,092	313,092	-
\$ 163,092	\$ 324,285	\$ 161,193

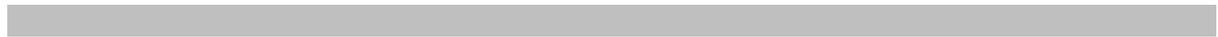
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CITY OF ANN ARBOR, MICHIGAN

**Schedule of Revenues, Expenditures and Changes in Fund Balance**

Budget and Actual - Nonmajor Special Revenue Funds  
For the Year Ended June 30, 2013

	Parks & Memorial Contributions		
	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>			
Taxes	\$ -	\$ -	\$ -
Special assessments/improvement charges	-	-	-
Licenses, permits and registration	-	-	-
Federal grants	-	-	-
State shared revenues and grants	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and penalties	-	-	-
Investment income	2,276	(1,888)	(4,164)
Contributions and donations	52,742	31,111	(21,631)
Intra-governmental sales	-	-	-
Other revenues	-	23,800	23,800
<b>Total revenues</b>	<b>55,018</b>	<b>53,023</b>	<b>(1,995)</b>
<b>Expenditures</b>			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Community and economic development	-	-	-
Culture and recreation	37,236	34,695	(2,541)
Capital outlay	42,570	42,570	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
<b>Total expenditures</b>	<b>79,806</b>	<b>77,265</b>	<b>(2,541)</b>
<b>Revenues over (under) expenditures</b>	<b>(24,788)</b>	<b>(24,242)</b>	<b>546</b>
<b>Other financing sources (uses)</b>			
Transfers in	-	-	-
Transfers out	(29,315)	(13,065)	(16,250)
Issuance of debt	-	-	-
<b>Total other financing sources (uses)</b>	<b>(29,315)</b>	<b>(13,065)</b>	<b>(16,250)</b>
<b>Net change in fund balances</b>	<b>(54,103)</b>	<b>(37,307)</b>	<b>(15,704)</b>
<b>Fund balances, beginning of year</b>	<b>539,681</b>	<b>539,681</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$ 485,578</b>	<b>\$ 502,374</b>	<b>\$ (15,704)</b>



Metro Expansion		
Final Budget	Actual	Actual Over (Under) Final Budget
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
335,688	353,820	18,132
-	-	-
-	-	-
-	-	-
12,305	(4,546)	(16,851)
-	-	-
-	-	-
-	-	-
<u>347,993</u>	<u>349,274</u>	<u>1,281</u>
-	-	-
-	-	-
347,993	159,011	(188,982)
-	-	-
-	-	-
-	-	-
-	-	-
<u>347,993</u>	<u>159,011</u>	<u>(188,982)</u>
-	190,263	190,263
-	-	-
-	-	-
-	-	-
-	-	-
-	190,263	190,263
<u>1,379,377</u>	<u>1,379,377</u>	<u>-</u>
<u>\$ 1,379,377</u>	<u>\$ 1,569,640</u>	<u>\$ 190,263</u>

Special Assistance		
Final Budget	Actual	Actual Over (Under) Final Budget
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	47	47
8,000	4,653	(3,347)
-	-	-
-	-	-
<u>8,000</u>	<u>4,700</u>	<u>(3,300)</u>
-	-	-
-	-	-
-	-	-
8,000	-	(8,000)
-	-	-
-	-	-
-	-	-
<u>8,000</u>	<u>-</u>	<u>(8,000)</u>
-	4,700	4,700
-	-	-
-	-	-
-	-	-
-	-	-
-	4,700	4,700
<u>2,044</u>	<u>2,044</u>	<u>-</u>
<u>\$ 2,044</u>	<u>\$ 6,744</u>	<u>\$ 4,700</u>

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CITY OF ANN ARBOR, MICHIGAN

**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
 Budget and Actual - Nonmajor Special Revenue Funds  
 For the Year Ended June 30, 2013

	Open Space Endowment		
	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>			
Taxes	\$ -	\$ -	\$ -
Special assessments/improvement charges	-	-	-
Licenses, permits and registration	-	-	-
Federal grants	-	-	-
State shared revenues and grants	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and penalties	-	-	-
Investment income	-	(2,025)	(2,025)
Contributions and donations	-	-	-
Intra-governmental sales	-	-	-
Other revenues	-	-	-
<b>Total revenues</b>	<u>-</u>	<u>(2,025)</u>	<u>(2,025)</u>
<b>Expenditures</b>			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Community and economic development	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Revenues over (under) expenditures</b>	<u>-</u>	<u>(2,025)</u>	<u>(2,025)</u>
<b>Other financing sources (uses)</b>			
Transfers in	-	119,335	119,335
Transfers out	-	-	-
Issuance of debt	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>119,335</u>	<u>119,335</u>
<b>Net change in fund balances</b>	-	117,310	117,310
<b>Fund balances, beginning of year</b>	<u>525,761</u>	<u>525,761</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 525,761</u>	<u>\$ 643,071</u>	<u>\$ 117,310</u>

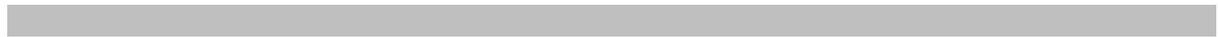


# CITY OF ANN ARBOR, MICHIGAN

## Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Nonmajor Special Revenue Funds  
For the Year Ended June 30, 2013

	Art in Public Places		
	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>			
Taxes	\$ -	\$ -	\$ -
Special assessments/improvement charges	-	-	-
Licenses, permits and registration	-	-	-
Federal grants	-	-	-
State shared revenues and grants	7,200	7,200	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and penalties	-	-	-
Investment income	13,590	(5,146)	(18,736)
Contributions and donations	-	-	-
Intra-governmental sales	-	-	-
Other revenues	-	-	-
<b>Total revenues</b>	<b>20,790</b>	<b>2,054</b>	<b>(18,736)</b>
<b>Expenditures</b>			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	22,111	46,342	24,231
Community and economic development	-	-	-
Culture and recreation	71,399	8,911	(62,488)
Capital outlay	-	36,418	36,418
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
<b>Total expenditures</b>	<b>93,510</b>	<b>91,671</b>	<b>(1,839)</b>
<b>Revenues over (under) expenditures</b>	<b>(72,720)</b>	<b>(89,617)</b>	<b>(16,897)</b>
<b>Other financing sources (uses)</b>			
Transfers in	319,959	314,928	(5,031)
Transfers out	-	-	-
Issuance of debt	-	-	-
<b>Total other financing sources (uses)</b>	<b>319,959</b>	<b>314,928</b>	<b>(5,031)</b>
<b>Net change in fund balances</b>	<b>247,239</b>	<b>225,311</b>	<b>(21,928)</b>
<b>Fund balances, beginning of year</b>	<b>1,328,888</b>	<b>1,328,888</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$ 1,576,127</b>	<b>\$ 1,554,199</b>	<b>\$ (21,928)</b>



Alternative Transportation		
Final Budget	Actual	Actual Over (Under) Final Budget
\$ -	\$ -	\$ -
-	7,917	7,917
-	-	-
-	-	-
-	-	-
-	-	-
-	69	69
9,485	1,249	(8,236)
-	-	-
-	-	-
-	-	-
<u>9,485</u>	<u>9,235</u>	<u>(250)</u>
18,701	18,561	(140)
-	-	-
296,070	284,699	(11,371)
-	-	-
-	-	-
18,332	18,332	-
-	-	-
-	-	-
<u>333,103</u>	<u>321,592</u>	<u>(11,511)</u>
<u>(323,618)</u>	<u>(312,357)</u>	<u>11,261</u>
169,873	169,872	(1)
-	5,040	(5,040)
-	-	-
<u>169,873</u>	<u>174,912</u>	<u>(5,041)</u>
(153,745)	(137,445)	6,220
<u>350,921</u>	<u>350,921</u>	<u>-</u>
<u>\$ 197,176</u>	<u>\$ 213,476</u>	<u>\$ 6,220</u>

Michigan Justice Training		
Final Budget	Actual	Actual Over (Under) Final Budget
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
20,000	21,034	1,034
-	-	-
-	-	-
-	-	-
1,000	832	(168)
-	-	-
-	-	-
-	-	-
<u>21,000</u>	<u>21,866</u>	<u>866</u>
-	-	-
70,000	44,820	(25,180)
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>70,000</u>	<u>44,820</u>	<u>(25,180)</u>
<u>(49,000)</u>	<u>(22,954)</u>	<u>26,046</u>
-	-	-
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
(49,000)	(22,954)	26,046
<u>80,479</u>	<u>80,479</u>	<u>-</u>
<u>\$ 31,479</u>	<u>\$ 57,525</u>	<u>\$ 26,046</u>

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CITY OF ANN ARBOR, MICHIGAN

**Schedule of Revenues, Expenditures and Changes in Fund Balance**

Budget and Actual - Nonmajor Special Revenue Funds  
For the Year Ended June 30, 2013

	Affordable Housing		
	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>			
Taxes	\$ -	\$ -	\$ -
Special assessments/improvement charges	-	-	-
Licenses, permits and registration	-	-	-
Federal grants	-	-	-
State shared revenues and grants	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and penalties	-	-	-
Investment income	2,000	(1,379)	(3,379)
Contributions and donations	30,000	97,000	67,000
Intra-governmental sales	-	-	-
Other revenues	8,300	225	(8,075)
<b>Total revenues</b>	<b>40,300</b>	<b>95,846</b>	<b>55,546</b>
<b>Expenditures</b>			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Community and economic development	46,641	11,136	(35,505)
Culture and recreation	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
<b>Total expenditures</b>	<b>46,641</b>	<b>11,136</b>	<b>(35,505)</b>
Revenues over (under) expenditures	(6,341)	84,710	91,051
<b>Other financing sources (uses)</b>			
Transfers in	90,000	90,000	-
Transfers out	-	-	-
Issuance of debt	-	-	-
<b>Total other financing sources (uses)</b>	<b>90,000</b>	<b>90,000</b>	<b>-</b>
Net change in fund balances	83,659	174,710	91,051
Fund balances, beginning of year	349,738	349,738	-
Fund balances, end of year	\$ 433,397	\$ 524,448	\$ 91,051



CITY OF ANN ARBOR, MICHIGAN

**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
 Budget and Actual - Nonmajor Special Revenue Funds  
 For the Year Ended June 30, 2013

	Community Development		
	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>			
Taxes	\$ -	\$ -	\$ -
Special assessments/improvement charges	-	-	-
Licenses, permits and registration	-	-	-
Federal grants	36,138	36,137	(1)
State shared revenues and grants	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and penalties	-	-	-
Investment income	-	-	-
Contributions and donations	-	-	-
Intra-governmental sales	-	-	-
Other revenues	-	-	-
<b>Total revenues</b>	<b>36,138</b>	<b>36,137</b>	<b>(1)</b>
<b>Expenditures</b>			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Community and economic development	36,138	36,137	(1)
Culture and recreation	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
<b>Total expenditures</b>	<b>36,138</b>	<b>36,137</b>	<b>(1)</b>
Revenues over (under) expenditures	-	-	-
<b>Other financing sources (uses)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
Issuance of debt	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in fund balances	-	-	-
Fund balances, beginning of year	-	-	-
<b>Fund balances, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>



# CITY OF ANN ARBOR, MICHIGAN

## Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Nonmajor Special Revenue Funds  
For the Year Ended June 30, 2013

	Major Grants		
	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>			
Taxes	\$ -	\$ -	\$ -
Special assessments/improvement charges	-	-	-
Licenses, permits and registration	-	-	-
Federal grants	3,943,154	886,239	(3,056,915)
State shared revenues and grants	405,273	103,882	(301,391)
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and penalties	-	-	-
Investment income	-	1,088	1,088
Contributions and donations	100,000	100,000	-
Intra-governmental sales	-	-	-
Other revenues	400,000	400,000	-
<b>Total revenues</b>	<b>4,848,427</b>	<b>1,491,209</b>	<b>(3,357,218)</b>
<b>Expenditures</b>			
Current:			
General government	652,178	651,878	(300)
Public safety	211,542	211,542	-
Public works	105,671	105,671	-
Community and economic development	-	-	-
Culture and recreation	57,117	57,117	-
Capital outlay	29,300	29,300	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
<b>Total expenditures</b>	<b>1,055,808</b>	<b>1,055,508</b>	<b>(300)</b>
<b>Revenues over (under) expenditures</b>	<b>3,792,619</b>	<b>435,701</b>	<b>(3,356,918)</b>
<b>Other financing sources (uses)</b>			
Transfers in	577,724	577,723	(1)
Transfers out	(100,000)	(100,000)	-
Issuance of debt	-	-	-
<b>Total other financing sources (uses)</b>	<b>477,724</b>	<b>477,723</b>	<b>(1)</b>
<b>Net change in fund balances</b>	<b>4,270,343</b>	<b>913,424</b>	<b>(3,356,919)</b>
Fund balances, beginning of year	120,710	120,710	-
<b>Fund balances, end of year</b>	<b>\$ 4,391,053</b>	<b>\$ 1,034,134</b>	<b>\$ (3,356,919)</b>

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# CITY OF ANN ARBOR, MICHIGAN

## Combining Statement of Net Position

Internal Service Funds

June 30, 2013

	Central Stores	Fleet Services	Information Technology
<b>Assets</b>			
Current assets:			
Cash	\$ -	\$ 150	\$ -
Equity in pooled cash and investments	1,650,130	9,158,497	5,414,769
Accounts receivable, net	660	660	22,841
Prepaid items	-	-	117,689
Inventory	448,968	392,528	-
Total current assets	<u>2,099,758</u>	<u>9,551,835</u>	<u>5,555,299</u>
Noncurrent assets:			
Capital assets not depreciated	-	90,005	-
Capital assets being depreciated, net	51,296	6,883,317	1,415,724
Total noncurrent assets	<u>51,296</u>	<u>6,973,322</u>	<u>1,415,724</u>
<b>Total assets</b>	<u>2,151,054</u>	<u>16,525,157</u>	<u>6,971,023</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	56,977	684,720	228,142
Accrued liabilities	9,055	41,437	89,885
Estimated claims payable, current	-	-	-
Compensated absences, current	4,807	22,185	42,606
Total current liabilities	<u>70,839</u>	<u>748,342</u>	<u>360,633</u>
Noncurrent liabilities:			
Estimated claims payable, net	-	-	-
Compensated absences, net	24,042	319,613	279,927
Total noncurrent liabilities	<u>24,042</u>	<u>319,613</u>	<u>279,927</u>
<b>Total liabilities</b>	<u>94,881</u>	<u>1,067,955</u>	<u>640,560</u>
<b>Net position</b>			
Invested in capital assets	51,296	6,973,322	1,415,724
Unrestricted	2,004,877	8,483,880	4,914,739
<b>Total net position</b>	<u>\$ 2,056,173</u>	<u>\$ 15,457,202</u>	<u>\$ 6,330,463</u>



Project Management	Insurance	Wheeler Center	Total
\$ 200	\$ 5,135	\$ -	\$ 5,485
5,908,333	11,643,246	315,393	34,090,368
23,504	-	743	48,408
-	2,102,258	-	2,219,947
-	-	-	841,496
<u>5,932,037</u>	<u>13,750,639</u>	<u>316,136</u>	<u>37,205,704</u>
-	-	-	90,005
47,740	-	-	8,398,077
<u>47,740</u>	<u>-</u>	<u>-</u>	<u>8,488,082</u>
<u>5,979,777</u>	<u>13,750,639</u>	<u>316,136</u>	<u>45,693,786</u>
10,047	826,123	23,067	1,829,076
35,397	8,906	1,937	186,617
-	312,962	-	312,962
38,748	3,297	-	111,643
<u>84,192</u>	<u>1,151,288</u>	<u>25,004</u>	<u>2,440,298</u>
-	4,336,754	-	4,336,754
204,714	4,525	-	832,821
<u>204,714</u>	<u>4,341,279</u>	<u>-</u>	<u>5,169,575</u>
<u>288,906</u>	<u>5,492,567</u>	<u>25,004</u>	<u>7,609,873</u>
47,740	-	-	8,488,082
5,643,131	8,258,072	291,132	29,595,831
<u>\$ 5,690,871</u>	<u>\$ 8,258,072</u>	<u>\$ 291,132</u>	<u>\$ 38,083,913</u>

# CITY OF ANN ARBOR, MICHIGAN

## Combining Statement of Revenues, Expenses and Changes in Fund Net Position

Internal Service Funds

For the Year Ended June 30, 2013

	Central Stores	Fleet Services	Information Technology
Operating revenues			
Charges for services	\$ 1,278,851	\$ 6,853,114	\$ 6,444,942
Operating expenses			
Personal services	305,870	1,506,988	2,917,781
Municipal service charge	28,050	133,320	457,557
Information technology charges	33,633	78,846	258,369
Other operating costs	780,857	2,191,357	3,209,314
Depreciation and amortization	10,417	1,429,459	431,602
Total operating expenses	1,158,827	5,339,970	7,274,623
Operating income (loss)	120,024	1,513,144	(829,681)
Nonoperating revenues (expenses)			
Investment income (loss)	(5,402)	(36,222)	(18,516)
Gain on sale of capital assets	-	139,278	-
Total nonoperating revenues (expenses)	(5,402)	103,056	(18,516)
Income (loss) before contributions and transfers	114,622	1,616,200	(848,197)
Capital contributions	-	-	11,351
Transfers in	-	238,714	-
Transfers out	(42,348)	(705,056)	-
Change in net position	72,274	1,149,858	(836,846)
Net position, beginning of year, as restated	1,983,899	14,307,344	7,167,309
Net position, end of year	\$ 2,056,173	\$ 15,457,202	\$ 6,330,463



Project Management	Insurance	Wheeler Center	Total
\$ 3,213,496	\$ 28,960,965	\$ 519,184	\$ 47,270,552
1,809,061	507,107	59,384	7,106,191
126,472	292,617	-	1,038,016
260,280	22,326	-	653,454
153,753	25,713,068	388,426	32,436,775
10,986	-	-	1,882,464
2,360,552	26,535,118	447,810	43,116,900
852,944	2,425,847	71,374	4,153,652
(19,007)	(29,411)	3,897	(104,661)
-	-	-	139,278
(19,007)	(29,411)	3,897	34,617
833,937	2,396,436	75,271	4,188,269
-	-	-	11,351
113,196	-	-	351,910
(28,596)	-	-	(776,000)
918,537	2,396,436	75,271	3,775,530
4,772,334	5,861,636	215,861	34,308,383
\$ 5,690,871	\$ 8,258,072	\$ 291,132	\$ 38,083,913

CITY OF ANN ARBOR, MICHIGAN

**Combining Statement of Cash Flows**  
 Internal Service Funds  
 For the Year Ended June 30, 2013

	Central Stores	Fleet Services	Information Technology	Project Management
<b>Cash flow from operating activities</b>				
Receipts from customers	\$ 1,279,369	\$ 6,925,146	\$ 6,425,803	\$ 3,258,390
Payments to suppliers	(758,797)	(2,213,810)	(4,052,223)	(547,475)
Payments on behalf of employees	(304,944)	(1,491,915)	(2,886,214)	(1,777,930)
<b>Net cash provided by operating activities</b>	<u>215,628</u>	<u>3,219,421</u>	<u>(512,634)</u>	<u>932,985</u>
<b>Cash flows from noncapital financing activities</b>				
Transfers in	-	238,714	-	113,196
Transfers out	(42,348)	(705,056)	-	(28,596)
<b>Net cash flows provided by (used in) noncapital financing activities</b>	<u>(42,348)</u>	<u>(466,342)</u>	<u>-</u>	<u>84,600</u>
<b>Cash flows from capital and related financing activities</b>				
Proceeds from sale of equipment	-	218,294	487,280	-
Acquisition of capital assets	-	(4,566,354)	(17,354)	-
<b>Net cash flows provided by (used in) capital and related financing activities</b>	<u>-</u>	<u>(4,348,060)</u>	<u>469,926</u>	<u>-</u>
<b>Cash flows from investing activities</b>				
Interest and dividends on investments	(5,402)	(36,222)	(18,516)	(19,007)
<b>Net change in cash and cash equivalents</b>	<u>167,878</u>	<u>(1,631,203)</u>	<u>(61,224)</u>	<u>998,578</u>
<b>Cash and cash equivalents, beginning of the year</b>	<u>1,482,252</u>	<u>10,789,850</u>	<u>5,475,993</u>	<u>4,909,955</u>
<b>Cash and cash equivalents, end of the year</b>	<u>\$ 1,650,130</u>	<u>\$ 9,158,647</u>	<u>\$ 5,414,769</u>	<u>\$ 5,908,533</u>
<b>Reconciliation to statement of net position</b>				
Cash	\$ -	\$ 150	\$ -	\$ 200
Equity in pooled cash and investments	1,650,130	9,158,497	5,414,769	5,908,333
<b>Cash and cash equivalent, end of year</b>	<u>\$ 1,650,130</u>	<u>\$ 9,158,647</u>	<u>\$ 5,414,769</u>	<u>\$ 5,908,533</u>



Insurance	Wheeler Center	Total
\$ 28,960,970	\$ 518,530	\$ 47,368,208
(24,718,271)	(385,356)	(32,675,932)
(535,654)	(57,648)	(7,054,305)
<u>3,707,045</u>	<u>75,526</u>	<u>7,637,971</u>
-	-	351,910
-	-	(776,000)
-	-	(424,090)
-	-	705,574
-	-	(4,583,708)
-	-	(3,878,134)
(29,411)	3,897	(104,661)
3,677,634	79,423	3,231,086
<u>7,970,747</u>	<u>235,970</u>	<u>30,864,767</u>
<u>\$ 11,648,381</u>	<u>\$ 315,393</u>	<u>\$ 34,095,853</u>
\$ 5,135	\$ -	\$ 5,485
<u>11,643,246</u>	<u>315,393</u>	<u>34,090,368</u>
<u>\$ 11,648,381</u>	<u>\$ 315,393</u>	<u>\$ 34,095,853</u>

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CITY OF ANN ARBOR, MICHIGAN

**Combining Statement of Cash Flows**  
 Internal Service Funds  
 For the Year Ended June 30, 2013

	Central Stores	Fleet Services	Information Technology	Project Management
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 120,024	\$ 1,513,144	\$ (829,681)	\$ 852,944
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	10,417	1,429,459	431,602	10,986
Changes in assets and liabilities:				
Allowance for uncollectible accounts	-	-	3,000	(26,107)
Accounts receivable	520	72,034	(22,139)	71,000
Inventory	42,778	6,253	-	-
Prepaid items	-	-	(97,043)	-
Accounts payable	40,965	183,454	(29,941)	(6,971)
Accrued compensated absences	880	14,983	15,421	32,530
Estimated claims payable	-	-	-	-
Accrued liabilities	(1,518)	94	16,147	(1,397)
Judgment payable	1,562	-	-	-
Net cash provided by operating activities	<u>\$ 215,628</u>	<u>\$ 3,219,421</u>	<u>\$ (512,634)</u>	<u>\$ 932,985</u>



Insurance	Wheeler Center	Total
\$ 2,425,847	\$ 71,374	\$ 4,153,652
-	-	1,882,464
-	481	(22,626)
-	(1,135)	120,280
-	-	49,031
442,079	-	345,036
21,992	3,071	212,570
(26,677)	-	37,137
845,674	-	845,674
(1,870)	1,735	13,191
-	-	1,562
<u>\$ 3,707,045</u>	<u>\$ 75,526</u>	<u>\$ 7,637,971</u>

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# CITY OF ANN ARBOR, MICHIGAN

## Combining Statement of Fiduciary Net Position

Pension and Other Employee Benefits Trust Funds

June 30, 2013

	Employees' Retirement System	Retiree Health Care Trust Fund	Total
<b>Assets</b>			
Cash	\$ -	\$ 139,831	\$ 139,831
Equity in pooled cash and investments	187,541	-	187,541
Investments, at fair value:			
Common stock	21,760,510	12,307,994	34,068,504
Common stock funds	157,999,581	29,227,393	187,226,974
Government bonds	6,307,637	1,395,748	7,703,385
Government agencies	1,319,298	209,147	1,528,445
Corporate bonds	24,745,409	3,605,818	28,351,227
Corporate bond funds	63,804,046	16,460,601	80,264,647
Bank loan participation	2,996,328	-	2,996,328
Government mortgage backed	15,997,695	2,307,993	18,305,688
Commercial mortgage backed	5,508,140	843,073	6,351,213
Asset backed securities	3,583,407	476,776	4,060,183
Non-government backed CMOs	1,911,034	293,474	2,204,508
Real estate	4,754	4,249,785	4,254,539
Real estate trust funds	2,050,775	714,970	2,765,745
Partnerships	83,601,850	20,402,502	104,004,352
Hedge funds	29,647,089	3,890,171	33,537,260
Short-term bills and notes	357,418	52,951	410,369
Short-term investment funds	7,859,553	10,165,262	18,024,815
Portfolio cash	1,037,247	174,111	1,211,358
Accrued interest and dividends	504,354	180,712	685,066
Due from broker for securities sold	1,101,431	501,127	1,602,558
Capital assets (net of depreciation of \$77,396)	408,654	-	408,654
<b>Total assets</b>	<b>432,693,751</b>	<b>107,599,439</b>	<b>540,293,190</b>
<b>Liabilities</b>			
Accounts payable	2,808,357	-	2,808,357
Accrued liabilities	-	67,739	67,739
Due to broker for securities purchased	1,679,028	845,531	2,524,559
Mortgage payable, due in one year	23,984	-	23,984
Mortgage payable, due in more than one year	270,726	-	270,726
<b>Total liabilities</b>	<b>4,782,095</b>	<b>913,270</b>	<b>5,695,365</b>
<b>Net position</b>			
Net investment in capital assets	113,944	-	113,944
Held in trust for pension and postemployment benefits	427,797,712	106,686,169	534,483,881
<b>Total net position</b>	<b>\$ 427,911,656</b>	<b>\$ 106,686,169</b>	<b>\$ 534,597,825</b>

# CITY OF ANN ARBOR, MICHIGAN

## Combining Statement of Changes in Fiduciary Net Position

Pension and Other Employee Benefit Trusts Funds

For the Year Ended June 30, 2013

	Employee Retirement System	Retiree Health Care Trust Fund	Total
<b>Additions</b>			
Investment income:			
<i>From investing activities:</i>			
Appreciation in fair value of investments	\$ 43,923,839	\$ 7,975,042	\$ 51,898,881
Interest and dividends	5,495,947	3,448,314	8,944,261
Total investment income	49,419,786	11,423,356	60,843,142
Investment management fees	(843,299)	(339,855)	(1,183,154)
Net investment income from investing activities	48,576,487	11,083,501	59,659,988
 <i>From securities lending activities:</i>			
Gross earnings	82,351	36,550	118,901
Borrower rebates received (paid)	(12,100)	20,815	8,715
Securities lending fees	(21,030)	(17,127)	(38,157)
Net investment income from securities lending activities	49,221	40,238	89,459
 Total net investment income	48,625,708	11,123,739	59,749,447
 Contributions:			
Employer	9,748,510	14,997,129	24,745,639
Plan member	2,854,605	-	2,854,605
Total contributions	12,603,115	14,997,129	27,600,244
 Total additions	61,228,823	26,120,868	87,349,691
 Deductions			
Benefits	30,829,388	9,207,043	40,036,431
Refund of contributions	1,489,250	-	1,489,250
Administrative expense	727,973	15,019	742,992
Total deductions	33,046,611	9,222,062	42,268,673
 Change in net position	28,182,212	16,898,806	45,081,018
 Net position, beginning of year	399,729,444	89,787,363	489,516,807
 Net position, end of year	\$ 427,911,656	\$ 106,686,169	\$ 534,597,825

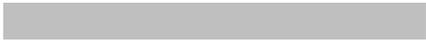
# CITY OF ANN ARBOR, MICHIGAN

## Combining Statement of Assets and Liabilities

Agency Funds

June 30, 2013

	Treasurer's Delinquent Tax	Treasurer's Current Tax	Contractors' Retainage	15th District Court
<b>Assets</b>				
Cash	\$ -	\$ 34,356	\$ 340,181	\$ 169,781
Equity in pooled cash and investments	93,253	131,009	4,114	-
<b>Total assets</b>	<b>\$ 93,253</b>	<b>\$ 165,365</b>	<b>\$ 344,295</b>	<b>\$ 169,781</b>
<b>Liabilities</b>				
Due to others	\$ -	\$ 165,365	\$ 344,295	\$ -
Due to other governments	93,253	-	-	72,351
Deposits	-	-	-	97,430
<b>Total liabilities</b>	<b>\$ 93,253</b>	<b>\$ 165,365</b>	<b>\$ 344,295</b>	<b>\$ 169,781</b>



Payroll	Total
---------	-------

\$ -	\$ 544,318
-	228,376
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\$ -	\$ 772,694
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\$ -	\$ 509,660
-	165,604
-	97,430
<hr/>	
\$ -	\$ 772,694
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# CITY OF ANN ARBOR, MICHIGAN

## Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2013

	Beginning Balance	Additions	Deductions	Ending Balance
<b>Treasurer's Delinquent Tax Fund</b>				
<b>Assets</b>				
Equity in pooled cash and investments	\$ 60,688	\$ 233,581	\$ 201,016	\$ 93,253
<b>Liabilities</b>				
Due to others	\$ -	\$ 455,224	\$ 455,224	\$ -
Due to other governments	60,688	137,488	104,923	93,253
<b>Total liabilities</b>	<b>\$ 60,688</b>	<b>\$ 592,712</b>	<b>\$ 560,147</b>	<b>\$ 93,253</b>
<b>Treasurer's Current Tax Fund</b>				
<b>Assets</b>				
Cash	\$ 79,714	\$ 258,808,872	\$ 258,854,230	\$ 34,356
Equity in pooled cash and investments	14,994	2,728,979	2,612,964	131,009
<b>Total assets</b>	<b>\$ 94,708</b>	<b>\$ 261,537,851</b>	<b>\$ 261,467,194</b>	<b>\$ 165,365</b>
<b>Liabilities</b>				
Due to others	\$ 94,708	\$ 246,018,419	\$ 245,947,762	\$ 165,365
<b>Contractors' Retainage Fund</b>				
<b>Assets</b>				
Cash	\$ 1,385,130	\$ -	\$ 1,044,949	\$ 340,181
Equity in pooled cash and investments	4,125	1,049,893	1,049,904	4,114
<b>Total assets</b>	<b>\$ 1,389,255</b>	<b>\$ 1,049,893</b>	<b>\$ 2,094,853</b>	<b>\$ 344,295</b>
<b>Liabilities</b>				
Due to others	\$ 1,389,255	\$ 845,934	\$ 1,890,894	\$ 344,295
<b>Fifteenth District Court Fund</b>				
<b>Assets</b>				
Cash	\$ 112,432	\$ 1,302,633	\$ 1,245,284	\$ 169,781
<b>Liabilities</b>				
Due to other governments	\$ 67,592	\$ 953,669	\$ 948,910	\$ 72,351
Deposits	44,840	348,964	296,374	97,430
<b>Total liabilities</b>	<b>\$ 112,432</b>	<b>\$ 1,302,633</b>	<b>\$ 1,245,284</b>	<b>\$ 169,781</b>

continued...

CITY OF ANN ARBOR, MICHIGAN

**Combining Statement of Fiduciary Assets and Liabilities**

Fiduciary Funds

For the Year Ended June 30, 2013

	Beginning Balance	Additions	Deductions	Ending Balance
<b>Payroll Fund</b>				
<b>Assets</b>				
Cash	\$ -	\$ 4,293	\$ 4,293	\$ -
Equity in pooled cash and investments	-	75,153,659	75,153,659	-
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 75,157,952</b>	<b>\$ 75,157,952</b>	<b>\$ -</b>
<b>Liabilities</b>				
Due to others	\$ -	\$ 116,839,964	\$ 116,839,964	\$ -
<b>Total - All Agency Funds</b>				
<b>Assets</b>				
Cash	\$ 1,577,276	\$ 260,115,798	\$ 261,148,756	\$ 544,318
Equity in pooled cash and investments	79,807	79,166,112	79,017,543	228,376
<b>Total assets</b>	<b>\$ 1,657,083</b>	<b>\$ 339,281,910</b>	<b>\$ 340,166,299</b>	<b>\$ 772,694</b>
<b>Liabilities</b>				
Due to others	\$ 1,483,963	\$ 364,159,541	\$ 365,133,844	\$ 509,660
Due to other governments	128,280	1,091,157	1,053,833	165,604
Deposits	44,840	348,964	296,374	97,430
<b>Total liabilities</b>	<b>\$ 1,657,083</b>	<b>\$ 365,599,662</b>	<b>\$ 366,484,051</b>	<b>\$ 772,694</b>

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## STATISTICAL SECTION

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# CITY OF ANN ARBOR, MICHIGAN

## Statistical Section Table of Contents

This part of the City of Ann Arbor's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

		<u>Page</u>
Financial Trends	These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	160
Revenue Capacity	These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	173
Debt Capacity	These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	182
Demographic and Economic Information	These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	186
Operating Information	These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	188

Sources: Unless otherwise noted, the information in these schedules are derived from the annual financial reports for the applicable year.

# CITY OF ANN ARBOR, MICHIGAN

## Net Position by Component (Accrual Basis of Accounting)

Last Ten Fiscal Years

	2013	2012	2011	2010
<b>Governmental activities</b>				
Net investment in capital assets	\$ 698,805,463	\$ 684,183,914	\$ 672,899,397	\$ 579,020,698
Restricted	57,612,227	66,605,173	66,772,308	118,723,718
Unrestricted	33,838,840	23,913,683	15,649,176	43,955,179
<b>Total governmental activities net position</b>	<b>\$ 790,256,530</b>	<b>\$ 774,702,770</b>	<b>\$ 755,320,881</b>	<b>\$ 741,699,595</b>
<b>Business-type activities</b>				
Net investment in capital assets	\$ 191,202,675	\$ 183,625,625	\$ 164,731,782	\$ 145,084,736
Restricted	28,947,807	21,926,274	17,374,027	17,245,077
Unrestricted	47,860,799	49,549,547	56,356,293	59,771,622
<b>Total business-type activities net position</b>	<b>\$ 268,011,281</b>	<b>\$ 255,101,446</b>	<b>\$ 238,462,102</b>	<b>\$ 222,101,435</b>
<b>Primary government</b>				
Net investment in capital assets	\$ 890,008,138	\$ 867,809,539	\$ 837,631,179	\$ 724,105,434
Restricted	86,560,034	88,531,447	84,146,335	135,968,795
Unrestricted	81,699,639	73,463,230	72,005,469	103,726,801
<b>Total primary government net position</b>	<b>\$ 1,058,267,811</b>	<b>\$ 1,029,804,216</b>	<b>\$ 993,782,983</b>	<b>\$ 963,801,030</b>

Source: City of Ann Arbor Financial Services, Accounting Services Unit

2009	2008	2007	2006	2005	2004
\$ 612,949,811	\$ 626,041,914	\$ 611,225,989	\$ 575,895,851	\$ 603,474,157	\$ 598,685,040
101,462,605	75,698,698	79,571,639	101,447,127	14,535,869	18,488,574
10,198,885	30,524,342	25,703,229	17,347,389	44,040,557	48,319,797
<u>\$ 724,611,301</u>	<u>\$ 732,264,954</u>	<u>\$ 716,500,857</u>	<u>\$ 694,690,367</u>	<u>\$ 662,050,583</u>	<u>\$ 665,493,411</u>
\$ 122,234,225	\$ 77,083,900	\$ 111,888,472	\$ 97,487,787	\$ 90,066,898	\$ 67,551,963
18,391,715	18,837,147	15,291,215	15,918,577	16,634,604	16,493,596
69,899,328	101,517,578	55,985,356	56,489,160	58,691,676	58,330,509
<u>\$ 210,525,268</u>	<u>\$ 197,438,625</u>	<u>\$ 183,165,043</u>	<u>\$ 169,895,524</u>	<u>\$ 165,393,178</u>	<u>\$ 142,376,068</u>
\$ 735,184,036	\$ 703,125,814	\$ 723,114,461	\$ 673,383,638	\$ 693,541,055	\$ 666,237,003
119,854,320	94,535,845	94,862,854	117,365,704	31,170,473	34,982,170
80,098,213	132,041,920	81,688,585	73,836,549	102,732,233	106,650,306
<u>\$ 935,136,569</u>	<u>\$ 929,703,579</u>	<u>\$ 899,665,900</u>	<u>\$ 864,585,891</u>	<u>\$ 827,443,761</u>	<u>\$ 807,869,479</u>

# CITY OF ANN ARBOR, MICHIGAN

## Changes in Net Position (Accrual Basis of Accounting)

Last Ten Fiscal Years

	2013	2012	2011	2010
<b>Expenses</b>				
<b>Governmental activities:</b>				
General government	\$ 14,780,995	\$ 15,236,105	\$ 14,794,159	\$ 17,333,282
Public safety	39,396,533	40,649,428	42,049,504	43,010,456
Public works	24,374,228	19,889,391	20,468,502	17,933,743
Community and economic development	1,820,460	2,931,838	3,781,557	3,996,830
Culture and recreation	10,573,584	10,071,912	9,935,578	7,945,806
Public transportation	9,233,757	8,913,232	9,362,712	9,682,798
Debt service	4,953,237	5,134,805	5,260,736	3,297,914
Unallocated depreciation	-	-	44,331	141,823
<b>Total governmental activities expenses</b>	<b>105,132,794</b>	<b>102,826,711</b>	<b>105,697,079</b>	<b>103,342,652</b>
<b>Business-type activities:</b>				
Water	17,939,124	16,976,630	17,338,241	16,861,582
Sewer	15,024,567	14,569,815	14,443,929	14,242,272
Parking	2,537,775	2,708,673	2,678,011	2,879,139
Market	234,078	168,977	156,059	155,993
Golf courses	1,443,008	1,554,083	1,649,866	1,646,340
Airport	670,743	568,629	744,629	670,736
Stormwater	4,983,006	4,336,523	3,945,211	3,031,318
Solid waste	14,336,494	11,563,289	13,724,530	11,770,761
Hydropower	-	-	-	-
<b>Total business-type activities expenses</b>	<b>57,168,795</b>	<b>52,446,619</b>	<b>54,680,476</b>	<b>51,258,141</b>
<b>Total primary government expenses</b>	<b>162,301,589</b>	<b>155,273,330</b>	<b>160,377,555</b>	<b>154,600,793</b>

2009	2008	2007	2006	2005	2004
\$ 24,108,111	\$ 14,290,184	\$ 15,219,894	\$ 13,908,277	\$ 13,732,411	\$ 22,240,005
56,723,757	48,004,360	42,368,701	44,026,682	43,656,127	38,535,603
21,084,898	22,948,985	16,388,169	19,659,069	22,554,703	16,728,351
5,869,426	5,611,549	5,146,231	2,188,427	5,425,385	4,158,934
9,530,857	8,616,049	6,464,261	6,810,978	7,697,210	9,190,992
9,592,129	9,574,677	9,169,355	8,666,141	8,349,044	7,951,457
3,229,523	2,544,827	2,737,333	1,539,263	934,007	1,218,936
39,175	64,861	55,005	71,575	37,375	41,414
<u>130,177,876</u>	<u>111,655,492</u>	<u>97,548,949</u>	<u>96,870,412</u>	<u>102,386,262</u>	<u>100,065,692</u>
18,971,550	17,876,975	16,943,066	16,881,883	16,671,468	15,772,718
15,190,288	13,585,023	15,247,981	13,488,810	14,019,208	14,102,932
3,048,960	2,963,565	2,902,894	3,684,777	2,368,344	2,478,172
145,024	136,004	124,636	124,754	115,892	149,660
1,510,711	1,374,434	1,115,341	1,134,301	1,152,354	1,275,010
846,383	728,168	842,521	904,514	860,515	804,005
2,789,058	3,038,548	2,622,490	1,556,229	1,662,144	1,875,871
12,131,440	10,881,003	10,322,715	9,876,503	8,086,147	-
-	-	-	-	259,773	467,783
<u>54,633,414</u>	<u>50,583,720</u>	<u>50,121,644</u>	<u>47,651,771</u>	<u>45,195,845</u>	<u>36,926,151</u>
<u>184,811,290</u>	<u>162,239,212</u>	<u>147,670,593</u>	<u>144,522,183</u>	<u>147,582,107</u>	<u>136,991,843</u>

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# CITY OF ANN ARBOR, MICHIGAN

## Changes in Net Position (Accrual Basis of Accounting)

Last Ten Fiscal Years

	2013	2012	2011	2010
Program revenues				
Governmental activities:				
Charges for services:				
General government	\$ 8,557,284	\$ 7,371,102	\$ 11,729,555	\$ 8,527,479
Public safety	8,110,028	9,559,178	8,732,273	7,272,976
Public works	2,620,789	3,303,537	2,253,632	3,158,923
Community and economic development	-	35,269	-	-
Culture and Recreation	2,502,342	2,383,032	2,623,518	2,372,364
Public transportation	-	92,518	93,612	97,513
Interest on long-term debt	3,733,571	3,038,523	-	-
Operating grants and contributions	13,682,013	13,210,386	9,635,060	9,998,747
Capital grants and contributions	493,900	346,046	3,621,001	1,239,229
Total governmental activities program revenues	<u>39,699,927</u>	<u>39,339,591</u>	<u>38,688,651</u>	<u>32,667,231</u>
Business-type activities:				
Charges for services:				
Water	23,746,197	22,017,955	21,160,437	19,905,769
Sewer	21,456,653	21,103,955	21,741,717	19,292,506
Parking	2,884,220	2,877,149	2,923,214	2,941,159
Market	148,942	253,850	148,687	144,591
Golf courses	1,146,989	1,304,135	1,171,776	1,164,840
Airport	855,286	834,238	847,728	782,039
Stormwater	5,956,093	5,712,581	7,512,538	5,954,788
Solid waste	2,942,230	3,450,410	3,136,831	1,517,653
Hydropower	-	-	-	-
Capital grants and contributions	4,925,869	1,256,394	951,818	2,204,638
Total business-type activities program revenues	<u>64,062,479</u>	<u>58,810,667</u>	<u>59,594,746</u>	<u>53,907,983</u>
Total primary government program revenues	<u>103,762,406</u>	<u>98,150,258</u>	<u>98,283,397</u>	<u>86,575,214</u>

2009	2008	2007	2006	2005	2004
\$ 5,747,883	\$ 5,365,601	\$ 4,968,702	\$ 10,716,589	\$ 5,425,726	\$ 8,974,662
11,128,662	13,042,927	12,119,252	11,624,431	11,539,080	10,189,485
1,552,806	2,104,180	4,224,568	1,834,707	3,220,105	7,495,156
-	-	-	890	(81,681)	1,109,134
2,615,433	2,561,561	2,447,072	2,482,219	2,280,083	2,650,541
98,464	91,589	91,589	86,770	83,507	79,541
-	-	-	-	-	-
10,174,646	10,635,661	10,659,938	12,604,477	12,245,420	10,608,459
681,800	336,643	479,321	791,100	1,213,663	1,806,735
<u>31,999,694</u>	<u>34,138,162</u>	<u>34,990,442</u>	<u>40,141,183</u>	<u>35,925,903</u>	<u>42,913,713</u>
18,420,957	20,274,057	19,075,505	18,377,961	18,085,363	15,997,464
19,074,478	19,493,468	17,330,738	18,933,853	18,330,302	15,830,994
3,423,624	2,531,021	3,305,205	3,066,276	3,462,633	3,691,597
115,902	122,644	126,979	125,347	131,348	151,244
1,031,632	865,113	870,567	998,218	1,042,785	1,172,313
741,339	793,125	773,784	719,842	830,657	716,242
5,316,391	4,910,929	4,373,848	3,758,240	3,529,955	2,881,077
1,049,923	1,543,903	729,343	814,140	478,493	-
-	-	-	-	-	261,730
2,736,217	418,430	668,917	-	-	-
<u>51,910,463</u>	<u>50,952,690</u>	<u>47,254,886</u>	<u>46,793,877</u>	<u>45,891,536</u>	<u>40,702,661</u>
<u>83,910,157</u>	<u>85,090,852</u>	<u>82,245,328</u>	<u>86,935,060</u>	<u>81,817,439</u>	<u>83,616,374</u>

continued...

# CITY OF ANN ARBOR, MICHIGAN

## Changes in Net Position (Accrual Basis of Accounting)

Last Ten Fiscal Years

	2013	2012	2011	2010
Net (expense) revenue				
Governmental activities	\$ (65,432,867)	\$ (63,487,120)	\$ (67,008,428)	\$ (70,675,421)
Business-type activities	6,893,684	6,364,048	4,914,270	2,649,842
Total primary government net expense	<u>(58,539,183)</u>	<u>(57,123,072)</u>	<u>(62,094,158)</u>	<u>(68,025,579)</u>
General revenues and other changes in net position				
Governmental activities:				
Taxes:				
Property taxes, levied for general purposes	66,703,347	65,483,779	58,050,469	60,655,729
Property taxes, levied for designated purpose	-	-	7,131,115	7,454,130
Property taxes, levied for debt services	-	-	2,265,030	2,274,782
State shared revenues and grants (unrestricted)	9,771,731	9,748,477	9,582,165	9,456,109
Investment income	(410,361)	2,567,568	2,523,944	4,308,095
Gain on sale of assets	-	-	-	-
Special item	-	-	-	-
Other	145,399	3,410,739	835,982	215,199
Transfers	3,690,615	2,428,146	241,009	4,140,628
Total governmental activities	<u>79,900,731</u>	<u>83,638,709</u>	<u>80,629,714</u>	<u>88,504,672</u>
Business-type activities:				
Property taxes, levied for general purposes	11,154,045	11,030,550	11,171,676	11,677,513
Gain on sale of assets	-	-	-	-
Investment income	(245,003)	1,188,581	515,730	1,545,547
Other	(504,477)	484,311	-	-
Transfers	(3,690,615)	(2,428,146)	(241,009)	(4,140,628)
Total business-type activities	<u>6,713,950</u>	<u>10,275,296</u>	<u>11,446,397</u>	<u>9,082,432</u>
Total primary government	<u>86,614,681</u>	<u>93,914,005</u>	<u>92,076,111</u>	<u>97,587,104</u>
Change in net position				
Governmental activities	14,467,864	20,151,589	13,621,286	17,829,251
Business-type activities	13,607,634	16,639,344	16,360,667	11,732,274
Total primary government	<u>\$ 28,075,498</u>	<u>\$ 36,790,933</u>	<u>\$ 29,981,953</u>	<u>\$ 29,561,525</u>

Source: City of Ann Arbor Financial Services, Accounting Services Unit

2009	2008	2007	2006	2005	2004
\$ (98,178,182)	\$ (77,517,330)	\$ (62,558,507)	\$ (56,729,229)	\$ (66,460,359)	\$ (57,151,979)
(2,722,951)	368,970	(2,866,758)	(857,894)	695,691	3,776,510
<u>(100,901,133)</u>	<u>(77,148,360)</u>	<u>(65,425,265)</u>	<u>(57,587,123)</u>	<u>(65,764,668)</u>	<u>(53,375,469)</u>
60,468,022	60,510,514	48,243,639	45,587,059	51,423,077	56,035,123
-	-	-	-	-	-
9,526,085	9,555,291	17,236,440	16,430,807	8,029,733	8,127,043
11,102,183	11,116,813	11,464,818	11,469,467	11,674,762	11,865,469
7,890,239	9,059,668	7,990,673	4,246,277	2,181,348	907,722
-	-	-	-	-	-
-	-	-	4,100,000	-	-
375,390	899,577	709,786	194,410	367,458	646,593
1,162,611	2,139,564	(1,276,359)	7,134,212	1,870,457	(335,508)
<u>90,524,530</u>	<u>93,281,427</u>	<u>84,368,997</u>	<u>89,162,232</u>	<u>75,546,835</u>	<u>77,246,442</u>
11,529,057	11,550,982	10,998,459	10,399,700	10,011,080	-
-	-	-	-	-	-
5,443,148	4,493,194	3,861,459	2,177,470	1,651,492	304,192
-	-	-	-	-	-
(1,162,611)	(2,139,564)	1,276,359	(7,134,212)	(1,870,457)	335,508
<u>15,809,594</u>	<u>13,904,612</u>	<u>16,136,277</u>	<u>5,442,958</u>	<u>9,792,115</u>	<u>639,700</u>
<u>106,334,124</u>	<u>107,186,039</u>	<u>100,505,274</u>	<u>94,605,190</u>	<u>85,338,950</u>	<u>77,886,142</u>
(7,653,652)	15,764,097	21,810,490	32,433,003	9,086,476	20,094,463
13,086,643	14,273,582	13,269,519	4,585,064	10,487,806	4,416,150
<u>\$ 5,432,991</u>	<u>\$ 30,037,679</u>	<u>\$ 35,080,009</u>	<u>\$ 37,018,067</u>	<u>\$ 19,574,282</u>	<u>\$ 24,510,613</u>

concluded.

# CITY OF ANN ARBOR, MICHIGAN

## Fund Balances (Modified Accrual Basis of Accounting)

### Governmental Funds Last Ten Fiscal Years

	2013	2012	2011	2010
<b>General fund</b>				
Reserved	\$ -	\$ -	\$ -	\$ 199,238
Unreserved	-	-	-	12,288,378
Nonspendable (1)	915,644	960,336	1,032,509	-
Assigned (1)	810,595	243,308	2,024,490	-
Unassigned (1)	14,392,854	14,093,650	10,525,445	-
<b>Total general fund</b>	<b>\$ 16,119,093</b>	<b>\$ 15,297,294</b>	<b>\$ 13,582,444</b>	<b>\$ 12,487,616</b>
<b>All other governmental funds</b>				
Reserved	\$ -	\$ -	\$ -	\$ 19,102,850
Unreserved, reported in:				
Special revenue funds	-	-	-	67,567,542
Capital projects funds	-	-	-	38,031,543
Debt service funds	-	-	-	-
Subsequent year's expenditures	-	-	-	-
Undesignated	-	-	-	320,340
Nonspendable (1)	1,984,000	1,985,800	1,984,000	-
Restricted (1)	56,701,167	63,432,711	85,121,367	-
Committed (1)	6,088,188	4,617,556	-	-
Assigned (1)	2,346,846	2,285,397	2,251,551	-
<b>Total all other governmental funds</b>	<b>\$ 67,120,201</b>	<b>\$ 72,321,464</b>	<b>\$ 89,356,918</b>	<b>\$ 125,022,275</b>

(1) In fiscal year 2011, the City adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which reclassifies fund balance into new reporting categories.

Source: City of Ann Arbor Financial Services, Accounting Services Unit

2009	2008	2007	2006	2005	2004
\$ 444,744	\$ 219,224	\$ 270,048	\$ 485,868	\$ 920,078	\$ 1,346,170
10,910,841	19,561,545	16,126,413	11,962,837	9,740,289	8,117,344
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 11,355,585</u>	<u>\$ 19,780,769</u>	<u>\$ 16,396,461</u>	<u>\$ 12,448,705</u>	<u>\$ 10,660,367</u>	<u>\$ 9,463,514</u>
\$ 43,160,630	\$ 16,289,679	\$ 14,783,804	\$ 33,451,679	\$ 7,410,788	\$ 13,463,689
64,524,470	64,279,003	70,463,629	34,425,813	35,852,445	21,250,565
2,401,119	3,622,949	-	11,709,820	10,799,473	21,486,018
-	-	-	-	1,621,672	1,828,253
-	-	-	-	-	-
-	-	-	26,634,034	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 110,086,219</u>	<u>\$ 84,191,631</u>	<u>\$ 85,247,433</u>	<u>\$ 106,221,346</u>	<u>\$ 55,684,378</u>	<u>\$ 58,028,525</u>

# CITY OF ANN ARBOR, MICHIGAN

## Changes in Fund Balances (Modified Accrual Basis of Accounting)

Governmental Funds  
Last Ten Fiscal Years

	2013	2012	2011	2010
<b>Revenues</b>				
Taxes	\$ 66,692,158	\$ 65,483,779	\$ 67,446,614	\$ 70,384,641
Special assessments/improvement charges	43,102	48,843	103,790	54,713
Licenses, fees and permits	6,537,092	6,279,934	6,125,839	5,108,409
Federal grants	3,366,834	1,567,185	4,950,416	2,583,511
State shared revenues and grants	19,916,609	21,367,804	18,156,777	17,277,839
Charges for services	12,050,841	13,721,017	12,642,161	10,393,128
Fines and penalties	4,483,090	4,606,580	4,863,239	4,138,282
Interest and penalties	11,189	828	516,159	515,190
Investment income (loss)	(305,700)	2,057,540	1,851,927	3,071,842
Rental	653,879	463,191	421,742	404,147
Contributions and donations	295,289	369,920	280,971	260,470
Intra-governmental sales	157,956	208,243	361,245	318,696
Miscellaneous	1,529,283	719,712	1,181,503	316,652
<b>Total revenues</b>	<b>115,431,622</b>	<b>116,894,576</b>	<b>118,902,383</b>	<b>114,827,520</b>
<b>Expenditures</b>				
Current:				
General government	14,659,352	15,034,085	14,058,718	16,323,784
Public safety	42,347,919	43,139,586	43,678,573	43,654,317
Public works	19,015,177	18,969,637	17,617,067	16,353,447
Community and economic development	1,918,460	3,677,716	3,863,957	4,014,989
Culture and recreation	10,142,639	9,996,650	9,653,540	7,498,717
Public transportation	9,233,757	8,913,232	10,106,607	9,682,798
Capital outlay	26,764,896	29,176,152	46,974,519	49,765,312
Debt service:				
Principal	4,055,000	3,320,000	3,410,000	3,345,000
Interest	5,045,229	5,117,493	5,302,317	2,773,143
<b>Total expenditures</b>	<b>133,182,429</b>	<b>137,344,551</b>	<b>154,665,298</b>	<b>153,411,507</b>
Revenues over (under) expenditures	(17,750,807)	(20,449,975)	(35,762,915)	(38,583,987)
<b>Other financing sources (uses):</b>				
Transfers in	10,917,733	9,620,472	7,170,739	11,227,633
Transfers out	(6,803,028)	(6,519,432)	(6,023,714)	(5,914,937)
Sale of property and equipment	30,563	2,809,085	45,361	13,855
Payment to refunded bond escrow agent	-	(2,714,429)	-	-
Issuance of debt	9,085,000	2,670,000	-	49,420,000
Bond premium (discount)	141,075	33,375	-	(93,674)
Bond issuance costs	-	-	-	-
Note proceeds	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>13,371,343</b>	<b>5,899,071</b>	<b>1,192,386</b>	<b>54,652,877</b>
<b>Net change in fund balances</b>	<b>\$ (4,379,464)</b>	<b>\$ (14,550,904)</b>	<b>\$ (34,570,529)</b>	<b>\$ 16,068,890</b>
Debt service as a percentage of noncapital expenditures	9.4%	8.7%	8.8%	6.4%

Source: City of Ann Arbor Financial Services, Accounting Services Unit

2009	2008	2007	2006	2005	2004
\$ 69,994,107	\$ 70,065,805	\$ 65,480,079	\$ 62,017,866	\$ 59,452,810	\$ 64,162,166
77,748	182,302	119,198	122,147	130,872	714,075
1,133,847	1,284,685	1,210,631	3,229,331	3,715,412	3,145,919
3,434,753	3,470,830	3,801,631	4,062,637	3,842,697	2,132,556
18,469,118	18,743,579	19,214,610	20,011,307	20,077,485	20,341,372
13,350,572	14,228,315	14,846,082	9,608,385	9,343,486	13,268,471
4,963,134	5,874,429	5,894,126	5,997,715	5,787,212	5,479,578
28,963	30,472	36,551	39,894	50,227	95,095
6,807,477	7,864,379	7,216,882	3,844,416	1,830,015	786,244
310,520	335,642	185,173	128,882	58,482	109,655
228,208	297,087	171,640	164,162	232,206	398,211
188,958	363,457	535,049	157,850	57,020	526,340
375,390	899,577	709,786	194,410	367,458	646,593
<u>119,362,795</u>	<u>123,640,559</u>	<u>119,421,438</u>	<u>109,579,002</u>	<u>104,945,382</u>	<u>111,806,275</u>
22,475,026	16,360,311	14,755,887	15,320,549	18,562,206	22,676,988
47,151,174	45,003,004	43,476,726	41,629,068	37,973,587	35,940,052
15,037,630	15,946,677	19,564,728	13,513,583	16,037,811	24,427,731
5,243,807	5,610,030	5,059,096	4,601,791	4,782,131	3,518,856
8,462,253	7,955,698	6,153,578	11,957,408	11,435,111	10,906,628
9,592,129	9,574,677	9,169,355	8,666,141	8,349,044	7,951,457
18,102,248	16,661,477	31,209,188	10,943,071	2,438,127	7,216,099
3,270,000	3,175,000	3,405,000	2,508,050	2,516,100	2,556,100
2,934,523	2,586,455	2,422,079	1,329,166	971,713	1,187,383
<u>132,268,790</u>	<u>122,873,329</u>	<u>135,215,637</u>	<u>110,468,827</u>	<u>103,065,830</u>	<u>116,381,294</u>
(12,905,995)	767,230	(15,794,199)	(889,825)	1,879,552	(4,575,019)
13,104,036	8,879,908	9,362,022	21,817,720	11,784,483	7,927,995
(10,513,218)	(7,334,089)	(10,627,817)	(12,938,988)	(9,577,715)	(8,324,538)
312,501	15,457	33,837	3,470	18,370	49,471
-	-	-	-	-	-
27,660,000	-	-	44,885,000	-	-
-	-	-	-	-	-
(187,920)	-	-	(305,812)	-	-
-	-	-	-	-	3,500,000
<u>30,375,399</u>	<u>1,561,276</u>	<u>(1,231,958)</u>	<u>53,461,390</u>	<u>2,225,138</u>	<u>3,152,928</u>
<u>\$ 17,469,404</u>	<u>\$ 2,328,506</u>	<u>\$ (17,026,157)</u>	<u>\$ 52,571,565</u>	<u>\$ 4,104,690</u>	<u>\$ (1,422,091)</u>
5.7%	5.8%	6.2%	4.3%	4.1%	4.2%

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**Taxable Value of Property**  
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Real Property	Personal Property	Less: Tax-exempt Property (4)	Total Taxable Value	Total Direct Tax Rate
2004	\$ 3,554,607,491	\$ 274,842,600	\$ -	\$ 3,829,450,091	16.9015
2005	3,755,255,488	273,920,800	-	4,029,176,288	16.9013
2006	3,964,733,709	256,014,650	-	4,220,748,359	16.8156
2007	4,227,329,588	254,272,500	-	4,481,602,088	16.6605
2008	4,469,676,977	266,530,700	-	4,736,207,677	16.7825
2009	4,577,802,604	309,165,535	-	4,886,968,139	16.7807
2010	4,595,490,848	263,449,000	-	4,858,939,848	16.7970
2011	4,447,791,127	220,760,700	-	4,668,551,827	16.8164
2012	4,422,577,957	212,313,200	-	4,634,891,157	16.4660
2013	4,473,471,542	209,747,000	-	4,683,218,542	16.5720

Notes:

- (1) Taxable property in the City is assessed by the City Assessor and is subject to review by the County Board of Equalization. Tax levies on property in Michigan are applied against the taxable value of all property. Current statutes require assessments to be 50% of the true cash value of both personal and real property for equalization purposes.
- (2) In accordance with Act 409, Public Acts of Michigan, 1965, and Article 9, Section 2 of the Michigan Constitution, as amended by Joint Resolution S on March 15, 1994, state equalized value shall not exceed 50% of the true cash value. With the passage of Proposal "A", another value is required on each property. The new value is termed "taxable value". Increases in taxable value are limited to 5%, the Consumer Price Index, or State Equalized Value, whichever is less.
- (3) For the Industrial Facilities tax roll, the millage rate is 50% of the normal millage rate.
- (4) As Tax Exempt Property has a zero dollar value, no value is listed.

Source: City of Ann Arbor Financial Services, Assessing Unit

CITY OF ANN ARBOR, MICHIGAN

**Direct and Overlapping Property Tax Rates (per \$1,000 of taxable value)**  
Last Ten Fiscal Years

City of Ann Arbor Direct Rate						
Fiscal Year	General Operating	Refuse Collection	Transportation*	Employee Benefits	Debt Service	
Homestead	2004	6.0315	2.5264	2.1054	2.1054	0.7300
Non-Homestead	2004	6.0315	2.5264	2.1054	2.1054	0.7300
Principal Residence Exemption (PRE)	2005	6.2125	2.5137	2.0948	2.0948	0.6000
Non-PRE	2005	6.2125	2.5137	2.0948	2.0948	0.6000
Principal Residence Exemption (PRE)	2006	6.2318	2.4925	2.0772	2.0772	0.5800
Non-PRE	2006	6.2318	2.4925	2.0772	2.0772	0.5800
Principal Residence Exemption (PRE)	2007	6.1856	2.4740	2.0618	2.0618	0.5454
Non-PRE	2007	6.1856	2.4740	2.0618	2.0618	0.5454
Principal Residence Exemption (PRE)	2008	6.1682	2.4670	2.0560	2.0560	0.4661
Non-PRE	2008	6.1682	2.4670	2.0560	2.0560	0.4661
Principal Residence Exemption (PRE)	2009	6.1682	2.4670	2.0560	2.0560	0.4643
Non-PRE	2009	6.1682	2.4670	2.0560	2.0560	0.4643
Principal Residence Exemption (PRE)	2010	6.1682	2.4670	2.0560	2.0560	0.4806
Non-PRE	2010	6.1682	2.4670	2.0560	2.0560	0.4806
Principal Residence Exemption (PRE)	2011	6.1682	2.4670	2.0560	2.0560	0.5000
Non-PRE	2011	6.1682	2.4670	2.0560	2.0560	0.5000
Principal Residence Exemption (PRE)	2012	6.1682	2.4670	2.0560	2.0560	0.1496
Non-PRE	2012	6.1682	2.4670	2.0560	2.0560	0.1496
Principal Residence Exemption (PRE)	2013	6.1682	2.4670	2.0560	2.0560	0.1250
Non-PRE	2013	6.1682	2.4670	2.0560	2.0560	0.1250

\* Represents millage collected for Ann Arbor Transportation Authority.

\*\* Includes Washtenaw Intermediate School Ann Arbor District millage of 3.9745 mills and State Education Tax of 6.0 mills on both Principal Residence and Non-Principal Residence properties. On Non-Principal Residence properties, an additional 13.4656 mills is included for School Operating Tax.

Source: City of Ann Arbor Financial Services, Assessing Unit

City of Ann Arbor Direct Rate		Total Direct Tax Rate	Overlapping Rates				Total
Parks	Major Street Repair		Ann Arbor Public Schools**	Ann Arbor District Library***	Washtenaw County	Washtenaw Community College	
1.4236	1.9792	16.9015	17.1741	1.9500	5.5819	3.8343	45.4418
1.4236	1.9792	16.9015	29.5202	1.9500	5.5819	3.8343	57.7879
1.4162	1.9693	16.9013	19.1890	1.9476	5.5493	3.7748	47.3620
1.4162	1.9693	16.9013	31.5090	1.9476	5.5493	3.7748	59.6820
1.4042	1.9527	16.8156	18.7994	1.9332	5.5024	3.7249	46.7755
1.4042	1.9527	16.8156	31.2636	1.9332	5.5024	3.7249	59.2397
1.3937	1.9382	16.6605	18.2226	1.9214	5.6768	3.7082	46.1895
1.3937	1.9382	16.6605	31.2154	1.9214	5.6768	3.7082	59.1823
1.5748	1.9944	16.7825	17.9610	1.9214	5.6768	3.6956	46.0373
1.5748	1.9944	16.7825	31.2072	1.9214	5.6768	3.6956	59.2835
1.5748	1.9944	16.7807	17.5203	1.9214	5.7018	3.6856	45.6098
1.5748	1.9944	16.7807	31.2040	1.9214	5.7018	3.6856	59.2935
1.5748	1.9944	16.7970	17.4132	1.5500	5.7418	3.6856	45.1876
1.5748	1.9944	16.7970	30.9625	1.5500	5.7418	3.6856	58.7369
1.5748	1.9944	16.8164	17.6315	1.5500	5.7448	3.6856	45.4283
1.5748	1.9944	16.8164	31.0971	1.5500	5.7448	3.6856	58.8939
1.5748	1.9944	16.4660	18.1329	1.5500	5.7518	3.6376	45.5383
1.5748	1.9944	16.4660	31.4245	1.5500	5.7518	3.6376	58.8299
1.5748	2.1250	16.5720	18.1329	1.5500	5.7654	3.6376	45.6579
1.5748	2.1250	16.5720	31.4245	1.5500	5.7654	3.6376	58.9495

# CITY OF ANN ARBOR, MICHIGAN

## Principal Property Taxpayers Current Year and Nine Years Ago

Taxpayer	Type of Business	2013		
		Taxable Value	Rank	Percentage of Total City Assessed Value
Briarwood Shopping Complex	Shopping Center	\$ 38,639,614	1	0.83%
DTE Electric Company	Utility	32,786,122	2	0.70%
Campus Investors 601 Forest	Apartments	30,502,800	3	0.65%
AMCAP Arborland LLC	Shopping Center	29,971,966	4	0.64%
Ann Arbor Campus Housing, LLC	Apartments	27,682,406	5	0.59%
HUB Eisenhower Property	Office Building	27,165,184	6	0.58%
McKinley Associates	Apartments & Office	19,549,657	7	0.42%
THC Ann Arbor WP LLC	Apartments	19,443,700	8	0.42%
THC Ann Arbor LV LLC	Apartments	17,154,764	9	0.37%
DTE Gas Company	Utility	17,057,300	10	0.36%
Windemere I Ltd Partnership	Apartments			
Village Cooperative Homes	Co-op Housing			
Glacier Hills	Apartments			
Pfizer	Pharmaceuticals			
Geddes Lakes Cooperative	Co-op Housing			
<b>Total</b>		<b>\$ 259,953,513</b>		<b>5.55%</b>

Source: City of Ann Arbor Financial Services, Assessing Unit

Schedule 7  
UNAUDITED

2004		
Taxable Value	Rank	Percentage of Total City Assessed Value
\$ 35,975,316	2	0.94%
27,022,655	3	0.71%
19,733,504	4	0.52%
15,354,353	6	0.40%
12,437,000	9	0.32%
14,001,751	7	0.37%
13,153,339	8	0.34%
12,414,549	10	0.32%
200,365,900	1	5.23%
15,862,230	5	0.41%
<u>\$ 366,320,597</u>		<u>9.57%</u>

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**Property Tax Levies and Collections**  
 Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year*	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years (Real)	Collections in Subsequent Years (Personal)	Total Collections to Date	
		Amount	Percentage of Levy			Amounts	Percentage of Levy
2004	\$64,998,741	\$63,781,720	98.13%	\$ 964,100	\$ 134,605	\$64,880,425	99.82%
2005	68,610,496	67,417,239	98.26%	1,057,616	75,912	68,550,767	99.91%
2006	71,482,832	70,318,467	98.37%	1,015,575	108,203	71,442,245	99.94%
2007	75,429,967	73,974,415	98.07%	1,330,102	118,029	75,422,546	99.99%
2008	80,126,988	78,036,023	97.39%	1,986,130	96,075	80,118,228	99.99%
2009	81,928,011	79,444,679	96.97%	2,377,225	64,885	81,886,789	99.95%
2010	81,663,316	79,228,933	97.02%	2,317,119	55,356	81,601,408	99.92%
2011	78,565,863	76,336,483	97.16%	2,121,932	16,935	78,475,350	99.88%
2012	75,840,849	74,102,021	97.71%	1,651,831	21,934	75,775,786	99.91%
2013	77,169,289	76,009,075	98.50%	1,055,355	17,286	77,081,716	99.89%

Ad valorem taxes are levied July 1st annually, and are due July 31st. Delinquent real property taxes are turned over to the County for collection the following March 1st. The County pays all its municipalities from a revolving fund for delinquent real property taxes. Delinquent personal property taxes are negligible.

\* Adjusted tax roll for City millages only at time of settlement with the County. Figures include DDA capture of City taxes and excludes administrative fees and interest.

Source: City of Ann Arbor Financial Services, Treasury Unit (Revised format 2011)

## CITY OF ANN ARBOR, MICHIGAN

### Ratios of Outstanding Debt by Type (Dollars in thousands except for per capita) Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-Type Activities			
	General Obligation Bonds	Special Assessment Bonds	Installment Purchase Agreement	General Obligation Bonds	Lease Contract Payable	[1] Revenue Bonds	Other Long-term Debt
2004	\$ 19,465	\$ 1,930	\$ 3,644	\$ 32,552	\$ 400	\$ 75,240	\$ 782
2005	17,445	1,530	3,548	29,676	-	71,405	2,260
2006	60,235	1,165	3,500	27,616	-	66,750	2,972
2007	57,190	805	3,500	29,672	-	62,040	5,734
2008	54,140	680	3,911	27,510	-	105,160	6,431
2009	78,655	555	3,500	25,295	-	99,855	6,360
2010	124,855	430	3,500	23,365	-	94,215	9,445
2011	121,565	310	3,500	21,315	-	98,412	12,317
2012	118,053	220	3,500	19,190	-	102,866	1,470
2013	122,752	140	4,060	16,965	86	106,572	35,981

Note: For fiscal year 2013 percent of personal income, the divisor used was for 2011 since 2012 and 2013 personal income is not available at this time.

Source: City of Ann Arbor Financial Services, Accounting Services Unit

[1] Includes State revolving loan fund debt which is payable from enterprise fund revenues.

Schedule 9  
UNAUDITED

Total Primary Government	Percentage of Personal Income	Per Capita
\$ 134,013	1.00%	1,175
125,864	0.92%	1,101
162,238	1.17%	1,419
158,941	1.17%	1,390
197,832	1.44%	1,683
214,220	1.63%	1,869
255,810	1.90%	2,267
257,419	1.81%	2,259
245,299	1.73%	2,153
286,556	2.02%	2,515

**Ratios of Net General Bonded Debt Outstanding (Dollars in thousands except for per capita)  
Last Ten Fiscal Years**

Fiscal Year	General Bonded Debt Outstanding				Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Less: Amounts Restricted to Repaying Principal	Less: Self-Supported Portion of Debt	Net General Bonded Debt		
2004	\$ 52,017	\$ (1,828)	\$ (1,930)	\$ 48,259	1.26%	\$ 423.10
2005	47,121	(1,622)	(1,530)	43,969	1.09%	385.34
2006	87,851	(1,375)	(1,165)	85,311	2.02%	746.93
2007	86,862	(1,271)	(805)	84,786	1.89%	741.90
2008	81,650	(1,268)	(680)	79,702	1.68%	697.42
2009	103,950	(1,248)	(555)	102,147	2.09%	891.32
2010	148,220	(1,324)	(430)	146,466	3.01%	1,297.86
2011	142,880	(1,516)	(310)	141,054	3.02%	1,238.05
2012	137,243	(1,318)	(230)	135,695	2.93%	1,191.00
2013	139,717	(1,243)	(150)	138,324	2.95%	1,214.09

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

Source: City of Ann Arbor Financial Services, Accounting Services Unit

**Direct and Overlapping Governmental Activities Debt**

(dollars in thousands)

As of June 30, 2013

Government Unit	Net Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
<b>Direct debt</b>			
General obligation bonds	\$ 118,053	100.00%	\$ 118,053
Special assessment bonds	220	100.00%	220
Installment purchase agreement	3,500	100.00%	3,500
<b>Total city direct debt</b>	<b>\$ 121,773</b>		<b>\$ 121,773</b>
<b>Overlapping debt</b>			
Ann Arbor School District	\$ 175,900	62.61%	\$ 110,131
Washtenaw Community College	16,980	34.32%	5,828
Washtenaw County, at large	86,983	33.51%	29,148
<b>Total overlapping debt</b>	<b>\$ 279,863</b>		<b>145,107</b>
<b>Total direct &amp; overlapping debt</b>			<b>\$ 266,880</b>

*Overlapping Debt* - The issuer's proportionate share of the debt of other local governmental units that either overlap it (the issuer is located either wholly or partly within the geographic limits of the other units) or underlie it (the other units are located within the geographic limits of the issuer). The debt is generally apportioned based upon relative Assessed Values.

The Assessed Values is the appraised worth of a property as set by a taxing authority for purposes of ad valorem taxation. The method of establishing assessed valuation varies from state to state. For example, in certain jurisdictions the assessed valuation is equal to the full or market value of the property; in other jurisdictions the assessed valuation is equal to a set percentage of full or market value.

Source: City of Ann Arbor Financial Services, Accounting Services Unit

**Legal Debt Margin Information**  
Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2013

Assessed value of real and personal property	\$ 5,294,974,640
Debt limit (10% of assessed value)	529,497,464
Debt applicable to limit:	
Net direct debt	127,095,000
Less: Special Assessment bonds (general obligation portion)	(150,000)
Total net debt applicable to limit	<u>126,945,000</u>
Legal debt margin	<u>\$ 402,552,464</u>

	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to Limit as a Percentage of Debt Limit
2004	\$ 483,540,720	\$ 48,124,150	\$ 435,416,570	9.95%
2005	522,238,970	43,944,619	478,294,351	8.41%
2006	563,353,190	63,436,196	499,916,994	11.26%
2007	588,230,120	56,724,615	531,505,505	9.64%
2008	604,890,062	56,724,615	548,165,447	9.38%
2009	607,716,850	80,146,618	527,570,232	13.19%
2010	587,631,660	125,415,000	462,216,660	21.34%
2011	549,528,970	120,935,000	428,593,970	22.01%
2012	526,820,590	121,015,000	405,805,590	22.97%
2013	529,497,464	126,945,000	402,552,464	23.97%

Source: City of Ann Arbor Financial Services, Accounting Services Unit

**Pledged-Revenue Coverage**  
 Last Ten Fiscal Years

Fiscal Year	Operating Revenue (1)	Operating Expenses (2)	Net Revenue Available For Debt Service	Debt Service		Total	Coverage
				Principal	Interest		
<b>Water Supply System:</b>							
2004	\$ 16,105,264	\$ 11,065,321	\$ 5,039,943	\$ 2,470,000	\$ 1,580,236	\$ 4,050,236	1.2
2005	18,365,626	12,229,142	6,136,484	2,665,000	1,753,678	4,418,678	1.4
2006	18,719,846	12,793,461	5,926,385	3,090,000	1,266,128	4,356,128	1.4
2007	19,645,050	12,815,434	6,829,616	3,085,000	1,311,200	4,396,200	1.6
2008	20,878,987	13,227,385	7,651,602	3,175,000	1,201,181	4,376,181	1.7
2009	19,228,211	14,442,403	4,785,808	3,710,000	2,004,487	5,714,487	0.8
2010	20,386,564	12,440,872	7,945,692	3,870,000	1,890,994	5,760,994	1.4
2011	21,364,070	13,058,877	8,305,193	4,045,000	1,738,552	5,783,552	1.4
2012	22,301,008	12,562,435	9,738,573	4,584,250	1,669,928	6,254,178	1.6
2013	23,688,293	12,850,446	10,837,847	3,123,721	1,106,529	4,230,250	2.6
<b>Sewage Disposal System:</b>							
2004	\$ 15,938,987	\$ 10,904,443	\$ 5,034,544	\$ 1,115,000	\$ 322,820	\$ 1,437,820	3.5
2005	19,351,456	9,667,652	9,683,804	1,125,000	1,694,292	2,819,292	3.4
2006	20,291,760	9,621,514	10,670,246	1,440,000	1,243,005	2,683,005	4.0
2007	21,168,920	11,400,323	9,768,597	1,495,000	1,166,739	2,661,739	3.7
2008	22,263,810	10,571,368	11,692,442	1,490,000	1,110,639	2,600,639	4.5
2009	22,752,472	11,185,369	11,567,103	1,450,000	1,763,808	3,213,808	3.6
2010	19,851,400	10,306,331	9,545,069	2,040,000	2,054,391	4,094,391	2.3
2011	21,810,673	10,120,854	11,689,819	2,355,000	1,990,078	4,345,078	2.7
2012	21,593,098	10,177,877	11,415,221	2,696,000	1,851,394	4,547,394	2.5
2013	21,377,410	10,585,422	10,791,988	2,688,460	1,772,419	4,460,879	2.4
<b>Stormwater Sewer System (3):</b>							
2003	\$ 2,688,709	\$ 1,681,136	\$ 1,007,573	\$ 105,000	\$ 45,270	\$ 150,270	6.7
2004	2,859,418	1,691,556	1,167,862	110,000	41,366	151,366	7.7
2005	3,578,596	1,449,544	2,129,052	115,000	36,243	151,243	14.1
2006	3,810,641	1,333,400	2,477,241	125,000	51,547	176,547	14.0
2007	4,564,942	2,261,839	2,303,103	130,000	22,802	152,802	15.1
2008	5,176,719	2,701,223	2,475,496	140,000	15,588	155,588	15.9
2009	5,517,486	4,504,213	1,013,273	145,000	7,643	152,643	6.6

(1) Includes investment income (loss); revenue pledged is covered by charges for services.

(2) Excludes depreciation expense.

(3) 2009 was the final year of debt service for stormwater bonds.

Source: City of Ann Arbor Financial Services, Accounting Services Unit

**Demographic and Economic Statistics**  
 Last Ten Calendar Years

Year	Population (1)	Personal income (2)	Per Capita Personal Income (2)	Median Age (1)	Education Level in Years of Schooling (1)	School Enrollment (3)	Unemployment Rate % (4)
2004	114,061	\$ 13,391,280	\$ 39,528	28.1	16.8	16,724	4.4
2005	114,103	13,751,795	40,228	28.1	16.9	16,980	4.7
2006	114,216	13,892,850	40,381	27.3	16.9	16,879	4.4
2007	114,282	13,614,000	39,142	27.3	16.9	16,680	5.2
2008	114,282	13,766,000	39,107	27.3	16.9	17,012	6.3
2009	114,602	13,159,000	38,032	27.3	16.9	16,539	8.3
2010	112,852	13,496,000	39,085	28.1	16.9	16,536	8.1
2011	113,932	14,204,286	40,821	28.1	16.9	16,440	6.5
2012	113,934	N/A	N/A	28.1	16.5	16,544	8.6
2013	113,932	N/A	N/A	28.1	16.5	16,545	6.8

## Sources:

- (1) U. S. Census Bureau
- (2) Bureau of Economic Analysis, Regional Data, CA04 Personal Income and Employment Summary  
<http://www.bea.gov/>  
 \*Note: 2012 data has not been released at this time.  
 \*Note: 2013 data has not been released at this time.
- (3) Ann Arbor Public School's Child Accounting Office.  
<http://www.aaps.k12.mi.us/>
- (4) Michigan Employment Security Commission statistics for Washtenaw County.  
[http://stats.bls.gov/eag/eag.mi\\_annarbor\\_msa.htm](http://stats.bls.gov/eag/eag.mi_annarbor_msa.htm)

**Principal Employers**  
Current Year and Nine Years Ago

Taxpayer	2013			2004		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
University of Michigan	27,766	1	66.33%	15,594	1	40.46%
Trinity Health System (formerly St. Joseph)	5,434	2	12.98%	4,503	3	11.68%
Ann Arbor Public Schools	2,300	3	5.49%	2,130	5	5.53%
Thomson Reuters	1,816	4	4.34%			
Washtenaw County	1,318	5	3.15%	1,388	7	3.60%
Integrated Health Associates, Inc.	733	6	1.75%			
City of Ann Arbor	686	7	1.64%	820	9	2.13%
Edward Brothers	662	8	1.58%			
Domino's Pizza	582	9	1.39%			
Washtenaw Community College	561	10	1.35%			
Univ. of Mich Hospitals & Health System				8,569	2	22.23%
Pfizer Inc.				2,600	4	6.75%
Borders Group, Inc.				1,406	6	3.65%
ProQuest Co.				980	8	2.54%
NSK Corp				550	10	1.43%
<b>Total</b>	<u>41,858</u>		<u>100.00%</u>	<u>38,540</u>		<u>100.00%</u>

Source: Crain's Detroit Business, Vol. 28, No. 53, 2013 Edition, 2013 Book of Lists and Detroit Yearbook.  
Crain's Detroit Business, Dec 27, 2004.

# CITY OF ANN ARBOR, MICHIGAN

## Full-Time Equivalent City Government Employees by Function/Program Last Ten Fiscal Years

	2013	2012	2011	2010
Function/Program				
General government				
Financial Services	48	45	48	49
Community Services	32	34	33	35
Parks & Recreation	20	20	20	19
City Administrator Services	31	30	31	31
Mayor & Council	1	1	1	1
Other				
Police				
Officers	118	118	150	152
Civilians	28	46	27	30
Fire				
Firefighters & Officers	81	81	89	94
Civilians	1	1		
Public Services				
Project Management	13	13	15	15
Water	26	26	26	26
Wastewater Treatment	35	35	35	35
Field Operations	124	126	129	135
Other	74	74	75	79
15th District Court	34	36	37	39
Retirement System	4	4	4	4
Downtown Development Authority	4	4	3	3
City Attorney	12	13	13	14
Per Budget Book	686	706	736	761

Source: City of Ann Arbor Financial Services, Accounting Services Unit

2009	2008	2007	2006	2005	2004
49	51	50	47	49	54
35	42	41	56	67	65
17	21	23	24	18	23
29	32	31	16	18	20
1	1	1	1	1	1
152	160	159	159	225	236
30	50	67	67		
94	94	94	94	102	100
15	17	16	17	19	34
23	26	24	21	24	28
34	35	34	32	35	36
125	125	128	124	146	155
93	87	92	103	74	50
39	41	41	41	41	41
3	4	4	4	4	4
3	3	3	3	3	3
14	14	14	14	14	13
800	803	822	823	840	863

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**Operating Indicators by Function/Program**  
 Current and Last Four Fiscal Years

Function/Program	2013	2012	2011	2010	2009
Police					
Physical arrests	2,395	2,610	2,630	1,605	2,000
Parking violations	87,898	95,990	86,780	137,271	157,668
Traffic violations	14,676	10,638	16,729	NA	23,764
Fire					
Emergency responses	6,180	5,843	5,808	4,985	6,045
Fire extinguished	418	431	281	226	258
Inspections	1,769	1,962	913	508	21
Refuse Collection					
Refuse collected (tons/day)	121.42	114.85	120.17	94.00	92.00
Recyclables collected (tons/day)	38.13	37.10	30.82	31.00	34.00
Other Public works					
Street resurfacing (miles)	6.60	6.20	4.72	6.92	4.92
Potholes repaired (tons)	359.35	392.78	500.00	394.60	423.70
Parks and Recreation					
Athletic field permits issued	956	1,032	1,067	893	839
Community center admissions	11,500	11,500	11,500	11,000	10,500
Water					
Connections	38,376	28,333	28,266	28,202	28,222
Water main breaks	102	72	96	85	58
Average daily consumption (millions of gallons)	14,870	14,600	13,782	12,699	12,675
Peak daily consumption (millions of gallons)	28,100	27,115	21,415	17,927	20,775
Wastewater					
Average daily sewage treatment (millions of gallons)	16.700	18.100	17.680	17.745	18.347

Source: Various services areas within City of Ann Arbor

# CITY OF ANN ARBOR, MICHIGAN

## Capital Asset Statistics by Function/Program Last Ten Fiscal Years

Function/Program	Fiscal Year			
	2013	2012	2011	2010
<b>Police</b>				
Station	1	1	1	1
Zone Offices	2	2	2	2
Patrol units	36	36	37	35
Fire Stations	5	5	5	5
<b>Refuse Collection</b>				
Collection Trucks	27	26	27	28
<b>Other Public works</b>				
Streets (miles)	270	295	295	295
Streetlights	7,194	7,139	7,134	7,134
Traffic signals	158	158	158	158
<b>Parks and Recreation</b>				
Acreage	2,095	2,089	2,089	2,088
Playgrounds	77	77	77	73
Baseball/softball diamonds	34	34	34	34
Soccer/football fields	24	24	24	25
Community centers	2	2	2	2
<b>Water</b>				
Water mains (miles)	501	464	472	485
Fire hydrants	3,711	2,960	2,909	3,555
Storage Capacity (thousands of gallons)	19,000	19,000	19,000	19,000
<b>Wastewater</b>				
Sanitary sewers (miles)	369	364	364	405
Storm sewers (miles)	264	322	320	413
Treatment capacity (thousands of gallons)	48,000	48,000	48,000	50,000

Source: Various services areas within City of Ann Arbor

Fiscal Year						
2009	2008	2007	2006	2005	2004	
1	1	1	1	1	1	1
2	2	2	2	2	2	2
36	36	34	35	35	37	37
5	5	5	5	5	5	5
18	18	14	14	16	17	
295	295	295	295	295	291	
7,134	7,134	7,134	7,028	8,858	8,786	
158	158	154	154	154	153	
2,088	2,088	2,069	2,056	2,055	2,055	
73	85	78	153	153	153	
34	34	34	34	34	34	
25	25	25	25	23	23	
2	2	2	2	2	2	
485	490	481	482	478	441	
3,555	3,549	3,510	3,466	3,428	3,345	
19,000	19,000	19,000	19,000	19,000	19,000	
405	407	402	400	395	365	
413	388	368	360	341	271	
50,000	50,000	50,000	50,000	50,000	50,000	

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