

# CITY OF ANN ARBOR, MICHIGAN

## ANNUAL COMPREHENSIVE FINANCIAL REPORT



**FOR THE YEAR ENDED JUNE 30, 2021**

# City of Ann Arbor

## Annual Comprehensive Financial Report

County of Washtenaw

State of Michigan

Fiscal Year Ended June 30, 2021



Prepared by:  
Financial and Administrative Services  
Accounting Services Unit  
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**CITY OF ANN ARBOR, MICHIGAN**  
301 East Huron, P.O. Box 8647, Ann Arbor, Michigan 48107

December 15, 2021

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

The Annual Comprehensive Financial Report (ACFR) of the City of Ann Arbor for the year-end June 30, 2021, 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 disclosures 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 annual comprehensive financial report of the City of Ann Arbor for the fiscal year ended June 30, 2021.

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 enough 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.

Yeo & Yeo, P.C., have issued an unmodified ("clean") opinion on the City of Ann Arbor financial statements for the year ended June 30, 2021. 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 form 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 who is 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 and Administrative 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, parks and recreation including pools and ice rinks, social services by contract, public improvements, planning and zoning, and general administrative services. The citizens and visitors to 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 unit level for the General Fund. The City Administrator is authorized to transfer budgeted amounts within the General Fund service areas. Budgetary control for all other funds is maintained at the fund level. Revisions to a service area total of the General Fund or to the 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 a legally separate component unit. 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 and Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*," as amended by GASB Statement No. 39, "*Determining Whether Certain Organizations Are Component Units*", 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 and 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.

The city takes pride in the services provided to our citizens and our community's well-earned reputation. 2021 recognitions include:

- 10 Best Places to Live if you Work from Home (No.4), Money.
- 2021 Best Cities to Live in America (No. 6), Niche.
- Best School Districts in Michigan (No. 10), Niche.
- Certificate of Achievement for Excellance in Financial Reporting, Government Finance Officers Association.
- Most Livable College Towns in 2021 (No. 15), Smartasset.
- Most Fitness-friendly Places in the U.S. (No. 4) Smartasset.
- Most Educated Cities in America (No. 1), WalletHub.

## **Local Economy**

The City is endowed with several major corporations located within its boundaries such as Google. In addition, Ann Arbor is home to one of the largest employers in the County, the University of Michigan, which employs approximately 34,000 people. Ann Arbor is also known for its excellent talent and technology infrastructure that has attracted several large technology firms to the area.

The City has two higher educational centers: 1) The University of Michigan and; 2) Concordia 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 123,851 residents in Ann Arbor, representing 33% of the population base in Washtenaw County. The median household income of our citizens is \$65,745.

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

The City of Ann Arbor enjoys a healthy local economy. While the local area unemployment rate is 4.7% as of June 2021 (most likely due to the COVID-19 pandemic), receipts from sales taxes have increased modestly, and residential property values are increasing, primarily due to new construction. Offsetting some of this economic improvement are State laws limiting property tax revenues along with legislative uncertainty of funds provided by the State to the City.

The City continues to experience increased expenses related to modest inflation. The City continues to constrain its increase in total expenditures through efficiencies, collaborative opportunities, and through the fiscal discipline of its financial policies.

## **Long-term Financial Planning**

The City Council and City Administrator are committed to strategies designed to ensure the long-term financial health of the City. The City's financial policies now include a funding policy for a sinking fund for capital needs which was approved by Council in May of 2018 and funded for the fiscal year 2022 budget. In addition, the City funded multiple priorities with new funding from Washtenaw County as a result of a new millage.

The City strives to maintain an unassigned General Fund fund balance with a minimum of 15% to 20%. If it becomes necessary to use these funds, subsequent budgets will be planned for additions to restore fund balance. The City continues to manage its operating expenditures within levels supported by recurring revenues. 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 Post-Employment Benefits Funding, Capital 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. With respect to the Pension and Other Post-Employment Benefits Funding policies, to the extent that a fully funded plan has not been achieved, the City funds the higher of the actuarially determined contribution or the existing level of funding adjusted annually by an increase of at least 2%.

## **Major Initiatives**

### **Water Meter Replacement Program**

Phase two of this program is to replace 400 large meters and meter transmission units (“MTUs”) that primarily exist in commercial, university, and multifamily residential buildings throughout the City and make network upgrades to improve communication of water and sewer usage data. The program is appropriate due to the battery life (approximately 15 years) of existing MTUs which were installed in 2004-2005. Contemporaneously installed water meters are also nearing the end of their useful life. Failure of either would result in a loss of, or inaccurate water/sewer use data. Phase one of the project included the replacement of 26,650 residential meters and MTUs. The entire project’s budget is \$9.8 million.

### **WTP Barton Pump Station Valve Replacement**

A need has been identified to replace aging valves and piping at the Barton Raw Water Pump Station (Barton Pump Station) and install air relief valves (ARVs) on the raw water transmission mains that convey source water withdrawn from Barton Pond to the City’s Water Treatment Plant (WTP). The proposed improvements are necessary to assure operational control and system reliability for the City’s critical raw source water supply infrastructure. The budget for this project is \$4.6 million.

### **Sanitary Sewer Lining Project**

The City’s Sanitary Sewer Asset Management Plan recommends sewer pipe lining as a cost-effective method used for reinvestment and rehabilitation of the sanitary sewer collection system. The trenchless process minimizes the construction impact to the community, improves the life of existing pipes by improving structural and hydraulic characteristics while eliminating costly replacement projects.

The City’s Sanitary Sewer Collection System is a network of approximately 400 miles of pipes that transport sewage to the City’s wastewater treatment plant on the east side of the City. The cost of construction for sewer lining projects is borne wholly by the Sanitary Sewer Fund. From 2021 through 2027, sanitary sewer lining project capital costs will amount to \$33,543,000.00. The projects meet multiple sustainability goals, including Sustainable Systems and Clean Air and Water.

### **Galvanized Pipe Replacement**

The State of Michigan approved lead and copper rule changes in 2018 that require water utilities to identify all addresses where there are publicly or privately-owned lead or galvanized steel service lines that are now or were at some point connected to lead parts and replace them. The City has identified that list and is working to replace them now. The total project is estimated to be in excess of \$10 million.

The project will provide important benefit to residents because it will ensure the total removal of any known lead issues in our water system years earlier than originally planned. In addition, it will provide important public health benefits.

### **Firestation #4 Replacement**

This project will build the city’s first carbon-neutral facility, a net-zero firestation at the current Fire Station 4 location. This Facility will produce energy through geothermal heating and cooling, solar panels, and an architectural design that encourages energy efficiency. The facility will also be gender-neutral to accommodate fire fighters of all genders. The total project cost is estimated to be \$5 million.

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, 2020. This was the thirty-first 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 Comprehensive Annual Financial Report 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 2022. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document must 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 Area. We wish to express our appreciation to all members of the department 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,



Milton Dohoney Jr.,  
Interim City Administrator



Marti Praschan,  
Chief Financial Officer

**City of Ann Arbor**  
**List of Elected and Appointed Officials**  
**June 30, 2021**

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Christopher Taylor – Mayor

City Council

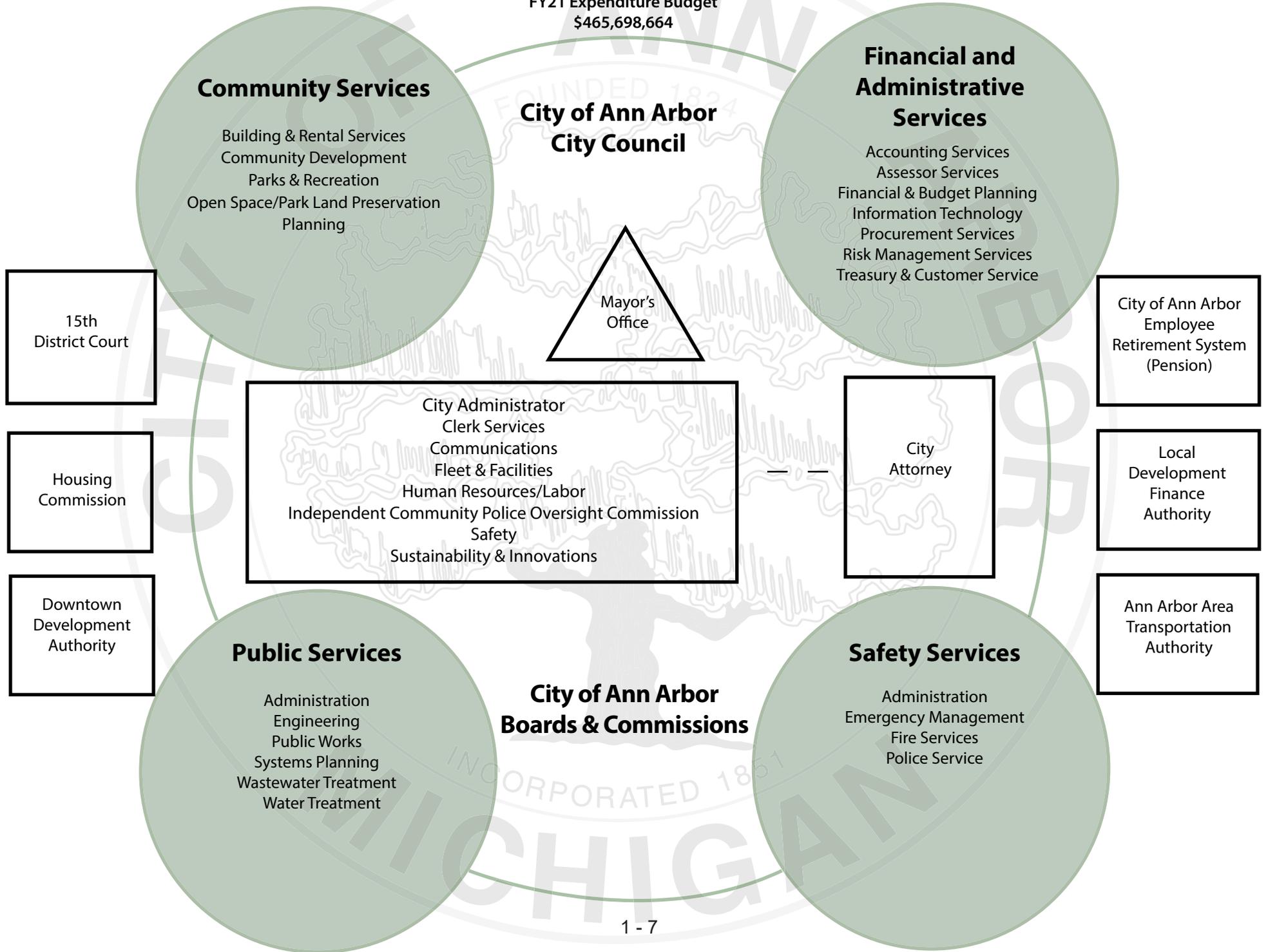
Julie Grand  
Kathy Griswold  
Ali Ramlawi  
Jeff Hayner  
Elizabeth Nelson  
Lisa Disch  
Linh Song  
Travis Radina  
Jen Eyer  
Erica Briggs

Other Officers and Officials

Milton Dohoney, Jr. – Interim City Administrator  
Marti Praschan – Chief Financial Officer  
Michael J. Pettigrew – City Treasurer  
Stephen K. Postema – City Attorney  
Jacqueline Beaudry – City Clerk

# CITY OF ANN ARBOR ORGANIZATIONAL CHART

FY21 Expenditure Budget  
\$465,698,664





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, 2020

*Christopher P. Morill*

Executive Director/CEO



800.968.0010 | yeoandyeo.com

## Independent Auditors' Report

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, as of and for the year ended June 30, 2021, 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.

### 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, a discretely presented component unit, which statements reflect 12.00 percent, 9.08 percent, and 43.28 percent, respectively, of the assets, net position, and revenues of the discretely presented component units. Those statements were audited by other auditors, whose report has been 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 from 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 report and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ann Arbor, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, City of Ann Arbor employees' retirement system schedules and other post-employment benefit schedules, as identified 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 information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ann Arbor's basic financial statements. The introductory section, statistical section and other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, is the responsibility of management was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary information has been

subjected to the auditing procedures applied 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied 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 December 15, 2021 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 solely 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 the effectiveness of the City of Ann Arbor's internal control over financial reporting or on compliance. That report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. 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.

Yeo & Yeo, P.C.

Ann Arbor, MI  
December 15, 2021

**City of Ann Arbor**  
**Management's Discussion and Analysis**  
**June 30, 2021**

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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, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-1 of this report.

**FINANCIAL HIGHLIGHTS**

- The City's governmental funds financial statements are prepared using modified accrual basis of accounting and all other funds are prepared using the full accrual basis of accounting resulting in fund financial statements and government-wide statements.
- Government-wide financial statements are comprised of governmental activities, business-type activities and discretely presented component units. Governmental activities include General Fund activities such as Public Safety and Parks and Recreation. Business-type activities include proprietary funds such as Water, Sewer, and Solid Waste.
  - In total, the assets of the City exceed its liabilities by \$1,036,362,667 at the close of the most recent fiscal year.
    - \$906,700,406 is the net investment in capital assets;
    - \$120,129,701 is restricted for specific purposes, such as capital projects;
    - \$9,532,560 is unrestricted. This balance is comprised of (\$73,735,575) in governmental activities and \$83,268,135 in business-type activities.
  - The City's total net assets increased by \$31,846,597 during the year, primarily due to increases in Business-Type Activities, Water and Sewer funds, which are setting aside funds for future capital needs.
  - The City's total debt decreased by \$17,186,275, (new issues less retirements), during the current fiscal year due to the normally scheduled retirement of debt.
  - The City's Deferred outflow of resources decreased \$8,464,789, while the Deferred inflow of resources increased \$93,979,278 due to differences between expected and actual experience related to the City's other post-employment benefits.
- Fund financial statements are comprised of 30 governmental funds and 12 proprietary funds. Governmental funds include the General Fund, the Street, Bridge & Sidewalk Millage Fund, and other special revenue, capital projects and debt service funds.
  - At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$111,553,604, increasing \$5,518,780 during the fiscal year.
  - Of the above fund balance amount, \$19,641,336 is unassigned and may be used to meet the government's ongoing obligations to citizens and creditors, \$16,723,802 assigned and may be used subject to the purpose of the fund in which they are located and the remaining amount of \$75,188,466 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 (\$32,072,202) and the Street, Bridge & Sidewalk Millage Fund (\$12,572,782) account for 40% of total fund balance including restricted amounts. The remaining amount is represented across the other 28 non-major funds.
  - The General fund recognized an increase to fund balance of \$4,440,609. The General fund unassigned fund balance increased from \$19,544,234 in FY2020 to \$21,604,204 in FY2021. The assigned fund balance increased by \$2,595,584. At the end of the current fiscal year, unassigned general fund balance was 20.4% of the total general fund expenditures.

**City of Ann Arbor**  
**Management's Discussion and Analysis**  
**June 30, 2021**

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## 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 STATEMENT

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 liabilities, which can be used as an indicator of the City's financial health, or position. This statement includes all the City assets 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 governmental activities. Property taxes, fees and charges, state shared revenues, and state and federal grants finance most of these activities.
- Business-type activities - Business-type activity areas include water, sewer and stormwater systems, parking facilities, 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.

The government-wide statements can be located on pages 4-1 to 4-3 of this report.

**City of Ann Arbor**  
**Management's Discussion and Analysis**  
**June 30, 2021**

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## 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 30 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 Street, Bridge and Sidewalk Millage funds. Data from the other 28 governmental funds are combined in a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be located on pages 4-4 to 4-10 of this report.

### Proprietary funds

The City maintains twelve different proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, storm and sewage disposal operations. 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, risk fund and Wheeler Center operations. 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.

**City of Ann Arbor**  
**Management's Discussion and Analysis**  
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Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewage disposal operations, parking system, airport, stormwater system, and solid waste, all of which are considered major funds of the City. The basic proprietary fund financial statements can be located on pages 4-11 to 4-16 of this report.

#### 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 ACFR. The basic fiduciary fund financial statements can be located on pages 4-17 to 4-18 of this report.

#### 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. The notes to the financial statements can be found on pages 4-21 to 4-67 of this report.

##### 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 major fund budgetary comparisons and a schedule concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 5-1 to 5-10 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be located on pages 6-1 to 6-37 of this report.

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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 exceeded its liabilities by \$1,036,362,667 at June 30, 2021 compared \$1,004,516,070 at June 30, 2020.

**City of Ann Arbor  
Net Position  
Comparative Schedule - June 30, 2021 and 2020**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>June 30, 2021</b>	<b>June 30, 2020</b>	<b>June 30, 2021</b>	<b>June 30, 2020</b>	<b>June 30, 2021</b>	<b>June 30, 2020</b>
<b>Current and other assets</b>	\$ 182,966,619	\$ 159,694,807	\$ 175,917,093	\$ 174,103,470	\$ 358,883,712	\$ 333,798,277
<b>Capital assets</b>	736,429,593	763,774,071	438,221,071	426,146,759	1,174,650,664	1,189,920,830
<b>Total assets</b>	919,396,212	923,468,878	614,138,164	600,250,229	1,533,534,376	1,523,719,107
<b>Deferred outflow of resources</b>	24,394,558	31,170,392	8,291,748	9,980,703	32,686,306	41,151,095
<b>Long-term liabilities</b>	135,778,772	129,472,727	169,522,701	180,025,682	305,301,473	309,498,409
<b>Pension and OPEB</b>	56,332,480	147,843,644	24,542,333	47,360,363	80,874,813	195,204,007
<b>Other liabilities</b>	14,980,183	19,729,445	16,379,030	17,579,033	31,359,213	37,308,478
<b>Total liabilities</b>	207,091,435	297,045,816	210,444,064	244,965,078	417,535,499	542,010,894
<b>Deferred inflow of resources</b>	91,504,494	14,314,436	20,818,022	4,028,802	112,322,516	18,343,238
<b>Net position:</b>						
<b>Net investment in capital assets</b>	633,001,332	653,605,138	273,699,074	251,130,814	906,700,406	904,735,952
<b>Restricted</b>	85,929,084	71,507,486	34,200,616	33,752,565	120,129,700	105,260,051
<b>Unrestricted</b>	(73,735,575)	(81,833,606)	83,268,136	76,353,673	9,532,561	(5,479,933)
<b>Total net position</b>	<b>\$645,194,841</b>	<b>\$643,279,018</b>	<b>\$391,167,826</b>	<b>\$361,237,052</b>	<b>\$1,036,362,667</b>	<b>\$1,004,516,070</b>

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, 2021, \$120,129,700, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is (\$9,532,561).

**City of Ann Arbor**  
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Long-term liabilities decreased as a result of normally scheduled retirement of debt. Pension and OPEB liabilities have decreased from \$195,204,007 in fiscal year 2020 to \$67,615,626 in 2021. Other liabilities has increased due to an increase in unearned revenue in Governmental Activities an increase in accounts payable in Business-type Activities.

At the end of the current fiscal year, the City is able to report positive balances in two of three categories of net position, for the government as a whole, as well as for governmental activities. Its business-type activities were able to report positive balances in all three categories.

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**City of Ann Arbor  
Changes in Net Position  
Comparative Schedule - Years Ended June 30, 2021 and 2020**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Revenue:</b>						
<b>Program revenue:</b>						
Charges for services	\$ 24,902,690	\$ 34,092,380	\$ 80,239,156	\$ 75,666,011	\$ 105,141,846	\$ 109,758,391
Operating contributions and grants	26,835,761	16,424,627	-	-	26,835,761	16,424,627
Capital contributions and grants	1,536	1,070,562	95,519	-	97,055	1,070,562
<b>General revenue:</b>						
Property taxes	87,745,641	84,024,048	14,264,703	13,728,287	102,010,344	97,752,335
State shared revenues and grants	11,960,256	11,845,757			11,960,256	11,845,757
Investment income	151,705	6,303,600	181,798	5,037,480	333,503	11,341,080
Other	2,401,591	-	452,062	-	2,853,653	-
<b>Total revenue</b>	<b>153,999,180</b>	<b>153,760,974</b>	<b>95,233,238</b>	<b>94,431,778</b>	<b>249,232,418</b>	<b>248,192,752</b>
<b>Expenses:</b>						
<b>Governmental activities:</b>						
General government	15,690,533	20,385,283	-	-	15,690,533	20,385,283
Public safety	40,110,094	58,996,948	-	-	40,110,094	58,996,948
Public works	64,673,932	62,633,254	-	-	64,673,932	62,633,254
Community and economic development	3,919,158	3,937,980	-	-	3,919,158	3,937,980
Culture and recreation	11,390,116	15,150,651	-	-	11,390,116	15,150,651
Other - Public Transportation	12,063,787	11,408,712	-	-	12,063,787	11,408,712
Debt service	3,120,035	3,583,704	-	-	3,120,035	3,583,704
<b>Business-type activities:</b>						
Water	-	-	19,677,049	19,798,550	19,677,049	19,798,550
Sewer	-	-	24,059,586	23,155,043	24,059,586	23,155,043
Parking	-	-	1,736,718	1,754,222	1,736,718	1,754,222
Airport	-	-	832,231	827,366	832,231	827,366
Stormwater	-	-	7,291,027	6,770,918	7,291,027	6,770,918
Solid waste	-	-	12,821,555	17,001,298	12,821,555	17,001,298
<b>Total expenses</b>	<b>150,967,655</b>	<b>176,096,532</b>	<b>66,418,166</b>	<b>69,307,397</b>	<b>217,385,821</b>	<b>245,403,929</b>
<b>Increase (decrease) in net position before transfers</b>	<b>3,031,525</b>	<b>(22,335,558)</b>	<b>28,815,072</b>	<b>25,124,381</b>	<b>31,846,597</b>	<b>2,788,823</b>
<b>Transfers</b>	<b>(1,115,702)</b>	<b>(1,405,575)</b>	<b>1,115,702</b>	<b>1,405,575</b>	<b>-</b>	<b>-</b>
<b>Increase in net position</b>	<b>1,915,823</b>	<b>(23,741,133)</b>	<b>29,930,774</b>	<b>26,529,956</b>	<b>31,846,597</b>	<b>2,788,823</b>
<b>Net position: beginning of year, previously stated</b>	<b>643,279,018</b>	<b>667,020,151</b>	<b>361,237,052</b>	<b>334,707,096</b>	<b>1,004,516,070</b>	<b>1,001,727,247</b>
<b>Net position: end of year</b>	<b>\$ 645,194,841</b>	<b>\$ 643,279,018</b>	<b>\$ 391,167,826</b>	<b>\$ 361,237,052</b>	<b>\$ 1,036,362,667</b>	<b>\$ 1,004,516,070</b>

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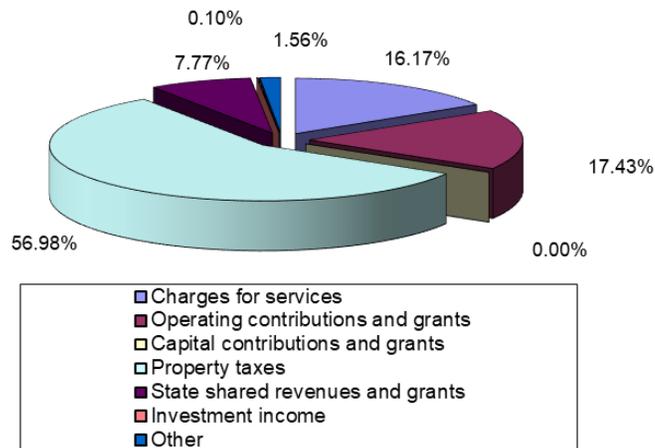
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The City's net position increased by \$31,846,597 during the current fiscal year and \$2,788,823 in the prior fiscal year.

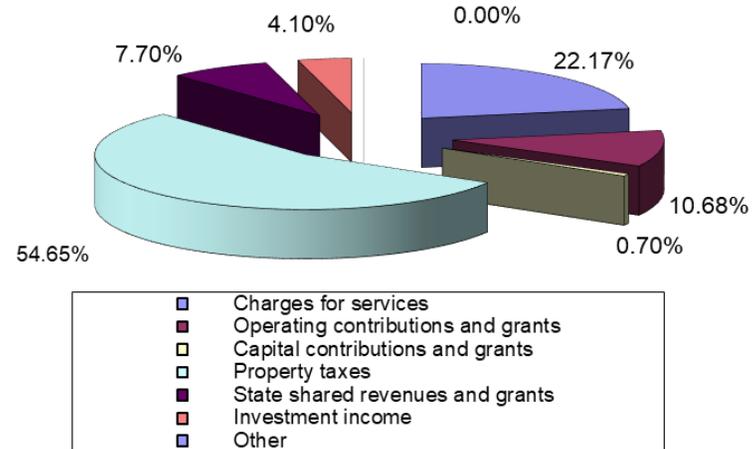
Governmental activities increased the City's net position by \$1,915,823. During fiscal year 2020, governmental activities decreased by \$23,741,133. Key revenue elements are as follows:

- In FY 2021 Property taxes increased 4.4% due to a combination of Consumer Price Index and new construction. Compared to an increase of 4.8% in fiscal year 2020.
- Investment income decreased from \$6,303,600 in fiscal year 2020 to \$151,705 in fiscal year 2021 due to an unfavorable change in market value. Last year, investment income increased by \$1,033,775. This is attributable to fluctuations in the market value of the investments. It is important to note that the City holds all its investments until they mature and do not experience a realized loss on investments.
- Capital contributions and grants decreased 99.8% in FY 21 due to a decrease in Developer Contributions in the Street Millage as compared to a decrease of 56.9% in fiscal year 2020.

**2021 Governmental Activities - Revenues by Source**



**2020 Governmental Activities - Revenues by Source**

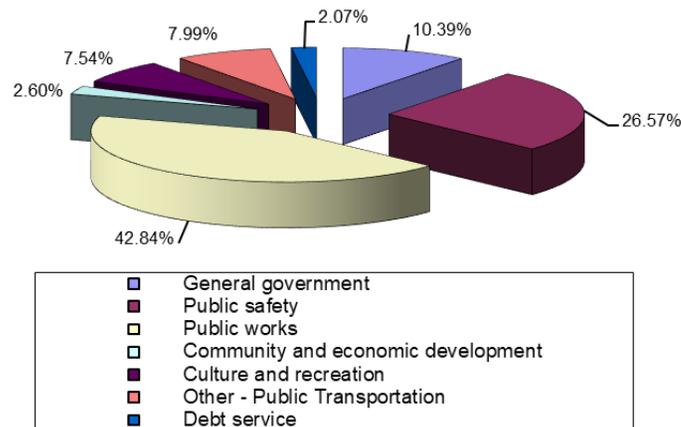


## City of Ann Arbor Management's Discussion and Analysis June 30, 2021

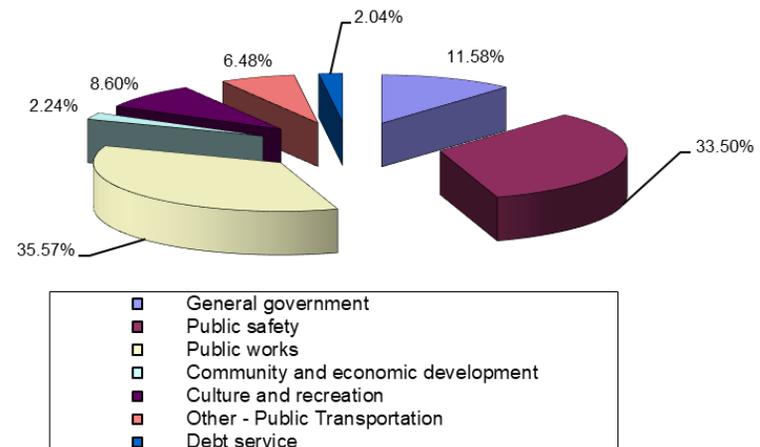
Expenses for governmental activities decreased \$25,128,877 from 2020 to 2021. Key elements are as follows:

- General government expenses decreased \$4.6 million due to a decrease in pension and OPEB liability.
- Public Safety expenses decreased \$18.8 million due to a decrease in pension and OPEB liability.
- Public Works expenses increased by \$2 million due to an increase in contracted services for street capital maintenance, including surface treatment and an increase in depreciation expense for street infrastructure.
- Culture and Recreation decreased 24.8% due to a decrease in Park and Recreation expenses, Open Space & Parkland preservation expense, and decreases in Pension and OPEB liability.

**2021 Governmental Activities - Expenses by Function**



**2020 Governmental Activities - Expenses by Function**

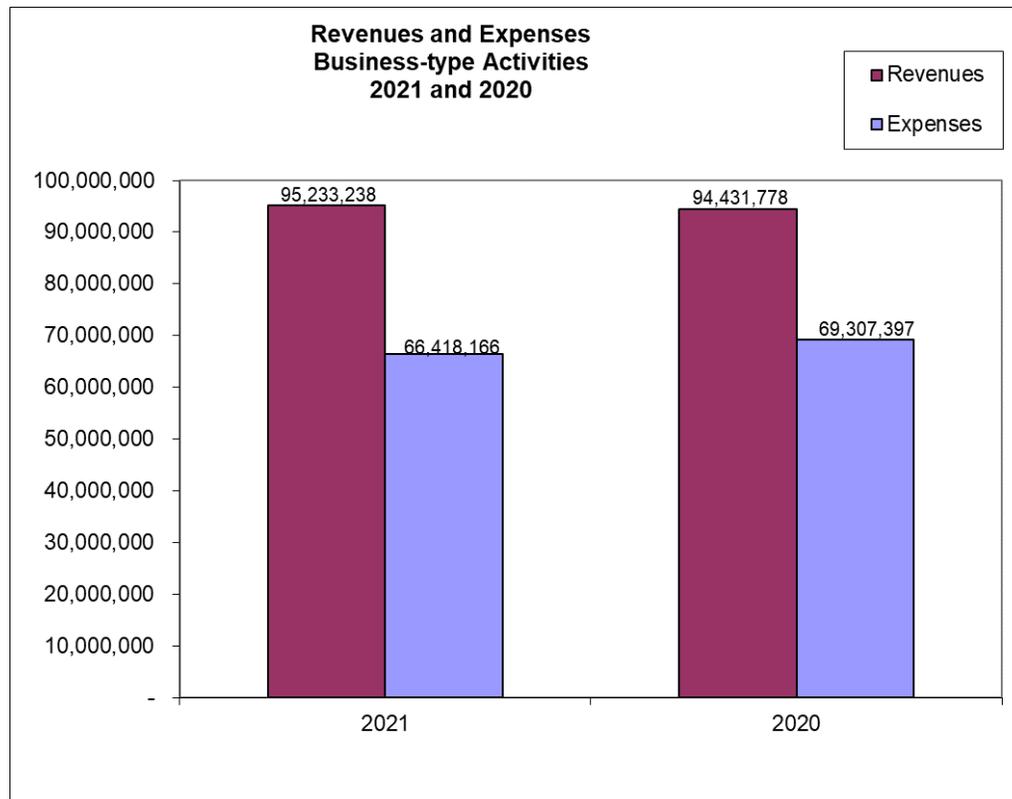


**City of Ann Arbor  
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Business-type activities. Business-type activities increased the City's net position by \$29,930,774 for fiscal year 2021 and by \$26,629,956 for fiscal year 2020 accounting for 94% and 100% of the total growth in the government's net position for the current year and prior year, respectively. Key elements of this increase are as follows:

- Revenues increased by \$801,460 or .8% in fiscal year 2021. This is a net result of a 96.3% decrease in investment income and a 6% increase in utility charges for services. As a result of COVID-19, a decreased utility consumption in the non-residential sector was experienced in FY 2020 resulting in a decrease of 1.4% in revenue.
- Overall, expenses decreased 4.2% in fiscal year 2021. This is compared to a decrease of 8% in fiscal year 2020. The FY21 decrease is related to a decrease in the change in accrued pension liability in the utility funds.



**City of Ann Arbor**  
**Management's Discussion and Analysis**  
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**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 \$111,553,604 at June 30, 2021 versus \$106,034,824 at June 30, 2020, an increase of \$5,518,780. Of the total fund balance amount, \$19,641,336 at June 30, 2021 is unassigned and unrestricted under GASB #54 fund balance classifications which indicates this money is available for spending at the government's discretion. At June 30, 2019 \$111,453,382 was unassigned and unrestricted.

The General fund is the chief operating fund of the City. At the end of the current fiscal year, unrestricted, unassigned fund balance of the general fund was \$21,604,204 at June 30, 2021. At June 30, 2020, the unrestricted, unassigned fund balance was \$19,554,234. Total fund balance was \$32,072,202 and \$27,631,593 at June 30, 2021 and 2020, 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 20.4% at June 30, 2021 of total General Fund expenditures. Unassigned fund balance was 17.8% at June 30, 2020 of total General Fund expenditures. The fund balance of the City's General Fund increased by \$4,440,609 during the current fiscal year in comparison to an increase of \$1,994,394 during the prior fiscal year. For fiscal year 2021, the increase is primarily attributed to a decrease in planned expenditures. For fiscal year 2020, the increase is attributable to an increase in equity in pooled cash and investments from a favorable market.

The Street, Bridge & Sidewalk Millage fund balance increased by \$5,022,623 in fiscal year 2021 due to a decrease in contracted service for road maintenance treatments repair compared to an increase of \$1,475,363 in fiscal year 2020.

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

Unrestricted net assets of the water, sewage disposal, stormwater sewer, parking system, solid waste, and airport, at the end of the year amounted to \$75,402,467. Water, sewage disposal, stormwater sewer, airport, and solid waste all had increases in net assets for the year, totaling \$30,825,526. Parking had a decrease in net assets of (\$1,184,032). Other factors concerning the finances of these funds have been addressed in the discussion of the City's business-type activities.

**City of Ann Arbor**  
**Management's Discussion and Analysis**  
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### General Fund Budgetary Highlights

Differences between the original and final budgets for expenditures resulted in a 2.28% increase in fiscal year 2021 compared to a 3.49% increase in fiscal year 2020. The actual General Fund revenues and other financing sources were over expenditures and other financing uses by \$4,440,609. This is as a result of expenditure underruns due to employee vacancies and a reduction in expenditures associated with Public facing activities, impacted by COVID-19. The increase in the final budget from the original for fiscal year 2021 is attributed to various planned use of fund balance adjustments, a few of which related to COVID-19 impacts resulting in employee childcare reimbursements, transportation plan update, unanticipated severance expenditures, testing and remediation at Leslie Science and Nature Center, Hollywood Drive paving and sustainability and climate change efforts. Revenue from Fees and Charges for services were under budget due adverse impact of COVID-19. The City's revenue from Fee and Charges for service include Parks and Recreation fees, such as pool usage fees and day camp revenue (both which were not in operation or operating under limited capacity due to COVID-19). Metered parking revenue from the DDA and fire inspections revenue continue to be impacted. Fines and Forfeitures were also under budget in FY21, again related to COVID-19 and the reduction of parking tickets issues & collection during that time. Expenses were under final budget due to a reduction in VEBA contributions per a Council resolution. Also, several Community Development projects were not completed that were budgeted in the Affordable Housing Fund.

### Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental/business-type activities as of June 30, 2021 was \$1,174,650,664 compared to \$1,189,920,781 at June 30, 2020 (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 decrease in the City's investment in capital assets for the current fiscal year was -1.28% compared to a decrease of -.90% in fiscal year 2020. Major capital asset events during the fiscal year 2021 included an increase in improvements other than buildings and a corresponding increase in Construction in progress due to the additions and capitalization of several water improvements. Infrastructure had an increase of \$15,890,034 for road and other improvements. Accumulated depreciation increased from \$670,954,096 in fiscal year 2020 to \$739,248,938 in fiscal year 2021. Additional information on the City's capital assets can be located in note 5 on pages 4-44 and 4-45 of this report.

**City of Ann Arbor  
Management's Discussion and Analysis  
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**City of Ann Arbor's Capital Assets  
(net of depreciation)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Land	\$ 68,110,470	\$ 67,597,550	\$ 7,461,349	\$ 7,461,349	\$ 75,571,819	\$ 75,058,899
Construction in progress	26,989,153	18,206,168	29,155,937	28,590,051	56,145,090	46,796,219
Buildings	166,400,455	166,400,455	190,563,827	190,563,827	356,964,282	356,964,282
Improvements other than buildings	35,346,754	34,855,018	420,359,667	393,529,950	455,706,421	428,384,968
Machinery and equipment	15,202,914	14,369,555	27,679,062	27,568,417	42,881,976	41,937,972
Vehicles	27,055,797	27,981,108	1,462,955	1,530,201	28,518,752	29,511,309
Drain Benefit			3,662,286	3,662,286	3,662,286	3,662,286
Intangible assets	1,173,590	1,173,590			1,173,590	1,173,590
Infrastructure	893,275,386	877,385,352			893,275,386	877,385,352
Less: accumulated depreciation	(497,124,926)	(444,194,772)	(242,124,012)	(226,759,324)	(739,248,938)	(670,954,096)
<b>Total capital assets net of depreciation</b>	<b>\$736,429,593</b>	<b>\$763,774,024</b>	<b>\$438,221,071</b>	<b>\$426,146,757</b>	<b>\$1,174,650,664</b>	<b>\$1,189,920,781</b>

**City of Ann Arbor  
Management's Discussion and Analysis  
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Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$135,045,000. Of that amount, \$99,335,000 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 decreased by \$117,186,275 or 5.6% during the fiscal year, due to retirement of debt. A summary of the City of Ann Arbor's Outstanding Debt can be found on page 4-51 to 4-55 along with additional information.

**City of Ann Arbor's Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
General Obligation Bonds	\$ 97,355,000	\$ 104,049,000	\$ 1,980,000	\$ 2,480,000	\$ 99,335,000	\$ 106,529,000
Notes from direct borrowings and direct placements	5,350,000	5,350,000			5,350,000	5,350,000
Revenue Bonds			35,710,000	41,125,000	35,710,000	41,125,000
Revolving Loans			112,727,101	118,649,652	112,727,101	118,649,652
Drain Notes			15,674,518	14,474,385	15,674,518	14,474,385
Capital Leases						
Deferred amounts:						
For issuance premiums	3,291,874	3,501,388	598,786	696,250	3,890,660	4,197,638
For issuance discounts	(104,026)	(110,627)	-	-	(104,026)	(110,627)
Compensated absences	15,063,166	14,124,459	2,832,296	2,600,395	17,895,462	16,724,854
<b>Total outstanding debt</b>	<b>\$120,956,014</b>	<b>\$126,914,220</b>	<b>\$169,522,701</b>	<b>\$180,025,682</b>	<b>\$290,478,715</b>	<b>\$306,939,902</b>

State statutes limit the amount of the general obligation debt a governmental entity may issue to 10% of its total assessed valuation. The current debt limitation for the City is \$874,731,480, which is significantly in excess of the City's outstanding general obligation debt. Additional information on the City's long-term debt can be located in note 9 of this report.

**City of Ann Arbor**  
**Management's Discussion and Analysis**  
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Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for fiscal year 2022:

- Property tax revenues are budgeted to increase 2.6% in fiscal year 2022.
- Average salary costs are budgeted to increase 3.6% in fiscal year 2022.
- Healthcare costs are projected to increase 6.2% in fiscal year 2022.
- Pension contributions are projected to increase 7.8% in fiscal year 2022.

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.

**City of Ann Arbor**  
**Statement of Net Position**  
**June 30, 2021**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 195,961	\$ 188,441	\$ 384,402	\$ 12,652,390
Equity in pooled cash and investments	154,183,219	128,684,011	282,867,230	5,075,106
Investments	7,915,697	12,893,927	20,809,624	12,140,360
Receivables				
Taxes, net	473,063	7,237	480,300	-
Accounts, net	3,655,078	18,066,441	21,721,519	3,354,472
Special assessments	231,364	-	231,364	-
Improvement charges	19,491	564,865	584,356	-
Accrued interest and other	9,769	-	9,769	-
Due from other units of government	7,994,394	3,509,446	11,503,840	-
Internal balances	(7,865,669)	7,865,669	-	-
Inventories	1,095,615	709,734	1,805,349	-
Prepaid items	1,799,450	3,427,322	5,226,772	589,666
Net pension asset	13,259,187	-	13,259,187	-
Capital assets not being depreciated	95,099,623	36,617,286	131,716,909	-
Capital assets, net of accumulated depreciation	641,329,970	401,603,785	1,042,933,755	124,109
Total assets	<u>919,396,212</u>	<u>614,138,164</u>	<u>1,533,534,376</u>	<u>33,936,103</u>
<b>Deferred Outflows of Resources</b>				
Deferred charges on refunding	2,464,583	2,168,408	4,632,991	-
Deferred amount relating to net pension liability or asset	5,192,421	2,132,434	7,324,855	10,177
Deferred amount relating to net OPEB liability	16,737,554	3,990,906	20,728,460	-
Total deferred outflows of resources	<u>24,394,558</u>	<u>8,291,748</u>	<u>32,686,306</u>	<u>10,177</u>

See Accompanying Notes to the Financial Statements

**City of Ann Arbor**  
**Statement of Net Position**  
**June 30, 2021**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Liabilities</b>				
Accounts payable	\$ 6,302,527	\$ 9,162,867	\$ 15,465,394	\$ 4,265,346
Accrued and other liabilities	3,152,062	1,616,230	4,768,292	140,839
Deposits	2,781,583	187,200	2,968,783	-
Due to other units of government	1,942,930	105,000	2,047,930	419,941
Unearned revenue	12,829,904	-	12,829,904	680,176
Noncurrent liabilities				
Due within one year				
Estimated claims payable due within one year	453,846	-	453,846	-
Debt due within one year	12,391,524	14,624,750	27,016,274	92,278
Due in more than one year				
Estimated claims payable due in more than one year	2,340,445	5,307,733	7,648,178	-
Debt due in more than one year	108,564,486	154,897,951	263,462,437	137,109
Net pension liability	-	11,965,307	11,965,307	1,411
Net OPEB liability	56,332,128	12,577,026	68,909,154	-
Total liabilities	<u>207,091,435</u>	<u>210,444,064</u>	<u>417,535,499</u>	<u>5,737,100</u>
<b>Deferred Inflows of Resources</b>				
Deferred amount relating to net pension liability or asset	62,704,478	13,402,858	76,107,336	105,404
Deferred amount relating to net OPEB liability	<u>28,800,016</u>	<u>7,415,164</u>	<u>36,215,180</u>	<u>-</u>
Total deferred inflows of resources	<u>91,504,494</u>	<u>20,818,022</u>	<u>112,322,516</u>	<u>105,404</u>
<b>Net Position</b>				
Net investment in capital assets	633,001,332	273,699,074	906,700,406	124,109
Restricted for				
Debt service	-	12,562,628	12,562,628	-
Endowment (non-expendable)	1,984,000	-	1,984,000	-
Equipment replacement	-	21,456,996	21,456,996	-
Landfill	-	180,992	180,992	-
Highways and streets	37,464,421	-	37,464,421	-
Culture and recreation	21,153,135	-	21,153,135	-
Other purposes	14,335,573	-	14,335,573	530,260
Unrestricted (deficit)	<u>(62,743,620)</u>	<u>83,268,136</u>	<u>20,524,516</u>	<u>27,449,407</u>
Total net position	<u>\$ 645,194,841</u>	<u>\$ 391,167,826</u>	<u>\$ 1,036,362,667</u>	<u>\$ 28,103,776</u>

See Accompanying Notes to the Financial Statements

**City of Ann Arbor**  
**Statement of Activities**  
**For the Year Ended June 30, 2021**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
<b>Primary government</b>								
Governmental activities								
General government	\$ 15,690,533	\$ 6,107,653	\$ 1,967,404	\$ -	\$ (7,615,476)	\$ -	\$ (7,615,476)	\$ -
Public safety	40,110,094	5,317,199	5,262,822	-	(29,530,073)	-	(29,530,073)	-
Public works	64,673,932	4,862,025	18,760,755	1,536	(41,049,616)	-	(41,049,616)	-
Public transportation	12,063,787	-	192,550	-	(11,871,237)	-	(11,871,237)	-
Community and economic development	3,919,158	-	20,808	-	(3,898,350)	-	(3,898,350)	-
Recreation and culture	11,390,116	3,196,872	631,422	-	(7,561,822)	-	(7,561,822)	-
Interest and fiscal charges on long-term debt	3,120,035	5,418,941	-	-	2,298,906	-	2,298,906	-
Total governmental activities	<u>150,967,655</u>	<u>24,902,690</u>	<u>26,835,761</u>	<u>1,536</u>	<u>(99,227,668)</u>	<u>-</u>	<u>(99,227,668)</u>	<u>-</u>
Business-type activities								
Water	19,677,049	29,580,802	-	-	-	9,903,753	9,903,753	-
Sewer	24,059,586	32,394,186	-	-	-	8,334,600	8,334,600	-
Parking	1,736,718	550,100	-	-	-	(1,186,618)	(1,186,618)	-
Airport	832,231	926,112	-	95,519	-	189,400	189,400	-
Stormwater	7,291,027	13,150,716	-	-	-	5,859,689	5,859,689	-
Solid waste	12,821,555	3,637,240	-	-	-	(9,184,315)	(9,184,315)	-
Total business-type activities	<u>66,418,166</u>	<u>80,239,156</u>	<u>-</u>	<u>95,519</u>	<u>-</u>	<u>13,916,509</u>	<u>13,916,509</u>	<u>-</u>
Total primary government	<u>\$ 217,385,821</u>	<u>\$ 105,141,846</u>	<u>\$ 26,835,761</u>	<u>\$ 97,055</u>	<u>(99,227,668)</u>	<u>13,916,509</u>	<u>(85,311,159)</u>	<u>-</u>
<b>Component units</b>								
Housing Commission	\$ 21,354,964	\$ 4,728	\$ 19,309,929	\$ -				(2,040,307)
SmartZone LDFA	4,341,768	-	-	-				(4,341,768)
Downtown Development Authority	25,503,201	12,304,093	-	-				(13,199,108)
Total Component units	<u>\$ 51,199,933</u>	<u>\$ 12,308,821</u>	<u>\$ 19,309,929</u>	<u>\$ -</u>				<u>(19,581,183)</u>
General revenues								
Property taxes					87,745,641	14,264,703	102,010,344	12,007,650
Unrestricted state-shared revenue					11,960,256	-	11,960,256	-
Unrestricted investment earnings					151,705	181,798	333,503	578,235
Gain on sale of capital assets					903,655	-	903,655	-
Miscellaneous					1,497,936	452,062	1,949,998	6,603,133
Transfers					(1,115,702)	1,115,702	-	-
Total general revenues and transfers					<u>101,143,491</u>	<u>16,014,265</u>	<u>117,157,756</u>	<u>19,189,018</u>
Change in net position					1,915,823	29,930,774	31,846,597	(392,165)
Net position - beginning of year					<u>643,279,018</u>	<u>361,237,052</u>	<u>1,004,516,070</u>	<u>28,495,941</u>
Net position - end of year					<u>\$ 645,194,841</u>	<u>\$ 391,167,826</u>	<u>\$ 1,036,362,667</u>	<u>\$ 28,103,776</u>

See Accompanying Notes to the Financial Statements

**City of Ann Arbor  
Governmental Funds  
Balance Sheet  
June 30, 2021**

	General	Special Revenue Fund Street, Bridge, and Sidewalk Repair Millage Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 179,640	\$ -	\$ 16,023	\$ 195,663
Equity in pooled cash and investments	42,548,819	12,955,565	63,088,402	118,592,786
Investments	-	-	7,915,697	7,915,697
Receivables				
Taxes, net	409,255	63,803	5	473,063
Accounts, net	180,871	2,590,455	578,250	3,349,576
Special assessments	697	95,182	135,485	231,364
Accrued interest and other	-	-	9,769	9,769
Improvement charges	-	19,491	-	19,491
Due from other units of government	1,133,998	-	6,860,396	7,994,394
Due from other funds	5,129,014	-	-	5,129,014
Inventories	37,672	-	-	37,672
Prepaid items	8,524	-	43,000	51,524
	<u>49,628,490</u>	<u>15,724,496</u>	<u>78,647,027</u>	<u>144,000,013</u>
Total assets	<u>\$ 49,628,490</u>	<u>\$ 15,724,496</u>	<u>\$ 78,647,027</u>	<u>\$ 144,000,013</u>

See Accompanying Notes to the Financial Statements

**City of Ann Arbor  
Governmental Funds  
Balance Sheet  
June 30, 2021**

	General	Special Revenue Fund Street, Bridge, and Sidewalk Repair Millage Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Liabilities</b>				
Accounts payable	\$ 978,960	\$ 2,191,937	\$ 1,807,315	\$ 4,978,212
Accrued and other liabilities	2,244,626	41,640	259,006	2,545,272
Due to other funds	-	-	5,129,014	5,129,014
Deposits payable	1,809,009	59,098	346,000	2,214,107
Due to other units of government	431,681	5,778	1,505,471	1,942,930
Unearned revenue	12,091,315	738,589	-	12,829,904
Total liabilities	<u>17,555,591</u>	<u>3,037,042</u>	<u>9,046,806</u>	<u>29,639,439</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue	<u>697</u>	<u>114,672</u>	<u>2,691,601</u>	<u>2,806,970</u>
<b>Fund Balances</b>				
Non-spendable	46,196	-	2,027,000	2,073,196
Restricted for				
Road maintenance and repairs	-	12,572,782	24,776,967	37,349,749
Culture and recreation	-	-	21,153,135	21,153,135
Law enforcement	-	-	95,183	95,183
Other special revenue funds	-	-	11,548,789	11,548,789
Debt service	-	-	516,118	516,118
Committed	533,506	-	1,918,790	2,452,296
Assigned	9,888,296	-	6,835,506	16,723,802
Unassigned (deficit)	21,604,204	-	(1,962,868)	19,641,336
Total fund balances	<u>32,072,202</u>	<u>12,572,782</u>	<u>66,908,620</u>	<u>111,553,604</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 49,628,490</u>	<u>\$ 15,724,496</u>	<u>\$ 78,647,027</u>	<u>\$ 144,000,013</u>

See Accompanying Notes to the Financial Statements

**City of Ann Arbor  
Governmental Funds  
Reconciliation of Fund Balances of Governmental Funds  
to Net Position of Governmental Activities  
June 30, 2021**

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<b>Total fund balances for governmental funds</b>	<b>\$ 111,553,604</b>
Total net position for governmental activities in the statement of net position is different because:	
Capital assets net of accumulated depreciation used in governmental activities are not financial resources and therefore are not reported in the funds.	628,931,358
Capital assets not being depreciated used in governmental activities are not financial resources and therefore are not reported in the funds.	95,009,618
Certain receivables are not available to pay for current period expenditures and therefore are deferred in the funds.	2,806,970
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(606,623)
Compensated absences	(15,063,166)
Deferred inflows of resources resulting from net pension liability or asset	(62,704,478)
Deferred outflow of resources resulting from net pension liability or asset	5,192,421
Deferred inflows of resources resulting from net OPEB liability	(28,800,016)
Deferred outflow of resources resulting from net OPEB liability	16,737,554
Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.	
Bonds payable	(102,705,000)
Unamortized bond discounts/premiums	(3,187,844)
Unamortized deferred loss on refunding	2,464,583
Net pension liability or asset	13,259,187
Net OPEB liability	(56,332,128)
Internal service funds are included as part of governmental activities.	<u>38,638,801</u>
<b>Net position of governmental activities</b>	<b><u>\$ 645,194,841</u></b>

See Accompanying Notes to the Financial Statements

**City of Ann Arbor**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2021**

	General	Special Revenue Fund Street, Bridge, and Sidewalk Repair Millage Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 63,431,379	\$ 12,430,096	\$ 11,884,165	\$ 87,745,640
Special assessments/improvement charges	-	90,423	-	90,423
Licenses and permits	1,468,199	-	6,430,007	7,898,206
Federal grants	-	-	5,753,515	5,753,515
State-shared revenue	14,608,111	-	15,054,310	29,662,421
Local contributions	170,000	5,097,956	916,158	6,184,114
Charges for services	5,846,398	15,195	6,800,036	12,661,629
Fines and forfeitures	3,065,737	-	59,469	3,125,206
Interest income	-	3,490	71,581	75,071
Rental income	847,243	-	-	847,243
Other revenue	745,092	164,318	417,900	1,327,310
<b>Total revenues</b>	<b>90,182,159</b>	<b>17,801,478</b>	<b>47,387,141</b>	<b>155,370,778</b>

See Accompanying Notes to the Financial Statements

**City of Ann Arbor**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2021**

	<u>General</u>	<u>Special Revenue Fund Street, Bridge, and Sidewalk Repair Millage Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Expenditures</b>				
Current				
General government	\$ 14,881,545	\$ -	\$ 3,220,094	\$ 18,101,639
Public safety	46,514,757	-	4,873,145	51,387,902
Public works	4,155,901	3,154,675	15,180,516	22,491,092
Public transportation	11,992,225	-	71,562	12,063,787
Community and economic development	2,707,327	-	457,033	3,164,360
Recreation and culture	7,289,276	-	5,323,690	12,612,966
Capital outlay	431,926	9,640,210	9,966,300	20,038,436
Debt service				
Principal retirement	-	-	6,694,000	6,694,000
Interest and fiscal charges	-	-	3,205,397	3,205,397
Total expenditures	<u>87,972,957</u>	<u>12,794,885</u>	<u>48,991,737</u>	<u>149,759,579</u>
Excess (deficiency) of revenues over expenditures	<u>2,209,202</u>	<u>5,006,593</u>	<u>(1,604,596)</u>	<u>5,611,199</u>

See Accompanying Notes to the Financial Statements

**City of Ann Arbor**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2021**

	General	Special Revenue Fund Street, Bridge, and Sidewalk Repair Millage Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 4,618,087	\$ 2,360,111	\$ 8,641,357	\$ 15,619,555
Transfers out	(2,441,681)	(2,344,081)	(11,050,013)	(15,835,775)
Sale of capital assets	55,001	-	68,800	123,801
Total other financing sources and uses	<u>2,231,407</u>	<u>16,030</u>	<u>(2,339,856)</u>	<u>(92,419)</u>
Net change in fund balance	4,440,609	5,022,623	(3,944,452)	5,518,780
Fund balance - beginning of year	<u>27,631,593</u>	<u>7,550,159</u>	<u>70,853,072</u>	<u>106,034,824</u>
Fund balance - end of year	<u>\$ 32,072,202</u>	<u>\$ 12,572,782</u>	<u>\$ 66,908,620</u>	<u>\$ 111,553,604</u>

See Accompanying Notes to the Financial Statements

**City of Ann Arbor  
Governmental Funds  
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2021**

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<b>Net change in fund balances - total governmental funds</b>	<b>\$ 5,518,780</b>
Total change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(55,550,023)
Capital outlay	28,363,707
Sale of capital assets (net book value)	(106,096)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Deferred inflow of resources	(2,392,335)
Expenses are recorded when incurred in the statement of activities.	
Accrued interest	38,737
Compensated absences	(938,707)
The statement of net position reports the net pension liability or asset, net OPEB liability and deferred outflows of resources and deferred inflows related to the net pension liability or asset and net OPEB liability and pension and OPEB expense. However, the amount recorded on the governmental funds equals actual pension and OPEB contributions.	
Net change in net pension liability or asset	83,465,816
Net change in the deferred inflows and outflows of resources related to the net pension liability or asset	(67,131,943)
Net change in net OPEB liability	21,304,887
Net change in the deferred inflows and outflows of resources related to the net OPEB liability	(16,677,657)
Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.	
Repayments of long-term debt	6,694,000
Amortization of premiums, discounts and similar items	46,625
Internal service funds are also included as governmental activities	(719,968)
<b>Change in net position of governmental activities</b>	<b>\$ 1,915,823</b>

See Accompanying Notes to the Financial Statements

**City of Ann Arbor**  
**Proprietary Funds**  
**Statement of Net Position**  
**June 30, 2021**

	Enterprise Funds						Total	Internal Service Funds
	Water Supply System	Sewage Disposal System	Parking System	Airport	Stormwater Sewer System	Solid Waste		
<b>Assets</b>								
Current assets								
Cash and cash equivalents	\$ 450	\$ -	\$ -	\$ 30	\$ -	\$ 187,961	\$ 188,441	\$ 298
Equity in pooled cash and investments	34,194,540	45,731,356	1,989,408	1,687,166	19,235,622	25,845,919	128,684,011	35,590,433
Investments	2,519,297	10,374,630	-	-	-	-	12,893,927	-
Receivables								
Taxes, net	-	-	-	-	-	7,237	7,237	-
Accounts, net	6,824,530	7,340,782	-	77,466	3,028,703	794,960	18,066,441	305,502
Improvement charges	42,752	46,016	-	-	10,359	-	99,127	-
Due from other units of government	232,997	-	300	-	-	-	233,297	-
Inventories	614,314	21,174	-	-	74,246	-	709,734	1,057,943
Prepaid items	325	3,419,993	-	-	7,004	-	3,427,322	1,747,926
<b>Total current assets</b>	<b>44,429,205</b>	<b>66,933,951</b>	<b>1,989,708</b>	<b>1,764,662</b>	<b>22,355,934</b>	<b>26,836,077</b>	<b>164,309,537</b>	<b>38,702,102</b>
Noncurrent assets								
Improvement charges	125,505	301,050	-	-	39,183	-	465,738	-
Due from other units of government	3,276,149	-	-	-	-	-	3,276,149	-
Capital assets not being depreciated	19,068,165	4,477,654	3,934,897	708,927	6,505,408	1,922,235	36,617,286	90,005
Capital assets, net of accumulated depreciation	122,475,881	221,717,743	24,215,223	1,115,586	21,332,030	10,747,322	401,603,785	12,398,612
<b>Total noncurrent assets</b>	<b>144,945,700</b>	<b>226,496,447</b>	<b>28,150,120</b>	<b>1,824,513</b>	<b>27,876,621</b>	<b>12,669,557</b>	<b>441,962,958</b>	<b>12,488,617</b>
<b>Total assets</b>	<b>189,374,905</b>	<b>293,430,398</b>	<b>30,139,828</b>	<b>3,589,175</b>	<b>50,232,555</b>	<b>39,505,634</b>	<b>606,272,495</b>	<b>51,190,719</b>
<b>Deferred Outflows of Resources</b>								
Deferred amount on refunding	674,597	1,410,538	83,273	-	-	-	2,168,408	-
Deferred amount relating to net pension liability	805,987	616,447	-	-	372,802	337,198	2,132,434	-
Deferred amount relating to net OPEB liability	1,513,076	1,418,998	-	-	367,422	691,410	3,990,906	-
<b>Total deferred outflows of resources</b>	<b>2,993,660</b>	<b>3,445,983</b>	<b>83,273</b>	<b>-</b>	<b>740,224</b>	<b>1,028,608</b>	<b>8,291,748</b>	<b>-</b>

See Accompanying Notes to the Financial Statements

**City of Ann Arbor**  
**Proprietary Funds**  
**Statement of Net Position**  
**June 30, 2021**

	Enterprise Funds						Total	Internal Service Funds
	Water Supply System	Sewage Disposal System	Parking System	Airport	Stormwater Sewer System	Solid Waste		
<b>Liabilities</b>								
<b>Current liabilities</b>								
Accounts payable	\$ 4,111,241	\$ 1,223,076	\$ -	\$ 85,232	\$ 2,359,065	\$ 1,384,253	\$ 9,162,867	\$ 1,324,315
Accrued and other liabilities	239,255	139,842	-	-	66,811	75,682	521,590	167
Accrued interest payable	190,904	789,733	13,200	-	100,803	-	1,094,640	-
Deposits	152,684	-	-	-	34,516	-	187,200	567,476
Due to other units of government	-	-	-	-	105,000	-	105,000	-
Bonds payable, current	2,399,637	3,190,944	530,814	-	-	-	6,121,395	-
Other debt, current	1,194,363	5,215,000	-	-	1,050,395	-	7,459,758	-
Estimated claims payable, current	-	-	-	-	-	-	-	453,846
Compensated absences, current	401,709	357,266	-	-	157,239	127,383	1,043,597	-
<b>Total current liabilities</b>	<b>8,689,793</b>	<b>10,915,861</b>	<b>544,014</b>	<b>85,232</b>	<b>3,873,829</b>	<b>1,587,318</b>	<b>25,696,047</b>	<b>2,345,804</b>
<b>Noncurrent liabilities</b>								
Bonds payable, net	26,699,996	110,292,990	1,492,143	-	14,624,123	-	153,109,252	-
Estimated claims payable, net	-	-	-	-	-	5,307,733	5,307,733	2,340,445
Compensated absences, net	965,783	438,606	-	-	232,498	151,812	1,788,699	-
Net pension liability	4,446,652	3,019,859	-	-	2,444,790	2,054,006	11,965,307	-
Net OPEB liability	4,960,124	4,919,324	-	-	103,736	2,593,842	12,577,026	-
<b>Total noncurrent liabilities</b>	<b>37,072,555</b>	<b>118,670,779</b>	<b>1,492,143</b>	<b>-</b>	<b>17,405,147</b>	<b>10,107,393</b>	<b>184,748,017</b>	<b>2,340,445</b>
<b>Total liabilities</b>	<b>45,762,348</b>	<b>129,586,640</b>	<b>2,036,157</b>	<b>85,232</b>	<b>21,278,976</b>	<b>11,694,711</b>	<b>210,444,064</b>	<b>4,686,249</b>
<b>Deferred Inflows of Resources</b>								
Deferred amount relating to net pension liability	4,990,405	4,449,816	-	-	1,908,458	2,054,179	13,402,858	-
Deferred amount relating to net OPEB liability	2,718,304	2,336,748	-	-	1,328,778	1,031,334	7,415,164	-
<b>Total deferred inflows of resources</b>	<b>7,708,709</b>	<b>6,786,564</b>	<b>-</b>	<b>-</b>	<b>3,237,236</b>	<b>3,085,513</b>	<b>20,818,022</b>	<b>-</b>

See Accompanying Notes to the Financial Statements

**City of Ann Arbor  
Proprietary Funds  
Statement of Net Position  
June 30, 2021**

	Enterprise Funds						Total	Internal Service Funds
	Water Supply System	Sewage Disposal System	Parking System	Airport	Stormwater Sewer System	Solid Waste		
<b>Net Position</b>								
Net investment in capital assets	\$ 111,924,647	\$ 108,907,001	\$ 26,210,436	\$ 1,824,513	\$ 12,162,920	\$ 12,669,557	\$ 273,699,074	\$ 12,488,617
Restricted for								
Debt service	2,390,273	10,172,355	-	-	-	-	12,562,628	-
Equipment replacement	12,990,684	8,466,312	-	-	-	-	21,456,996	-
Landfill	-	-	-	-	-	180,992	180,992	-
Unrestricted	<u>11,591,904</u>	<u>32,957,509</u>	<u>1,976,508</u>	<u>1,679,430</u>	<u>14,293,647</u>	<u>12,903,469</u>	<u>75,402,467</u>	<u>34,015,853</u>
Total net position	<u>\$ 138,897,508</u>	<u>\$ 160,503,177</u>	<u>\$ 28,186,944</u>	<u>\$ 3,503,943</u>	<u>\$ 26,456,567</u>	<u>\$ 25,754,018</u>	383,302,157	<u>\$ 46,504,470</u>
Some amounts reported for business-type activities in the statement of net position are different because certain internal service funds assets and liabilities are reported with business-type activities							<u>7,865,669</u>	
Net position of business-type activities							<u>\$ 391,167,826</u>	

See Accompanying Notes to the Financial Statements

**City of Ann Arbor**  
**Proprietary Funds**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**For the Year Ended June 30, 2021**

	Enterprise Funds						Total	Internal Service Funds
	Water Supply System	Sewage Disposal System	Parking System	Airport	Stormwater Sewer System	Solid Waste		
<b>Operating revenue</b>								
Charges for services	\$ 29,580,802	\$ 32,394,186	\$ 550,100	\$ 926,112	\$ 13,150,716	\$ 3,637,240	\$ 80,239,156	\$ 49,201,644
Other revenue	145,010	97,090	-	-	-	-	242,100	5,260
<b>Total operating revenue</b>	<b>29,725,812</b>	<b>32,491,276</b>	<b>550,100</b>	<b>926,112</b>	<b>13,150,716</b>	<b>3,637,240</b>	<b>80,481,256</b>	<b>49,206,904</b>
<b>Operating expenses</b>								
Personnel services	6,243,264	4,964,697	-	346,664	1,952,384	2,563,717	16,070,726	8,844,843
Municipal service charge	451,512	647,976	-	32,856	259,164	458,820	1,850,328	1,677,840
Information technology charge	897,990	351,582	-	10,656	240,208	176,292	1,676,728	1,025,212
Other operating costs	6,562,280	7,865,894	-	359,148	3,794,582	9,067,228	27,649,132	35,753,939
Depreciation	4,836,480	7,427,275	1,687,836	71,309	770,590	830,571	15,624,061	2,609,830
<b>Total operating expenses</b>	<b>18,991,526</b>	<b>21,257,424</b>	<b>1,687,836</b>	<b>820,633</b>	<b>7,016,928</b>	<b>13,096,628</b>	<b>62,870,975</b>	<b>49,911,664</b>
<b>Operating income (loss)</b>	<b>10,734,286</b>	<b>11,233,852</b>	<b>(1,137,736)</b>	<b>105,479</b>	<b>6,133,788</b>	<b>(9,459,388)</b>	<b>17,610,281</b>	<b>(704,760)</b>
<b>Nonoperating revenue (expenses)</b>								
Property taxes	-	-	-	-	-	14,264,703	14,264,703	-
Interest income	43,841	97,887	2,586	2,043	18,837	16,604	181,798	45,167
Gain on sale of assets	22,300	36,906	-	-	-	150,756	209,962	779,854
Interest expense	(662,551)	(2,732,739)	(48,882)	(11,598)	(380,701)	-	(3,836,471)	-
<b>Total nonoperating revenues (expenses)</b>	<b>(596,410)</b>	<b>(2,597,946)</b>	<b>(46,296)</b>	<b>(9,555)</b>	<b>(361,864)</b>	<b>14,432,063</b>	<b>10,819,992</b>	<b>825,021</b>
<b>Income (loss) before contributions and transfers</b>	<b>10,137,876</b>	<b>8,635,906</b>	<b>(1,184,032)</b>	<b>95,924</b>	<b>5,771,924</b>	<b>4,972,675</b>	<b>28,430,273</b>	<b>120,261</b>
Capital contributions	-	-	-	95,519	-	-	95,519	348,533
Transfers in	7,071,791	34,049	-	-	1,824,731	40,609	8,971,180	-
Transfers out	(1,848,500)	(4,068,081)	-	(9,456)	(1,473,983)	(455,458)	(7,855,478)	(899,482)
<b>Change in net position</b>	<b>15,361,167</b>	<b>4,601,874</b>	<b>(1,184,032)</b>	<b>181,987</b>	<b>6,122,672</b>	<b>4,557,826</b>	<b>29,641,494</b>	<b>(430,688)</b>
Net position - beginning of year	123,536,341	155,901,303	29,370,976	3,321,956	20,333,895	21,196,192	353,660,663	46,935,158
Net position - end of year	\$ 138,897,508	\$ 160,503,177	\$ 28,186,944	\$ 3,503,943	\$ 26,456,567	\$ 25,754,018	\$ 383,302,157	\$ 46,504,470
Change in net position - total enterprise funds							\$ 29,641,494	
Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities							289,280	
Change in net position of business-type activities							\$ 29,930,774	

See Accompanying Notes to the Financial Statements

**City of Ann Arbor**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2021**

	Enterprise Funds							Internal Service Funds
	Water Supply System	Sewage Disposal System	Parking System	Airport	Stormwater Sewer System	Solid Waste	Total	
<b>Cash flows from operating activities</b>								
Receipts from customers	\$ 28,776,240	\$ 30,971,761	\$ 550,300	\$ 918,700	\$ 13,279,002	\$ 3,648,004	\$ 78,144,007	\$ -
Payments to suppliers	(6,453,127)	(8,019,048)	-	(299,390)	(2,059,413)	(10,056,308)	(26,887,286)	(37,551,256)
Payments to employees	(7,617,797)	(6,373,985)	-	(346,664)	(2,597,703)	(3,371,423)	(20,307,572)	(8,844,843)
Receipts (payments) for interfund services used	(1,608,432)	(737,821)	-	(46,206)	(1,099,485)	(2,084,729)	(5,576,673)	49,135,763
Net cash provided (used) by operating activities	13,096,884	15,840,907	550,300	226,440	7,522,401	(11,864,456)	25,372,476	2,739,664
<b>Cash flows from noncapital financing activities</b>								
Transfer from other funds	7,071,791	34,049	-	-	1,824,731	40,609	8,971,180	-
Transfers to other funds	(1,848,500)	(4,068,081)	-	(9,456)	(1,473,983)	(455,458)	(7,855,478)	(899,482)
Repayment of advances from other funds	-	-	-	(333,802)	-	-	(333,802)	-
Property taxes	-	-	-	-	-	14,264,703	14,264,703	-
Net cash provided (used) by noncapital financing activities	5,223,291	(4,034,032)	-	(343,258)	350,748	13,849,854	15,046,603	(899,482)
<b>Cash flows from capital and related financing activities</b>								
Proceeds from sale of bonds and notes	362,449	-	-	-	2,186,508	-	2,548,957	-
Capital contributions	-	-	-	95,519	30,756	-	126,275	348,533
Purchases/construction of capital assets	(14,812,473)	(3,511,214)	-	(24,190)	(7,352,842)	(1,997,654)	(27,698,373)	(2,571,109)
Principal and interest paid on long-term debt	(4,156,440)	(10,901,189)	(550,099)	(12,736)	(1,314,970)	-	(16,935,434)	-
Proceeds from sale of capital assets	22,300	36,906	-	-	-	150,756	209,962	793,152
Net cash provided (used) by capital and related financing activities	(18,584,164)	(14,375,497)	(550,099)	58,593	(6,450,548)	(1,846,898)	(41,748,613)	(1,429,424)

See Accompanying Notes to the Financial Statements

**City of Ann Arbor**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2021**

	Enterprise Funds							Internal Service Funds
	Water Supply System	Sewage Disposal System	Parking System	Airport	Stormwater Sewer System	Solid Waste	Total	
<b>Cash flows from investing activities</b>								
Proceeds from sales and maturities of investments	\$ 3,036,051	\$ 10,731,891	\$ -	\$ -	\$ -	\$ -	\$ 13,767,942	\$ -
Purchases of investments	(2,519,297)	(10,374,631)	-	-	-	-	(12,893,928)	-
Interest received	43,841	97,887	2,586	2,043	18,837	16,603	181,797	45,167
Net cash provided by investing activities	560,595	455,147	2,586	2,043	18,837	16,603	1,055,811	45,167
Net change in cash and cash equivalents	296,606	(2,113,475)	2,787	(56,182)	1,441,438	155,103	(273,723)	455,925
Cash and cash equivalents - beginning of year	33,898,384	47,844,831	1,986,621	1,743,378	17,794,184	25,878,777	129,146,175	35,134,806
Cash and cash equivalents - end of year	\$ 34,194,990	\$ 45,731,356	\$ 1,989,408	\$ 1,687,196	\$ 19,235,622	\$ 26,033,880	\$ 128,872,452	\$ 35,590,731
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>								
Operating income (loss)	\$ 10,734,286	\$ 11,233,852	\$ (1,137,736)	\$ 105,479	\$ 6,133,788	\$ (9,459,388)	\$ 17,610,281	\$ (704,760)
Adjustments to reconcile operating income to net cash from operating activities								
Depreciation and amortization expense	4,836,480	7,427,275	1,687,836	71,309	770,590	830,571	15,624,061	2,609,830
Changes in assets and liabilities								
Receivables (net)	(1,865,861)	(1,540,242)	-	(7,412)	(332,365)	10,764	(3,735,116)	(71,141)
Due from other units of government	916,289	20,727	200	-	460,651	-	1,397,867	-
Inventories	(80,485)	38,633	-	-	-	-	(41,852)	65,454
Prepaid items	20,876	(32,634)	-	-	148,029	-	136,271	617,469
Accounts payable	(109,903)	102,584	-	57,064	986,095	(218,166)	817,674	105,085
Accrued and other liabilities	69,268	16,619	-	-	17,933	8,224	112,044	(723)
Deposits	-	-	-	-	932	-	932	(117,334)
Estimated claims payable	-	-	-	-	-	(2,220,531)	(2,220,531)	235,784
Customer deposits payable	19,735	-	-	-	-	-	19,735	-
Net pension liability	(1,260,378)	(1,128,412)	-	-	(477,494)	(516,651)	(3,382,935)	-
Net OPEB liability	(446,255)	(370,688)	-	-	(213,627)	(167,286)	(1,197,856)	-
Compensated absences	262,832	73,193	-	-	27,869	(131,993)	231,901	-
Net cash provided (used) by operating activities	\$ 13,096,884	\$ 15,840,907	\$ 550,300	\$ 226,440	\$ 7,522,401	\$ (11,864,456)	\$ 25,372,476	\$ 2,739,664
Reconciliation to the statement of net position								
Cash and cash equivalents	\$ 450	\$ -	\$ -	\$ 30	\$ -	\$ 187,961	\$ 188,441	\$ 298
Equity in pooled cash and investments	34,194,540	45,731,356	1,989,408	1,687,166	19,235,622	25,845,919	128,684,011	35,590,433
Cash and cash equivalents per cash flows	\$ 34,194,990	\$ 45,731,356	\$ 1,989,408	\$ 1,687,196	\$ 19,235,622	\$ 26,033,880	\$ 128,872,452	\$ 35,590,731

See Accompanying Notes to the Financial Statements

**City of Ann Arbor**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**June 30, 2021**

	Private-purpose Trust Fund	Pension and Employee Benefit Trust Funds	Custodial Funds
<b>Assets</b>			
Cash	\$ -	\$ -	\$ 3,502
Equity in pooled cash and investments	-	1,671,049	107,399
Investments, at fair value:			
Equities	-	589,699,865	-
Fixed income	-	195,224,345	-
Other	666,040	90,905,904	-
Receivables			
Accrued interest and other	-	563,863	-
Due from other units of government	-	139,463	6,890
Capital assets, net	-	323,958	-
Total assets	<u>666,040</u>	<u>878,528,447</u>	<u>117,791</u>
<b>Deferred Outflows of Resources</b>			
Deferred amount related to net pension liability	-	52,963	-
Deferred amount related to net OPEB liability	-	79,987	-
Total deferred outflows of resources	<u>-</u>	<u>132,950</u>	<u>-</u>
<b>Liabilities</b>			
Accounts payable	-	3,722,517	1,485
Mortgage payable, due in one year	-	34,106	-
Mortgage payable, due in more than one year	-	35,640	-
Net pension liability	-	272,089	-
Net OPEB liability	-	469,296	-
Due to other governments	-	-	25,431
Total liabilities	<u>-</u>	<u>4,533,648</u>	<u>26,916</u>
<b>Deferred Inflows of Resources</b>			
Deferred amount on net pension liability	-	295,639	-
Deferred amount related to net OPEB liability	-	18,605	-
Total deferred inflows of resources	<u>-</u>	<u>314,244</u>	<u>-</u>
<b>Net Position</b>			
Restricted for police and fire relief	666,040	-	-
Restricted for pensions	-	629,468,571	-
Restricted for other post employment benefits	-	244,344,934	-
Restricted for individuals, organizations, and other governments	-	-	90,875
Total net position	<u>\$ 666,040</u>	<u>\$ 873,813,505</u>	<u>\$ 90,875</u>

See Accompanying Notes to the Financial Statements

**City of Ann Arbor**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2021**

	Private-purpose Trust Fund	Pension and Other Employee Benefit Trust Funds	Custodial Funds
<b>Additions</b>			
Investment income:			
From investing activities:			
Appreciation in fair value of investments	\$ -	\$ 178,047,169	\$ -
Interest and dividends	687	9,439,410	59,985
Total investment income	687	187,486,579	59,985
Investment management fees	-	(759,633)	-
Net investment income from investing activities	687	186,726,946	59,985
From securities lending activities:			
Gross earnings	-	1,051	-
Borrower rebates received (paid)	-	(1,977)	-
Securities lending fees	-	904	-
Net investment income (loss) from securities and lending activities	-	(22)	-
Total net investment income	687	186,726,924	59,985
Contributions:			
Employer	-	31,430,659	-
Plan member	-	3,536,902	-
Total contributions	-	34,967,561	-
Property tax collections for other governments	-	-	277,462,714
Total additions	687	221,694,485	277,522,699
<b>Deductions</b>			
Benefits	25,000	54,454,421	-
Refunds of contributions	-	674,096	-
Administrative expenses	-	697,464	-
Payments of property tax to other governments	-	-	277,431,824
Total deductions	25,000	55,825,981	277,431,824
Change in net position	(24,313)	165,868,504	90,875
Net position - beginning of year	690,353	707,945,001	-
Net position - end of year	\$ 666,040	\$ 873,813,505	\$ 90,875

See Accompanying Notes to the Financial Statements

**City of Ann Arbor**  
**Discretely Presented Component Units**  
**Combining Statement of Net Position**  
**June 30, 2021**

	Housing Commission	SmartZone Local Development Finance Authority	Downtown Development Authority	Total
<b>Assets</b>				
Cash	\$ 3,714,297	\$ -	\$ 8,938,093	\$ 12,652,390
Equity in pooled cash and investments	-	5,075,106	-	5,075,106
Investments, at fair value	-	-	12,140,360	12,140,360
Receivables	166,637	522,250	2,665,585	3,354,472
Other assets	59,406	-	530,260	589,666
Capital assets being depreciated, net	124,109	-	-	124,109
Total assets	4,064,449	5,597,356	24,274,298	33,936,103
<b>Deferred Outflows of Resources</b>				
Deferred amount relating to net pension liability	10,177	-	-	10,177
<b>Liabilities</b>				
Accounts payable	1,077,813	487,950	2,699,583	4,265,346
Accrued and other liabilities	60,892	-	79,947	140,839
Due to other units of government	-	-	419,941	419,941
Unearned revenue	157,926	522,250	-	680,176
Debt due within one year	58,798	-	33,480	92,278
Debt due in more than one year	60,611	-	76,498	137,109
Net pension liability	1,411	-	-	1,411
Total liabilities	1,417,451	1,010,200	3,309,449	5,737,100
<b>Deferred Inflows of Resources</b>				
Deferred amount relating to net pension liability	105,404	-	-	105,404
<b>Net Position</b>				
Net investment in capital assets	124,109	-	-	124,109
Restricted	-	-	530,260	530,260
Unrestricted	2,427,662	4,587,156	20,434,589	27,449,407
Total net position	\$ 2,551,771	\$ 4,587,156	\$ 20,964,849	\$ 28,103,776

See Accompanying Notes to the Financial Statements

**City of Ann Arbor**  
**Discretely Presented Component Units**  
**Combining Statement of Activities**  
**For the Year Ended June 30, 2021**

	<u>Housing Commission</u>	<u>SmartZone Local Development Finance Authority</u>	<u>Downtown Development Authority</u>	<u>Total</u>
<b>Expenses</b>				
Housing and economic development	\$ 21,354,964	\$ 4,341,768	\$ 25,503,201	\$ 51,199,933
<b>Program revenues</b>				
Charges for services	4,728	-	12,304,093	12,308,821
Operating grants and contributions	<u>19,309,929</u>	<u>-</u>	<u>-</u>	<u>19,309,929</u>
<b>Total program revenue</b>	<u>19,314,657</u>	<u>-</u>	<u>12,304,093</u>	<u>31,618,750</u>
Net program expense	<u>(2,040,307)</u>	<u>(4,341,768)</u>	<u>(13,199,108)</u>	<u>(19,581,183)</u>
<b>General revenues</b>				
Property taxes	-	4,658,896	7,348,754	12,007,650
Interest income	1,129	2,419	574,687	578,235
Other income	<u>2,671,425</u>	<u>21,484</u>	<u>3,910,224</u>	<u>6,603,133</u>
<b>Total general revenues</b>	<u>2,672,554</u>	<u>4,682,799</u>	<u>11,833,665</u>	<u>19,189,018</u>
Change in net position	632,247	341,031	(1,365,443)	(392,165)
Net position - beginning of year	<u>1,919,524</u>	<u>4,246,125</u>	<u>22,330,292</u>	<u>28,495,941</u>
Net position - end of year	<u>\$ 2,551,771</u>	<u>\$ 4,587,156</u>	<u>\$ 20,964,849</u>	<u>\$ 28,103,776</u>

See Accompanying Notes to the Financial Statements

**City of Ann Arbor**  
**Notes to the Financial Statements**  
**June 30, 2021**

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**Note 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 (the "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 budget must be approved by City Council. 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 \$2.4 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 \$6.0 million for debt service payments. The DDA paid \$84 thousand to the City for insurance and network access. The City transferred \$14 thousand to the DDA for construction projects. The DDA issues separate audited financial statements.

Ann Arbor Housing Commission (the "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. Except for the Executive Director, all employees of the Housing Commission are City employees. 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.

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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. The activities for the SmartZone LDFA are accounted for in a single governmental fund.

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 Area Transportation Authority (AAATA) 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 \$29,800 as of June 30, 2021.

**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. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments 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.

**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

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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.

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, sales taxes, franchise taxes, 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 governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Street, Bridge, and Sidewalk Repair Millage is to account for the proceeds of a special millage to repair streets, bridges and sidewalks.

The City reports the following major proprietary 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 City's parking structures, depreciation, and debt.

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 City reports the following:

The nonmajor special revenue funds account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative requirements.

The debt service funds account for the accumulation of resources for, and payment of governmental activities principal, interest and related costs.

The 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.

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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 and services provided by the Central Stores, Fleet Services, Information Technology, Project Management, Insurance and the maintenance facility (the “Wheeler Center”) to service areas of the City on a charge for services basis.

The private-purpose trust fund accounts for investment earnings to subsidize the income of certain surviving beneficiaries of police officers and firefighters.

The Pension and Other Employee Benefits Trust Funds account for the activities of the employees’ retirement system and retiree health insurance plan.

The custodial funds account for assets held for other governments in a custodial 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 where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government’s business-type functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the enterprise funds and internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue 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, and net position or equity**

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. State statues authorize the City 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, banker’s acceptances, and mutual funds composed of otherwise legal investments.

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The Pension and Other Employee Benefits Trust Funds are authorized by 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 stated at fair value.

Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of a lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the 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.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts of \$1,477,514.

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, 2020 as controlled by the Headlee Amendment, Act 415 and City Charter, was 5.8359 mills raising \$37.7 million. Other tax rates and amounts raised were as follows: employee benefits (1.9452) raising \$12.6 million, refuse collection (2.3339) raising \$15.1 million, Ann Arbor Transportation Authority (1.9452) raising \$12.6 million, street & sidewalk repair (2.0289) raising \$13.1 million, parks maintenance and repair (1.0805) raising \$7.0 million, and open space and parkland preservation Millage (0.4519) raising \$2.9 million. Real and personal property located in the City as of December 31, 2019 was assessed and equalized at \$8,688,422,670, 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 2020

taxable value on March 11, 2021 was \$6,463,598,323. 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.

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. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

Inventories and prepaid items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures and enterprise funds are recorded as expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the City follows the consumption method, and they therefore are capitalized as prepaid items in both government-wide and fund financial statements.

Inventories and prepaid items are offset by nonspendable fund balance in governmental funds.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements.

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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.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value.

Capital assets of the primary government are depreciated using the straight-line method over the following useful lives:

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

Deferred outflows of resources – The City may report deferred outflows of resources as a result of pension and other post employment benefit (OPEB) earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions and experience differences relating to the net pension and OPEB liabilities or assets are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. The City also reported deferred outflows of resources for deferred losses on bond refunding. A deferred loss results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is amortized over the shorter of the life of the refunded or refunding debt.

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, should the employee terminate their employment other than via retirement or death. 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.

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

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the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

**Pension** – For purposes of measuring the net pension liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The City receives actuarial-based calculations to compute the actuarially determined contribution (ADC) necessary to fund the obligations over the remaining amortization periods. In the governmental funds, pension costs are recognized as contributions are made. For government-wide statements and proprietary funds, the City reports the full accrual cost equal to the current year required contributions.

**Other post-employment benefits** – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City’s Plan and additions to/deductions from the City’s Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for

money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

**Deferred inflows of resources** – The City may report deferred inflows of resources as a result of pension and other post employment benefit (OPEB) earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. The City also reports deferred inflows of resources for changes in assumptions and experience differences relating to the net pension and OPEB liabilities or assets which are deferred and amortized over the expected remaining services lives of the employees and retirees in the plan.

**Fund balance** – In the fund financial statements, governmental funds report fund balance in the following categories:

**Non-spendable** – assets that are not available in a spendable form or are legally or contractually required to be maintained intact.

**Restricted** – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

**Committed** – amounts constrained on use imposed by the government’s highest level of decision-making, its City Council. A fund balance commitment may be established, modified, or rescinded by a resolution of the City Council.

**Assigned** – amounts intended to be used for specific purposes, as determined by the Chief Financial Officer. The City Council has granted the Chief Financial Officer the authority to assign funds. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

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Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the government's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the government's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the 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 \$311,623 are included in assigned fund balance of the General Fund, \$6,934,083 in restricted fund balance of the Major and Local Street Funds and Street, Bridge and Sidewalk Millage Fund, and \$4,670,297 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.

**Adoption of New Accounting Standards**

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, (1) increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

Statement No. 98, *The Annual Comprehensive Financial Report* establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness.

**Upcoming Accounting and Reporting Changes**

In addition, the Governmental Accounting Standards Board has released the following Statements.

Statement No. 87, *Leases* increases the usefulness of the financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases

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and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

Statement No. 91, *Conduit Debt Obligations* provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and

arrangements associated with conduit debt obligations; and improving required note disclosures. This statement is effective for the year ending June 30, 2023.

Statement No. 93, *Replacement of Interbank Offered Rates* establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. This statement is effective for the year ending June 30, 2022.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or

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exchange-like transaction. This statement is effective for the year ending June 30, 2023.

Statement No. 96, *Subscription-Based Information Technology Arrangements*, is based on the standards established in Statement No. 87 *Leases*. This statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction (2) requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and (3) provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA. This statement is effective for the year ending June 30, 2023.

The City is evaluating the impact that the above GASB Statements will have on its financial reporting.

**Note 2 - Stewardship, Compliance, and Accountability**

**Budgetary information**

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). 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).

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.

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After the budget has been adopted, City Council may amend the budget by a concurring vote of no 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.

**Excess of expenditures over appropriations**

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the City were adopted on a department level basis for the General Fund and the fund level for the special revenue funds. During the year ended June 30, 2021, the City did not incur the following expenditures in

excess of the amounts appropriated at the legal level of budgetary control.

	<u>Appropriations</u>	<u>Actual</u>	<u>Budget Variance</u>
General Fund			
Public transportation	\$ 11,847,037	\$ 11,992,225	\$ 145,188
Capital outlay	262,176	431,926	169,750
Cemetery Perpetual Care Fund	-	660	660

**Fund Deficits**

The City has an accumulated fund balance deficit in the Major Grants Fund in the amount of \$1,948,488 as of June 30, 2021. This was caused by delayed receipt of grant funding and is completely covered by deferred inflows of resources. In addition, the Alternative Transportation Fund has an accumulated fund balance deficit of \$14,380.

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**Note 3 - Deposits and Investments**

At year end the government's deposits and investments were reported in the financial statements in the following categories:

	Cash	Equity in Pooled Cash and Investments	Investments	Total
Governmental activities	\$ 195,961	\$ 154,183,219	\$ 7,915,697	\$ 162,294,877
Business-type activities	<u>188,441</u>	<u>128,684,011</u>	<u>12,893,927</u>	<u>141,766,379</u>
Total	384,402	282,867,230	20,809,624	304,061,256
Fiduciary funds	3,502	1,778,448	876,496,154	878,278,104
Component units	<u>12,652,390</u>	<u>5,075,106</u>	<u>12,140,360</u>	<u>29,867,856</u>
Total	<u>\$ 13,040,294</u>	<u>\$ 289,720,784</u>	<u>\$ 909,446,138</u>	<u>\$ 1,212,207,216</u>

The breakdown between deposits and investments is as follows:

<b>Deposits and investments</b>	
Bank deposits	\$ 19,289,235
Certificates of deposit due within one year	802,882
Investments in securities, mutual funds, and similar vehicles:	
City investment pool	282,660,026
Nonmajor governmental funds	7,915,697
Enterprise funds	12,893,927
Employees' Retirement System	632,218,278
Retiree Health Care Trust Fund	243,611,836
Downtown Development Authority	12,140,360
Police & Fire Relief Trust	666,040
Cash on hand	<u>8,935</u>
<b>Total</b>	<b><u>\$ 1,212,207,216</u></b>

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**  
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**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:

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Insured</u>	<u>Uninsured</u>
City cash pool	\$ 6,637,045	\$ 31,303,382	\$ 269,525	\$ 31,033,857
Downtown Development Authority	1,096,811	3,260,932	250,000	3,010,932
Housing Commission	<u>3,714,297</u>	<u>3,725,588</u>	<u>1,000,000</u>	<u>2,725,588</u>
<b>Totals</b>	<u>\$ 11,448,153</u>	<u>\$ 38,289,902</u>	<u>\$ 1,519,525</u>	<u>\$ 36,770,377</u>

The uninsured bank balance of \$31,033,857 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 \$1,360,980 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**

The following is a summary of the City’s investments as of June 30, 2021:

U.S. treasuries	\$ 140,419,030
U.S. agencies	142,497,923
MI Class	19,919,444
Accrued interest	<u>1,270,838</u>
<b>Total investments</b>	<u>\$ 304,107,235</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, 2021, none of the City’s investments were exposed to risk since the securities are held in the City’s name by the counterparty.

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

**City of Ann Arbor**  
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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, 2021, all of the City's investments in securities of the U.S. Treasury and U.S. agencies were rated AA+ 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, 2021, the investment portfolio was concentrated as follows:

<u>Investment Type</u>	<u>Issuer</u>	<u>% of Portfolio</u>
U.S. agencies	Federal National Mortgage Association	9.00%
U.S. agencies	Federal Farm Credit Bank	19.66%
U.S. agencies	Federal Home Loan Mortgage	7.09%
U.S. agencies	Federal Home Loan Bank	14.62%

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.

- 65% in federal instrumentality securities
- 30% in money market accounts
- 25% in prime commercial paper
- 10% in certificates of deposits
- 10% in federal agency securities
- 10% in obligations of the State of Michigan or any of its political subdivisions
- 10% in investment pools
- 10% in joint interlocal investment ventures
- 10% in local government investment pools

There is no limit on the percentage of the portfolio that may be invested in U.S. Treasury Obligations and Repurchase Agreements. However, no more than 30% of the total portfolio shall be invested in any one issuer of Federal instrumentality securities. 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 invest in any one issuer of commercial paper, or obligations of the State of Michigan or any of its political subdivisions. Exposure to certificates of deposit is limited to no more than \$300,000 per issuer. No more than 25% of the total portfolio shall be invested in securities with maturities exceeding seven years. No more than 12.5% of the total portfolio shall be invested in securities with maturities exceeding eleven years.

Interest Rate Risk – As of June 30, 2021, maturities of the City's debt securities were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investments in Maturities</u>		
		<u>(fair value by years)</u>		
		<u>&lt;1</u>	<u>1-5</u>	<u>6-10</u>
U.S. treasuries	\$ 140,419,030	\$ 65,877,720	\$ 74,541,310	\$ -
U.S. agencies	142,497,923	30,851,898	111,646,025	-
	<u>\$ 282,916,953</u>	<u>\$ 96,729,618</u>	<u>\$ 186,187,335</u>	<u>\$ -</u>

Of the above balances, \$15,000,000 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,

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and the weighted average maturity of the portfolio shall not exceed 6.5 years.

Fair Value – The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City's recurring fair value measurements as of June 30, 2021 were related to its investments in U.S. treasuries and money market cash funds. These investments are valued using quoted market pricing of the underlying securities (Level 1 inputs).

In addition, the City reports U.S. agency securities which are valued based on the risk-free yield curve (Level 2 inputs).

Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

**Investments in Entities that Calculate Net Asset Value Per Share**

At year end, the net asset value of the City's investment in Michigan CLASS was \$19,919,444. The investment pool had no unfunded commitments, specific redemption frequency or redemption notice period required. The Michigan CLASS investment pool invests in U.S. treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated 'A-1' or better) collateralized bank deposits, repurchase agreements (collateralized at 102% by Treasuries and agencies), and approved money-market funds. The program seeks to provide safety, liquidity, convenience, and competitive rates of return, and is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities and

other public agencies. It has a rating of AAA from Standard and Poor's with a weighted average maturity of 54 days.

**Investments – City of Ann Arbor Employees' Retirement System**

The System does not maintain any checking or other demand/time deposit accounts. Amounts reported as cash or equity in the City of Ann Arbor pooled cash and investments in the statements 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.

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.

Investment allocation policy – The System's policy in regard to the allocation of invested assets is established and may be amended by the Retirement System Board of Trustees. The policy pursues an investment strategy that protects the financial health of the System and reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. System assets will be invested in the broad investment categories and asset classes to achieve the allocation targets below. Recognizing that asset returns may vary, causing fluctuations in the relative dollar value levels of assets within classes, the System may not maintain strict adherence to the targets in the short-term, but may allow the values to fluctuate within these ranges. Over the long-term, the System will strive to adhere to the given targets as financially practicable and move toward target allocations in a prudent manner consistent with its fiduciary duty.

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The adopted asset allocation policy as of June 30, 2021 is as follows:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Allocation Range</b>
<b>Equities</b>		
Domestic equities	36%	25% - 42%
Developed foreign equities	14%	9% - 17%
Emerging markets equities	7%	0% - 10%
Private equities	5%	0% - 7%
	<u>62%</u>	<u>34% - 76%</u>
<b>Fixed income</b>		
Investment grade bonds and private debt	12%	8% - 24%
TIPS	2%	0% - 10%
Emerging market bonds	2%	0% - 4%
High yield bonds	3%	1% - 5%
Bank loans	2%	0% - 4%
	<u>21%</u>	<u>9% - 47%</u>
<b>Other investments</b>		
Real estate	9%	2% - 12%
Natural resources	3%	0% - 5%
Infrastructure	3%	0% - 5%
Hedge funds	2%	1% - 5%
Cash	0%	0% - 5%
	<u>17%</u>	<u>3% - 32%</u>
	<u>100%</u>	

The investment allocation policy will be reviewed periodically to ensure that the objectives and constraints remain relevant. However, the Trustees recognize the need for a stable long-term policy for the System and major changes to this policy will be made only when significant developments in the circumstances, objectives or constraints of the System occur.

Investment holdings – The System’s investments are held by an independent trust company. Following is a summary of the System’s investments as of June 30, 2021: (investments at fair value, as determined by quoted market price).

	Domestic	Foreign	Total	On Loan
<b>Equities</b>				
Common stock	\$ 143,019,541	\$ 1,338,652	\$ 144,358,193	\$ 1,627,150
Common stock funds	116,877,112	138,597,761	255,474,873	-
Private equity	35,188,484	-	35,188,484	-
Mutual funds - equity	1,750,216	747,556	2,497,772	-
	<u>296,835,353</u>	<u>140,683,969</u>	<u>437,519,322</u>	<u>1,627,150</u>
Total equities				
<b>Fixed income</b>				
Government agency funds	35,947,801	-	35,947,801	-
Corporate bonds	30,001,755	4,130,995	34,132,750	-
Bank loan participation	10,903,223	-	10,903,223	-
Private credit	10,364,400	-	10,364,400	-
Index linked government bonds	18,340,164	-	18,340,164	-
Mutual funds - fixed income	5,724,279	13,026,655	18,750,934	-
	<u>111,281,622</u>	<u>17,157,650</u>	<u>128,439,272</u>	<u>-</u>
Total fixed income				
<b>Other investments</b>				
Infrastructure	-	514,611	514,611	-
Real estate - funds & REITs	45,710,081	-	45,710,081	-
Real estate - private credit	1,820,086	-	1,820,086	-
Hedge funds	-	3,678,941	3,678,941	-
Short-term investment fund	14,265,920	-	14,265,920	-
Mutual funds - other	270,045	-	270,045	-
	<u>62,066,132</u>	<u>4,193,552</u>	<u>66,259,684</u>	<u>-</u>
Total other investments				
Total investments	<u>\$ 470,183,107</u>	<u>\$ 162,035,171</u>	<u>\$ 632,218,278</u>	<u>\$ 1,627,150</u>

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

**City of Ann Arbor**  
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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.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investments in any particular asset class may or may not be consistent with the objectives of the System. The investment policy statement specifically indicates permissible asset classes, including high yield fixed income and alternatives, in appropriate target percentages.

The System's investments in government agency funds, corporate bond funds, bank loan participation, private credit, and index linked government bonds (each of which are essentially funds) are not rated.

The System's fixed income securities consisted of the following at June 30, 2021:

	2021
Government agency funds	\$ 35,947,801
Corporate bonds	34,132,750
Bank loan participation	10,903,223
Private credit	10,364,400
Index linked government bonds	18,340,164
Mutual funds - fixed income	18,750,934
	\$ 128,439,272

The System's investments in corporate bond funds and hedge funds are not rated; also, the other fixed income securities at June 30, 2021 were essentially in "funds" and therefore not rated, with the exception of corporate bonds.

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.

Inasmuch as all of the debt or fixed income securities as of June 30, 2021, except for the corporate bonds, are essentially held in funds by the portfolio managers, maturity information is not available. For the year ended June 30, 2021 the System's only corporate bond fund was a partnership hedge fund. As such, the System had no maturities to report.

Rate of Return – For the year ended June 30, 2021, the annual money-weighted rate of return on plan investments, net of investment expenses, was 26.74 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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.

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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, 2021, the total collateral received from borrowers had a fair value of \$1,670,029, all of which was cash.

**Fair Value Measurements** – The System categorizes the fair value measurements of its investments within the fair value hierarchy established by generally accepted accounting principles. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs – other than quoted prices – included within Level 1 that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable and are based on estimates and assumptions. These levels are determined by the System's investment manager at the fund level based on a review of the investment's class, structure, and what kind of securities are held in funds. The investment manager will request the information from the fund manager, if necessary.

**Level 1 Measurements** – common stocks are valued at the closing price reported on the active market on which the individual security is traded. The fair values of the mutual funds are determined by reference to the funds' underlying assets, which are principally marketable equity and fixed income securities. Shares held in mutual funds are traded on national securities exchanges and are valued at the net asset value on the last business day of each period presented. Short-term investment funds are valued at cost which approximates fair value.

**Level 2 Measurements** – the Level 2 investments are collective funds which are primarily invested in common stocks and fixed income securities. The fair value of these funds is based on the net asset value

per share as reported by the investment manager by reference to the underlying assets.

**Level 3 Measurements** – The Trustees and Fund Staff periodically evaluates the fair values of the investment in Level 3, incorporating a review of methods and assumptions used by the investment managers and administrators of the funds in valuing the assets. The fair values of interests held in "Funds and REITS" commingled vehicles are based on the fair values of the underlying real estate assets, as estimated by the investment manager, which the Plan has not adjusted, and are determined using one or more valuation techniques for which sufficient and reliable data is available. The fair value for interests held in limited partnerships, "Private Credit", "Private Equity", and "Corporate Bonds", are determined by the general partners, which the Plan has not adjusted, and is based on the most recent capital account assets. Following the end of the investment period, income and realization proceeds are distributed to investors, making the partnerships self-liquidating over their life. The fair value of interests held in "Bank Loan Participation" is based on the fair values of the underlying floating rate bank loan securities as estimated by the investment manager, which the Plan has not adjusted. The fair value of interests held in "Hedge Funds" is based on the fair value of the underlying currency, options, futures and forwards, commodity, equity, fixed income, and other securities the funds might hold. The underlying investments are principally exchange traded assets and the fair value of the Plan's interests is based on the statements provided by the manager, which the Plan has not adjusted.

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The System had the following recurring fair value measurements as of June 30, 2021:

	Level 1	Level 2	Level 3	Total
<b>Equities</b>				
Common stock	\$ 144,358,193	\$ -	\$ -	\$ 144,358,193
Common stock funds	70,370,729	185,104,144	-	255,474,873
Private equity	328,000	-	34,860,484	35,188,484
Mutual funds - equity	2,497,772	-	-	2,497,772
<b>Total equities</b>	<u>217,554,694</u>	<u>185,104,144</u>	<u>34,860,484</u>	<u>437,519,322</u>
<b>Fixed income</b>				
Government agency funds	-	35,947,801	-	35,947,801
Corporate bonds	-	30,001,754	4,130,996	34,132,750
Bank loan participation	-	-	10,903,223	10,903,223
Private credit	-	-	10,364,400	10,364,400
Index linked government bonds	-	18,340,164	-	18,340,164
Mutual funds - fixed income	13,369,427	5,381,507	-	18,750,934
<b>Total fixed income</b>	<u>13,369,427</u>	<u>89,671,226</u>	<u>25,398,619</u>	<u>128,439,272</u>
<b>Other investments</b>				
Infrastructure	-	-	514,611	514,611
Real estate - funds & REITs	-	-	45,710,081	45,710,081
Real estate - private credit	-	-	1,820,086	1,820,086
Hedge funds	-	-	3,678,941	3,678,941
Short-term investment fund	14,265,920	-	-	14,265,920
Mutual funds - other	270,045	-	-	270,045
<b>Total other investments</b>	<u>14,535,965</u>	<u>-</u>	<u>51,723,719</u>	<u>66,259,684</u>
<b>Total investments</b>	<u>\$ 245,460,086</u>	<u>\$ 274,775,370</u>	<u>\$ 111,982,822</u>	<u>\$ 632,218,278</u>

**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.

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**Notes to the Financial Statements**  
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The Association's investments are held by an independent trust company. Following is a summary of the Association's investments as of June 30, 2021:

	Domestic	Foreign	Total	On Loan
<b>Equities</b>				
Common stock	\$ 54,760,381	\$ 404,247	\$ 55,164,628	\$ 627,339
Common stock funds	42,204,679	48,242,819	90,447,498	-
Private equity	6,568,417	-	6,568,417	-
<b>Total equities</b>	<b>103,533,477</b>	<b>48,647,066</b>	<b>152,180,543</b>	<b>627,339</b>
<b>Fixed income</b>				
Corporate bonds	25,757,329	-	25,757,329	-
Funds - corporate bonds	4,230,317	-	4,230,317	-
Bank loans	6,208,836	-	6,208,836	-
Private credit	2,737,953	-	2,737,953	-
Mutual funds	9,987,834	3,771,063	13,758,897	-
Index linked government bonds	14,091,741	-	14,091,741	-
<b>Total fixed income</b>	<b>63,014,010</b>	<b>3,771,063</b>	<b>66,785,073</b>	<b>-</b>
<b>Other investments</b>				
Infrastructure	-	192,977	192,977	-
Real estate	21,336,115	-	21,336,115	-
Short-term investment fund	3,117,128	-	3,117,128	-
<b>Total other investments</b>	<b>24,453,243</b>	<b>192,977</b>	<b>24,646,220</b>	<b>-</b>
<b>Total investments</b>	<b>\$ 191,000,730</b>	<b>\$ 52,611,106</b>	<b>\$ 243,611,836</b>	<b>\$ 627,339</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. Investments in any particular asset class may or may not be consistent with the objectives of the Association. The investment policy statement specifically indicates permissible asset classes, including high yield fixed income and alternatives, in appropriate target percentages.

The Association's fixed income securities, which are not rated for credit risk, consisted of the following at June 30:

	2021
Corporate bonds	\$ 25,757,329
Funds - corporate bonds	4,230,317
Bank loan participation	6,208,836
Private credit	2,737,953
Index linked government bonds	14,091,741
Mutual funds	13,758,897
	<b>\$ 66,785,073</b>

**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.

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Inasmuch as all of the debt or fixed income securities as of June 30, 2021, is essentially held in funds by the portfolio managers, maturity information is not available.

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 Plan’s custodian requires it to indemnify the Plan 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, 2021, the total collateral received from borrowers had a fair value of \$641,978, all of which was cash.

Fair Value Measurements – The Association categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs – other than quoted prices – included within Level 1 that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable and are based on estimates and assumptions. These levels are determined by the Association’s investment manager. These are determined at the fund level based on

a review of the investment’s class, structure, and what kind of securities are held in funds. The investment manager will request the information from the fund manager if necessary.

Level 1 Measurements – common stocks are valued at the closing price reported on the active market on which the individual security is traded. The fair values of the mutual funds are determined by reference to the funds’ underlying assets, which are principally marketable equity and fixed income securities. Shares held in mutual funds are traded on national securities exchanges and are valued at the net asset value on the last business day of each period presented. Short-term investment funds are valued at cost which approximates fair value.

Level 2 Measurements – the Level 2 investments are collective funds which are primarily invested in common stocks and fixed income securities. The fair value of these funds is based on the net asset value per share as reported by the investment manager by reference to the underlying assets.

Level 3 Measurements – The Trustees and Fund Staff periodically evaluates the fair values of the investment in Level 3, incorporating a review of methods and assumptions used by the investment managers and administrators of the funds in valuing the assets. The fair values of interests held in “Funds and REITS” commingled vehicles are based on the fair values of the underlying real estate assets, as estimated by the investment manager, which the Plan has not adjusted, and are determined using one or more valuation techniques for which sufficient and reliable data is available. The fair value for interests held in limited partnerships, “Private Credit”, “Private Equity”, and “Corporate Bonds”, are determined by the general partners, which the Plan has not adjusted, and is based on the most recent capital account assets. Following the end of the investment period, income and realization proceeds are distributed to investors, making the partnerships self-liquidating over their life. The fair value of interests held in “Bank Loan Participation” is based on the fair values of the underlying floating rate bank loan securities as estimated by the

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investment manager, which the Plan has not adjusted. The fair value of interests held in “Hedge Funds” is based on the fair value of the underlying currency, options, futures and forwards, commodity, equity, fixed income, and other securities the funds might hold. The underlying investments are principally exchange traded assets and the fair value of the Plan’s interests is based on the statements provided by the manager, which the Plan has not adjusted.

The Association had the following recurring fair value measurements as of June 30, 2021:

	Level 1	Level 2	Level 3	Total
<b>Equities</b>				
Common stock	\$ 55,164,628	\$ -	\$ -	\$ 55,164,628
Common stock funds	26,428,227	64,019,271	-	90,447,498
Private equity	82,000	-	6,486,417	6,568,417
<b>Total equities</b>	<b>81,674,855</b>	<b>64,019,271</b>	<b>6,486,417</b>	<b>152,180,543</b>
<b>Fixed income</b>				
Corporate bonds	-	25,757,329	-	25,757,329
Funds - corporate bonds	-	4,230,317	-	4,230,317
Bank loans	-	-	6,208,836	6,208,836
Private credit	-	-	2,737,953	2,737,953
Mutual funds	3,771,063	9,987,834	-	13,758,897
Index linked government bonds	-	14,091,741	-	14,091,741
<b>Total fixed income</b>	<b>3,771,063</b>	<b>54,067,221</b>	<b>8,946,789</b>	<b>66,785,073</b>
<b>Other investments</b>				
Infrastructure	-	-	192,977	192,977
Real estate	7,999,913	-	13,336,202	21,336,115
Short-term investment fund	3,117,128	-	-	3,117,128
<b>Total other investments</b>	<b>11,117,041</b>	<b>-</b>	<b>13,529,179</b>	<b>24,646,220</b>
<b>Total investments</b>	<b>\$ 96,562,959</b>	<b>\$ 118,086,492</b>	<b>\$ 28,962,385</b>	<b>\$ 243,611,836</b>

**Investments – DDA Component Unit**

Custodial Credit Risk – Deposits – As of June 30, 2021, the carrying amounts of the DDA's deposits and cash on hand were \$1,097,011 and the bank balance was \$2,000,430 of which \$1,750,430 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 – Investments – Following is a summary of the DDA's investments as of June 30, 2021:

U.S. government agencies	\$ 10,047,359
Mutual funds	<u>2,093,001</u>
<b>Total investments</b>	<b>\$ <u>12,140,360</u></b>

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, 2021, all of the investments in U.S. agencies were rated AA+ by Standard & Poor’s Global Investor Services.

Interest Rate Risk – State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list

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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.

As of June 30, 2021, the maturities of the DDA's investments in U.S. agencies were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investments in Maturities (fair value by years)</u>	
		<u>1-5</u>	<u>6-10</u>
U.S. securities	\$ 10,047,359	\$ 10,047,359	\$ -

Fair Value – The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Authority's recurring fair value measurements as of June 30, 2021 were related to its investments in government agency funds and mutual funds. The mutual funds are valued using quoted market pricing of the underlying securities (Level 1 inputs). The government agency funds are valued based on the risk-free yield curve (Level 2 inputs).

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.

**Note 4 - Receivables**

Receivables as of year-end for the governmental and business-type activities, of which \$95,610 and \$3,741,886 respectively, are not expected to be collected within one year, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Taxes, net	\$ 473,063	\$ 7,237
Accounts, net	3,655,078	18,066,441
Special assessments	231,364	-
Improvement charges	19,491	564,865
Accrued interest and other	9,769	-
Due from other governments	<u>7,994,394</u>	<u>3,509,446</u>
	<u>\$ 12,383,159</u>	<u>\$ 22,147,989</u>

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**Note 5 - Capital Assets**

Capital assets activity of the primary government for the current year is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 67,597,550	\$ 512,920	\$ -	\$ 68,110,470
Construction-in-progress	18,206,168	9,324,518	541,533	26,989,153
Total capital assets not being depreciated	<u>85,803,718</u>	<u>9,837,438</u>	<u>541,533</u>	<u>95,099,623</u>
Capital assets being depreciated				
Land improvements	34,855,018	491,736	-	35,346,754
Intangible assets	1,173,590	-	-	1,173,590
Infrastructure	877,385,352	17,990,262	2,100,228	893,275,386
Buildings, additions and improvements	166,400,455	-	-	166,400,455
Machinery and equipment	14,369,555	937,332	103,973	15,202,914
Vehicles	27,981,108	2,219,581	3,144,892	27,055,797
Total capital assets being depreciated	<u>1,122,165,078</u>	<u>21,638,911</u>	<u>5,349,093</u>	<u>1,138,454,896</u>
Less accumulated depreciation for				
Land improvements	12,826,589	1,443,324	-	14,269,913
Intangible assets	1,173,590	-	-	1,173,590
Infrastructure	360,475,465	49,641,523	1,998,330	408,118,658
Buildings, additions and improvements	41,562,609	4,084,763	-	45,647,372
Machinery and equipment	11,050,665	804,785	99,775	11,755,675
Vehicles	17,105,854	2,185,458	3,131,594	16,159,718
Total accumulated depreciation	<u>444,194,772</u>	<u>58,159,853</u>	<u>5,229,699</u>	<u>497,124,926</u>
Net capital assets being depreciated	<u>677,970,306</u>	<u>(36,520,942)</u>	<u>119,394</u>	<u>641,329,970</u>
Governmental activities capital assets, net	<u>\$ 763,774,024</u>	<u>\$ (26,683,504)</u>	<u>\$ 660,927</u>	<u>\$ 736,429,593</u>

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	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 7,461,349	\$ -	\$ -	\$ 7,461,349
Construction-in-progress	<u>28,590,051</u>	<u>25,342,373</u>	<u>24,776,487</u>	<u>29,155,937</u>
Total capital assets not being depreciated	<u>36,051,400</u>	<u>25,342,373</u>	<u>24,776,487</u>	<u>36,617,286</u>
Capital assets being depreciated				
Land improvements	397,192,236	26,829,716	-	424,021,952
Buildings, additions and improvements	190,563,827	-	-	190,563,827
Machinery and equipment	27,568,417	245,526	134,881	27,679,062
Vehicles	<u>1,530,201</u>	<u>57,247</u>	<u>124,492</u>	<u>1,462,956</u>
Total capital assets being depreciated	<u>616,854,681</u>	<u>27,132,489</u>	<u>259,373</u>	<u>643,727,797</u>
Less accumulated depreciation for				
Land improvements	110,224,833	10,160,995	-	120,385,828
Buildings, additions and improvements	90,165,003	4,758,373	-	94,923,376
Machinery and equipment	24,847,406	686,078	134,881	25,398,603
Vehicles	<u>1,522,082</u>	<u>18,615</u>	<u>124,492</u>	<u>1,416,205</u>
Total accumulated depreciation	<u>226,759,324</u>	<u>15,624,061</u>	<u>259,373</u>	<u>242,124,012</u>
Net capital assets being depreciated	<u>390,095,357</u>	<u>11,508,428</u>	<u>-</u>	<u>401,603,785</u>
Business-type capital assets, net	<u>\$ 426,146,757</u>	<u>\$ 36,850,801</u>	<u>\$ 24,776,487</u>	<u>\$ 438,221,071</u>

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Capital assets activity of the component units for the current year is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Component Units</b>				
Capital assets being depreciated				
Buildings, additions and improvements	\$ 10,193	\$ -	\$ -	\$ 10,193
Machinery and equipment	<u>242,199</u>	<u>90,220</u>	<u>-</u>	<u>332,419</u>
Total capital assets being depreciated	<u>252,392</u>	<u>90,220</u>	<u>-</u>	<u>342,612</u>
Less accumulated depreciation for				
Buildings, additions and improvements	2,039	-	-	2,039
Machinery and equipment	<u>192,805</u>	<u>23,659</u>	<u>-</u>	<u>216,464</u>
Total accumulated depreciation	<u>194,844</u>	<u>23,659</u>	<u>-</u>	<u>218,503</u>
Net capital assets being depreciated	<u>57,548</u>	<u>66,561</u>	<u>-</u>	<u>124,109</u>
Component unit capital assets, net	<u>\$ 57,548</u>	<u>\$ 66,561</u>	<u>\$ -</u>	<u>\$ 124,109</u>

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

**Governmental activities**

General government	\$ 451,819
Public safety	99,571
Public works	53,573,017
Recreation and culture	1,425,616
Subtotal	<u>55,550,023</u>
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>2,609,830</u>
 Total governmental activities	 <u>58,159,853</u>

**Business-type activities**

Water	4,836,480
Sewer	7,427,275
Parking	1,687,836
Airport	71,309
Stormwater	770,590
Solid waste	<u>830,571</u>
 Total business-type activities	 <u>15,624,061</u>

Total primary government \$ 73,783,914

**Component Units**

Housing Commission	<u>\$ 23,659</u>
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**Note 6 - Interfund Receivables, Payables, and Transfers**

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>Due from/to other funds</b>		
General Fund	Nonmajor Funds	<u>\$ 5,129,014</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

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The details for interfund transfers are as follows:

	Transfer In							Total
	General Fund	Street, Bridge, and Sidewalk Repair Millage Fund	Water Supply System Fund	Sewage Disposal System Fund	Stormwater System Fund	Nonmajor Funds	Solid Waste Fund	
<b>Transfer Out</b>								
General Fund	\$ -	\$ 19,056	\$ 98,651	\$ -	\$ -	\$ 2,323,974	\$ -	\$ 2,441,681
Street, Bridge, and Sidewalk Repair Millage Fund	-	-	1,499,389	-	689,545	155,147	-	2,344,081
Water Supply System Fund	638,784	83,685	-	26,596	923,235	176,200	-	1,848,500
Sewer Disposal System Fund	-	-	3,925,859	-	142,222	-	-	4,068,081
Airport Fund	-	-	9,456	-	-	-	-	9,456
Stormwater System Fund	84,996	133,493	440,619	7,453	-	766,813	40,609	1,473,983
Solid Waste Fund	-	-	236,100	-	-	219,358	-	455,458
Nonmajor Funds	3,858,094	2,082,235	706,304	-	69,729	4,333,651	-	11,050,013
Internal Service Funds	36,213	41,642	155,413	-	-	666,214	-	899,482
<b>Total</b>	<u>\$ 4,618,087</u>	<u>\$ 2,360,111</u>	<u>\$ 7,071,791</u>	<u>\$ 34,049</u>	<u>\$ 1,824,731</u>	<u>\$ 8,641,357</u>	<u>\$ 40,609</u>	<u>\$ 24,590,735</u>

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.

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**Note 7 - Leases**

**Operating Leases - Lessee**

The City is the lessee of various properties (primarily office and storage space, as well as parking facilities) under operating leases for periods through 2024. The expenses and related revenues in connection with the leases are recorded in the General Fund, special revenue funds and pension trust funds. The total rent expense for fiscal year 2021 was \$253,061. The following is a table of future minimum noncancelable lease payments by the City:

<u>Year ending June 30,</u>	
2022	\$ 206,586
2023	196,586
2024	<u>55,802</u>
	<u>\$ 458,974</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 - Lessor**

The City is the lessor of various parking, office and airport facilities under operating leases for periods through 2036. Revenues and the related expenses for these leases are recorded in various funds. The total rent revenue for fiscal year 2021 was \$1,594,539. The total revenue includes \$691,340 for cell towers, \$43,006 for office space, \$645,288 for airport hangers, and \$214,905 for other rentals. All related City assets are fully depreciated. The following is a table of future minimum noncancelable lease payments to the City:

<u>Year ending June 30,</u>	
2022	\$ 1,274,488
2023	818,979
2024	761,992
2025	598,785
2026	370,276
2027-2031	1,088,183
2032-2036	<u>569,346</u>
	<u>\$ 5,482,049</u>

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

**Note 8 - 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

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(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 were 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. A liability has been accrued in the solid waste fund for offsite remediation in the amount of \$0. 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.

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**Note 9 - Long-Term Debt**

The City issues general obligation bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the City and have been issued by both governmental and business-type activities. The City issues revenue bonds where the income derived from the acquired or constructed assets is pledged to pay debt service. In addition, the City borrows from the State of Michigan revolving loan funds and holds notes for the City's share of debt for drainage district projects. Other long-term obligations include compensated absences, which are liquidated with various funds from of the City.

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>									
Bonds and notes payable									
General obligation bonds									
2012 transportation fund	\$ 2,670,000	2023	2.25 - 2.4%	\$265,000 - \$270,000	\$ 790,000	\$ -	\$ 255,000	\$ 535,000	\$ 265,000
2013 1st and Washington (series A)	4,480,000	2032	1.8 - 3.0%	\$225,000 - \$305,000	3,110,000	-	220,000	2,890,000	225,000
2013 1st and Washington (series B)	4,045,000	2032	2.35 - 3.75%	\$200,000 - \$280,000	2,770,000	-	195,000	2,575,000	200,000
2013 clean energy	560,000	2024	4.34%	\$53,000 - \$54,000	214,000	-	54,000	160,000	53,000
2015 open space preservation refunding	16,235,000	2034	2.0 - 3.375%	\$805,000 - \$1,140,000	13,240,000	-	790,000	12,450,000	805,000
2015 maintenance facility refunding	17,710,000	2029	2.0 - 3.0%	\$1,320,000 - \$1,575,000	12,780,000	-	1,295,000	11,485,000	1,320,000
2017 court and police refunding	24,030,000	2035	3.0 - 3.25%	\$1,190,000 - \$1,760,000	21,520,000	-	1,160,000	20,360,000	1,190,000
2019-A capital improvement bonds	14,780,000	2033	3.0 - 4.0%	\$925,000 - \$1,255,000	14,015,000	-	900,000	13,115,000	925,000
2019 capital improvement refunding bonds	37,175,000	2035	2.5 - 4.0%	\$1,885,000 - \$3,100,000	<u>35,610,000</u>	-	<u>1,825,000</u>	<u>33,785,000</u>	<u>1,885,000</u>
Total general obligation bonds					104,049,000	-	6,694,000	97,355,000	6,868,000
Direct borrowings and direct placements									
2018 capital improvement bonds	5,350,000	2033	2.75%	\$425,000 - \$555,000	5,350,000	-	-	5,350,000	-
Deferred amounts									
For issuance premiums					3,501,388	-	209,518	3,291,870	215,550
For issuance discounts					<u>(110,627)</u>	-	<u>(6,601)</u>	<u>(104,026)</u>	<u>(6,726)</u>
Total bonds payable					112,789,761	-	6,896,917	105,892,844	7,076,824
Compensated absences					<u>14,124,459</u>	<u>6,253,407</u>	<u>5,314,700</u>	<u>15,063,166</u>	<u>5,314,700</u>
Total governmental activities					<u>\$ 126,914,220</u>	<u>\$ 6,253,407</u>	<u>\$ 12,211,617</u>	<u>\$ 120,956,010</u>	<u>\$ 12,391,524</u>

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	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type activities</b>									
Bonds and notes payable									
General obligation bonds									
2012 parking - refunding	\$ 2,230,000	2022	2.0%	\$250,000	\$ 490,000	\$ -	\$ 240,000	\$ 250,000	\$ 250,000
2016 parking - refunding	2,790,000	2027	2.0%	\$270,000 - \$305,000	1,990,000	-	260,000	1,730,000	270,000
Total general obligation bonds					<u>2,480,000</u>	<u>-</u>	<u>500,000</u>	<u>1,980,000</u>	<u>520,000</u>
Revenue bonds									
2012 water - refunding	10,450,000	2024	2.3 - 2.5%	\$680,000	2,715,000	-	675,000	2,040,000	680,000
2016 water - refunding	16,285,000	2027	2.0%	\$1,710,000 - \$1,830,000	12,355,000	-	1,670,000	10,685,000	1,710,000
2013 sewer - refunding	17,985,000	2025	3.0 - 3.25%	\$1,750,000 - \$1,855,000	8,910,000	-	1,695,000	7,215,000	1,750,000
2016 sewer - refunding	19,280,000	2031	2.0 - 2.5%	\$1,390,000 - \$1,725,000	17,145,000	-	1,375,000	15,770,000	1,390,000
Total revenue bonds					<u>41,125,000</u>	<u>-</u>	<u>5,415,000</u>	<u>35,710,000</u>	<u>5,530,000</u>
Revolving loans									
DWRF 7319-01	4,575,000	2031	2.50%	\$230,000 - \$285,000	2,790,000	-	225,000	2,565,000	230,000
DWRF 7146-01	557,950	2024	2.125%	\$30,000 - \$32,950	122,950	-	30,000	92,950	30,000
DWRF 7325-01	624,750	2030	2.50%	\$30,000 - \$38,271	338,271	-	30,000	308,271	30,000
DWRF 7333-01	5,614,250	2032	2.50%	\$235,000 - \$305,602	3,185,602	-	230,000	2,955,602	235,000
DWRF 7362-01	8,864,396	2034	2.50%	\$405,000 - \$542,720	6,502,720	-	395,000	6,107,720	405,000
DWRF 7375-01	3,025,000	2035	2.00%	\$130,000 - \$166,522	2,221,522	-	130,000	2,091,522	130,000
DWRF 7472-01, Series 2020	3,008,191	2040	2.00%	\$128,290 - \$181,376	3,008,191	362,449	140,000	3,230,640	145,000
2004 SWQIF 3002-01	874,672	2024	1.625%	\$49,672 - \$50,000	199,672	-	50,000	149,672	50,000
2005 SWQIF 3002-02	879,382	2025	1.625%	\$49,382 - \$50,000	249,382	-	50,000	199,382	50,000
2006 SWQIF 3002-03	889,903	2026	1.625%	\$49,903 - \$50,000	299,903	-	50,000	249,903	50,000
2007 SWQIF 3002-04	964,976	2027	1.625%	\$50,000 - \$55,000	369,976	-	50,000	319,976	50,000
2008 SWQIF 3002-05	900,000	2028	2.50%	\$50,000 - \$55,000	415,000	-	50,000	365,000	50,000
2009 SWQIF 3010-01	1,310,000	2029	2.50%	\$70,000 - \$80,000	665,000	-	65,000	600,000	70,000
2010 SWQIF 3010-02	1,320,000	2030	2.50%	\$70,000 - \$80,000	740,000	-	65,000	675,000	70,000
2012 SWQIF 3010-03	1,365,000	2032	2.50%	\$65,000 - \$84,760	894,760	-	65,000	829,760	65,000
2013 SWQIF 3010-04	891,703	2033	2.50%	\$40,000 - \$56,703	606,703	-	40,000	566,703	40,000
2012 CWRF 5441-01	34,407,832	2036	2.50%	\$1,525,000 - \$2,150,000	28,815,000	-	1,485,000	27,330,000	1,525,000
2013 CWRF 5441-02	73,305,000	2038	2.00%	\$3,195,000 - \$4,405,000	67,225,000	-	3,135,000	64,090,000	3,195,000
Total revolving loans					<u>118,649,652</u>	<u>362,449</u>	<u>6,285,000</u>	<u>112,727,101</u>	<u>6,420,000</u>

**City of Ann Arbor**  
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	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type activities continued</b>									
Drain notes									
2006 Mallets Creek project	\$ 1,613,905	2028	1.625%	\$83,029 - \$94,891	\$ 704,533	\$ -	\$ 83,028	\$ 621,505	\$ 83,029
2009 Allen Creek Pioneer High School project	2,522,126	2031	2.5%	\$125,000 - \$156,126	1,531,126	-	125,000	1,406,126	125,000
2010 Stadium Blvd phase I 5337-01	165,000	2029	2.5%	\$10,000	90,000	-	10,000	80,000	10,000
2010 Stadium Blvd phase II 5337-02	916,204	2032	2.5%	\$43,245- \$57,660	595,821	-	43,246	552,575	43,245
2010 Allen Creek West Park project 5434-01	994,635	2031	2.5%	\$48,050 - \$62,465	605,430	-	48,050	557,380	48,050
2010 Allen Creek Sylvan Ave project 5435-01	405,000	2030	2.5%	\$20,000 - \$25,000	230,000	-	20,000	210,000	20,000
2011 Swift Run cistern 5471-01	26,362	2032	2.5%	\$1,000 - \$2,862	18,862	-	1,000	17,862	1,000
2011 County Farm streambank 5469-01	349,699	2032	2.5%	\$15,000 - \$27,199	227,199	-	15,000	212,199	15,000
2011 Mallets Creek E Stadium Bridge project 5505-01	162,209	2033	2.5%	\$5,000 - \$12,209	117,209	-	5,000	112,209	5,000
2011 Mallets Creek Burns Park project 5464-01	1,052,556	2032	2.5%	\$51,574 - \$65,618	670,436	-	51,578	618,858	51,574
2011 Traver Creek cistern 5472.01	182,434	2032	2.5%	\$8,822 - \$17,019	118,472	-	8,822	109,650	8,822
2011 Allen Creek cistern I 5470-01	140,746	2032	2.5%	\$5,000 - \$10,746	100,746	-	5,000	95,746	5,000
2011 Allen Creek cistern II 5470-02	31,261	2032	2.5%	\$2,000 - \$2,761	23,761	-	1,000	22,761	2,000
2012 Leslie Park project 5516-01	648,479	2033	2.5%	\$31,651 - \$44,853	460,834	-	31,651	429,183	31,651
2012 Allen Creek Willard Street project 5511-01	123,819	2032	2.5%	\$5,000 - \$11,319	81,319	-	5,000	76,319	5,000
2012 SRF tree planting 5504-01	167,467	2033	2.5%	\$10,000 - \$14,967	129,967	-	5,000	124,967	10,000
2013 Huron River infrastructure I 5504-03	215,795	2034	2.0%	\$10,000 - \$18,295	158,295	-	10,000	148,295	10,000
2013 Huron River infrastructure II 5504-02	278,379	2035	2.0%	\$15,000 - \$18,379	228,379	-	15,000	213,379	15,000
2013 Allen Creek Miller Ave 5436-01	805,723	2034	2.0%	\$40,000 - \$51,373	596,373	-	35,000	561,373	40,000
2013 Allen Creek Madison Ave 5437-01	890,130	2034	2.0%	\$40,000 - \$50,466	640,466	-	40,000	600,466	40,000
2013 Allen Creek Fourth Ave I 5510-01	175,163	2033	2.0%	\$10,000 - \$10,163	130,163	-	10,000	120,163	10,000
2013 Allen Creek Forest Ave 5512-01	211,099	2034	2.0%	\$10,000 - \$16,099	151,099	-	10,000	141,099	10,000
2014 Allen Creek West Park Fairgrounds	2,430,000	2034	2.5 - 3.5%	\$110,000 - \$170,000	1,870,000	-	105,000	1,765,000	110,000
2014 Mallets Creek Stone School 5475-01	2,025,000	2035	2.5%	\$90,000 - \$124,423	1,589,423	-	90,000	1,499,423	90,000
2014 Mallets Creek Springwater 5508-01	332,447	2035	2.5%	\$15,000 - \$22,602	257,602	-	15,000	242,602	15,000
2015 Huron River Green Infrastructure (HRGI) - Tree Planting 5504-04	188,503	2036	2.5%	\$10,000 - \$13,503	163,503	-	10,000	153,503	10,000

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	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type activities continued</b>									
Drain notes (continued)									
2015 HRGI Geddes 5594-01	\$ 1,015,000	2037	2.5%	\$45,000 - \$65,000	\$ 895,000	\$ -	\$ 45,000	\$ 850,000	\$ 45,000
2016 Allen Creek 5509-01	867,872	2037	2.5%	\$35,000- \$52,872	762,872	-	35,000	727,872	35,000
2016 Mallets Creek Drain 5508-02	689,553	2037	2.5%	\$30,000 - \$44,553	604,553	-	30,000	574,553	30,000
2016 HRGI Tree Planting 5504-05	205,801	2037	2.5%	\$10,000 - \$15,801	175,801	-	10,000	165,801	10,000
2017 HRGI 5504-06	292,220	2037	2.5%	\$14,327 - \$19,103	272,220	-	10,000	262,220	14,327
2017 HRGI 5504-07	290,446	2039	2%	\$11,697 - \$15,595	272,921	-	15,000	257,921	11,697
HRGI 5504.08	267,508	2040	2%	\$9,508- \$15,000	-	267,508	8,000	259,508	10,000
Benz Creek 5598-01	1,104,000	2041	2%	\$44,000 - \$70,000	-	1,104,000	-	1,104,000	44,000
Millers Creek - Pepper Pike 5626-01	815,000	2041	2%	\$35,000 - \$50,000	-	815,000	35,000	780,000	35,000
Total drain notes					<u>14,474,385</u>	<u>2,186,508</u>	<u>986,375</u>	<u>15,674,518</u>	<u>1,049,395</u>
Total bonds and notes payable					<u>176,729,037</u>	<u>2,548,957</u>	<u>13,186,375</u>	<u>166,091,619</u>	<u>13,519,395</u>
Deferred amounts									
For issuance premiums					<u>696,250</u>	<u>-</u>	<u>97,464</u>	<u>598,786</u>	<u>61,758</u>
Total bonds payable					<u>177,425,287</u>	<u>2,548,957</u>	<u>13,283,839</u>	<u>166,690,405</u>	<u>13,581,153</u>
Compensated absences					<u>2,600,395</u>	<u>1,275,498</u>	<u>1,043,597</u>	<u>2,832,296</u>	<u>1,043,597</u>
Total business-type activities					<u>\$ 180,025,682</u>	<u>\$ 3,824,455</u>	<u>\$ 14,327,436</u>	<u>\$ 169,522,701</u>	<u>\$ 14,624,750</u>
<b>Component units</b>									
<b>Downtown Development Authority</b>									
Compensated absences					\$ 182,566	\$ 61,856	\$ 134,444	\$ 109,978	\$ 33,480
<b>Ann Arbor Housing Commission</b>									
Compensated absences					<u>100,670</u>	<u>58,279</u>	<u>39,540</u>	<u>119,409</u>	<u>58,798</u>
Total component units					<u>\$ 283,236</u>	<u>\$ 120,135</u>	<u>\$ 173,984</u>	<u>\$ 229,387</u>	<u>\$ 92,278</u>
					Beginning Balance	Additions	Reductions	Ending Balance	
Deferred amount on refunding - governmental activities					\$ (2,620,875)	\$ -	\$ (156,292)	\$ (2,464,583)	
Deferred amount on refunding - business-type activities					<u>(2,409,344)</u>	<u>-</u>	<u>(240,936)</u>	<u>(2,168,408)</u>	
Total					<u>\$ (5,030,219)</u>	<u>\$ -</u>	<u>\$ (397,228)</u>	<u>\$ (4,632,991)</u>	

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Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending June 30,	Governmental Activities			
	Bonds		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2022	\$ 6,868,000	\$ 2,993,560	\$ -	\$ 147,126
2023	7,068,000	2,822,769	425,000	147,126
2024	6,989,000	2,641,994	435,000	135,438
2025	7,155,000	2,441,626	445,000	123,476
2026	7,345,000	2,235,444	460,000	111,238
2027-2031	37,215,000	7,760,468	2,490,000	359,702
2032-2035	24,715,000	2,069,516	1,095,000	45,367
	<u>\$ 97,355,000</u>	<u>\$ 22,965,377</u>	<u>\$ 5,350,000</u>	<u>\$ 1,069,473</u>
Year Ending June 30,	Business-type Activities			
	Principal	Interest		
2022	\$ 13,519,395	\$ 3,507,523		
2023	13,550,200	3,197,616		
2024	13,846,269	2,884,640		
2025	13,406,983	2,567,094		
2026	11,737,025	2,317,572		
2027-2031	52,083,254	7,941,227		
2032-2036	37,653,870	2,816,981		
2037-2041	<u>10,294,623</u>	<u>127,293</u>		
	<u>\$ 166,091,619</u>	<u>\$ 25,359,946</u>		

**Defeased Debt**

During fiscal year 2019, the City issued \$37,175,000 of refunding bonds to advance refund the 2009 capital improvement bonds to provide resources to purchase U.S. government securities that were placed in an irrevocable trust to generate resources for all future debt service

payments. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities. The remaining balance as of June 30, 2021 was \$35,170,000.

**Pledged Revenues**

The City has pledged future water supply system customer revenues, net of specified operating expenses, to repay \$53,004,537 in water system revenue bonds and revolving fund notes issued at various times. Proceeds from the bonds and notes provided financing to improve the water supply system and refund certain Water Supply System Fund bonds. The bonds and notes are payable solely from the net revenues of the City's water supply system and are payable through 2040. The total principal and interest remaining to be paid on the bonds and notes is \$32,985,309. Principal and interest paid for the current year was \$4,185,783. Total customer net revenues, including interest income and excluding depreciation was \$15,475,203.

The City has pledged future sewerage disposal system customer revenues, net of specified operating expenses, to repay \$154,373,468 in sewerage disposal system revenue bonds and revolving fund notes issued at various times. Proceeds from the bonds and notes provided financing to improve the sewerage disposal system and refund certain Sewerage Disposal System Fund bonds. The bonds and notes are payable solely from the net revenues of the City's sewerage disposal system and are payable through 2038. The total principal and interest remaining to be paid on the bonds and notes is \$137,441,860. Principal and interest paid for the current year was \$9,205,710. Total customer net revenues, including interest income and excluding depreciation was \$18,599,083.

**Note 10 - 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

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established the Risk 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 Risk 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 Risk 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 \$2,225,444 at June 30, 2021 and is included in estimated claims payable. The total estimated claims payable of \$2,794,291 is reflected in the Risk Fund at June 30, 2021. 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:

	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Year End</u>
2020	\$ 2,538,016	\$ 21,849,753	\$ 21,829,262	\$ 2,558,507
2021	2,558,507	21,575,279	21,339,495	2,794,291
<b>Total Claims</b>				
			\$ 2,794,291	
			<u>5,307,733</u>	
			<u>\$ 8,102,024</u>	

Claims and judgments are typically liquidated with funds from the Insurance Fund.

**Note 11 - Employee Retirement and Benefit Systems**

**General Information about the Defined Benefit Pension Plan**

Plan administration – 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 734-794-6710.

Management of the System is vested in the City of Ann Arbor Employees' Retirement System Board of Trustees, which consists of nine members, three are elected (representing fire, police and general

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City employees), five are appointed by the City Council of the City of Ann Arbor and one is the Chief Financial Officer of the City of Ann Arbor, who serves as ex-officio member.

Plan membership – At June 30, 2020, the date of the latest actuarial valuation, System membership consisted of the following:

Inactive employees or beneficiaries	
currently receiving benefits	1,102
Inactive employees entitled to, but not	
yet receiving benefits	103
Active employees	<u>725</u>
	<u>1,930</u>

Benefits provided – The System provides retirement, disability, and death benefits. Retirement benefits for general plan members are calculated as 2.5 percent of the member's final three-year average salary or five-year average salary depending on hire date, times the member's years of service. Benefits for public safety plan members (police and fire) are calculated as 2.75 percent of the member's final three-year average salary or five-year average salary depending on hire date, times the member's years of service. Effective January 1, 2017, the Retirement System was amended and restated to add to the existing defined benefit plan (to be called the "Traditional Retirement Plan"), a defined contribution money purchase pension plan (the "Dual Retirement Plan") which will only apply to non-union, AFSCME, and Teamsters Civilian Supervisor employees first hired or rehired on or after January 1, 2017. Employees who are members of the Dual Retirement Plan will also participate in and accrue benefits under the Traditional Retirement Plan, but at a rate of accruals that is 50% of the rate of accruals for members of the Traditional Retirement Plan who were hired or rehired prior to January 1, 2017. Certain collective bargaining units may agree that newly hired or rehired members of that union will be covered by the Dual Retirement Plan on dates after January 1, 2017. The Traditional Retirement Plan and the Dual

Retirement Plan are together called the City of Ann Arbor Employees Retirement System (CAAERS).

General plan members with 20 years of service are eligible to retire at age 50 with an early retirement reduction of .333 percent for each month that retirement precedes the normal retirement date. Public safety plan members with 20 years of service are eligible to retire at age 50 with an early retirement reduction of .333 percent for each month that retirement precedes the normal retirement date.

General plan members may retire with an unreduced benefit at age 50 after 25 years of service, or age 60 with 5 or 10 years of service depending on hire date. Public safety plan members may retire at any age after 25 years of service, or at age 55 with 5 or 10 years of service depending on hire date. Deferred members may retire at age 60 with 5 or 10 years of service depending on date of hire. All plan members are eligible for non-duty disability benefits after 5 or 10 years depending on date of hire, and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. A plan member who leaves City service may withdraw his or her contributions plus any accumulated interest. A withdrawal may reduce or even eliminate any future benefit payable under a deferred vested retirement.

The System offers a minimum benefit of \$9,800 adjusted by a cost of living factor each year and prorated for less than 20 years of service. In addition, annually, the Board of Trustees, in consultation with its actuary and upon receipt of the actuarial report for each fiscal year, determines whether to grant a permanent pension benefit adjustment or pay a one-time supplemental benefit based upon the amount, if any, of funds in the pension adjustment account which may be distributed to eligible retirees and beneficiaries. The aggregate cost of such benefit adjustment or supplemental benefit distribution is funded by a transfer from the pension adjustment account to the pension reserve. No pension benefit adjustment or supplemental benefit can be paid unless the amount available in the pension adjustment account is equal to or

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greater than 1% of the total pension payroll. The term "total pension payroll" means the total amount of pension benefits paid to retirees and beneficiaries in the prior fiscal year as reflected in the annual actuarial report.

Contributions – All plan members are required to contribute 6% of annual compensation. Effective in 2020, certain Fire union members based on date of hire are required to contribute 6.5% of annual compensation. The City is required to contribute at an actuarially determined rate; the rate for 2021 was 25.62% to 38.35% of annual covered payroll, respectively, depending on employee group. Plan provisions and contribution requirements are established and can be amended by the City Council. System administrative costs are financed through investment earnings.

Net pension liability (asset) – The total pension liability (asset) was determined by an actuarial valuation as of June 30, 2020 (and rolled forward to June 30, 2021), using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	General: 4.0% - 7.5%
	Police: 5.3% - 11%
	Fire: 5.4% - 10.8%
Investment rate of return	6.9%, net of pension plan investment expense, including inflation
Mortality rate	RP-2014 Healthy Employees and Annuitants, Adjusted back to 2006, Generational Under Project Scale MP-2017

These actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2012 through June 30, 2017.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset

class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 (see the discussion of the System's investment allocation policy) are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Allocation Range</b>	<b>Long-term Expected Real Rate of Return</b>
<b>Equities</b>			
Domestic equities	36%	25% - 42%	4.7%
Developed foreign equities	14%	9% - 17%	5.0%
Emerging markets equities	7%	0% - 10%	6.0%
Private equities	5%	0% - 7%	7.0%
	<u>62%</u>	<u>34% - 76%</u>	
<b>Fixed income</b>			
Investment grade bonds and private debt	12%	8% - 24%	4.4%
TIPS	2%	0% - 10%	-0.3%
Emerging market bonds	2%	0% - 4%	1.8%
High yield bonds	3%	1% - 5%	2.1%
Bank loans	2%	0% - 4%	1.9%
	<u>21%</u>	<u>9% - 47%</u>	
<b>Other investments</b>			
Real estate	9%	2% - 12%	4.8%
Natural resources	3%	0% - 5%	5.2%
Infrastructure	3%	0% - 5%	4.9%
Hedge funds	2%	1% - 5%	2.2%
Cash	0%	0% - 5%	-1.0%
	<u>17%</u>	<u>3% - 32%</u>	

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Discount rate – The discount rate used to measure the total pension liability was 6.9 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the net pension liability (asset) – The components of the change in the net pension liability (asset) are summarized as follows:

<b>Total Pension Liability</b>	
Service cost	\$ 10,172,596
Interest on the total pension liability	41,832,292
Experience differences	(5,188,914)
Assumption changes	6,182,687
Benefit payments and refunds	<u>(40,576,348)</u>
Net change in total pension liability	12,422,313
Total pension liability - beginning	<u>612,806,044</u>
Total pension liability - ending (a)	<u>\$ 625,228,357</u>
<b>Plan Fiduciary Net Position</b>	
Employer contributions	\$ 15,284,295
Employee contributions	3,194,016
Pension plan net investment income	136,319,258
Benefit payments and refunds	(40,576,348)
Pension plan administrative expense	(604,004)
Other	<u>(43,329)</u>
Net change in plan fiduciary net position	113,573,888
Plan fiduciary net position - beginning	<u>512,676,260</u>
Plan fiduciary net position - ending (b)	<u>626,250,148</u>
Net pension liability (asset) (a-b)	<u>\$ (1,021,791)</u>
Plan fiduciary net position as a percentage of total pension liability (asset)	100.16%
Covered payroll	\$ 60,232,543
Net pension liability (asset) as a percentage of covered payroll	-1.70%
Governmental activities	\$ (13,259,187)
Business-type activities	11,965,307
Fiduciary funds	<u>272,089</u>
Total	<u>\$ (1,021,791)</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate – The following presents the net pension liability (asset) of the

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employer, calculated using the discount rate of 6.9%, as well as what the employer's net pension liability (asset) would be using a discount rate that is 1% point lower (5.9%) or 1% higher (7.9%) than the current rate.

City	Current Discount Rate		
1% Decrease	Discount Rate	1% Increase	
Net pension liability (asset)	\$ 66,559,171	\$ (1,293,880)	\$ (58,479,357)

Pension Trust Fund	Current Discount Rate		
1% Decrease	Discount Rate	1% Increase	
Net pension liability	\$ 529,942	\$ 272,089	\$ 54,774

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued Plan financial statements.

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions – For the year ended June 30, 2021, the employer recognized pension expense of \$(4,486,915). The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences in experience	\$ 2,294,190	\$ (4,241,744)	\$ (1,947,554)
Differences in assumptions	5,083,628	-	5,083,628
Investment earnings	-	(72,161,231)	(72,161,231)
Total	<u>\$ 7,377,818</u>	<u>\$ (76,402,975)</u>	<u>\$ (69,025,157)</u>
Statement of Net Position	\$ 7,324,855	\$ (76,107,336)	\$ (68,782,481)
Statement of Fiduciary Net Position	52,963	(295,639)	(242,676)
	<u>\$ 7,377,818</u>	<u>\$ (76,402,975)</u>	<u>\$ (69,025,157)</u>

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended,	
2022	\$ (15,344,590)
2023	(15,778,756)
2024	(17,655,907)
2025	(20,245,904)
	<u>\$ (69,025,157)</u>

**General Information about the Hybrid Pension Plan**

All plan members hired after January 1, 2017, except for Ann Arbor Police Officers' Association, Command Officers' Association of Michigan, and Fire union employees, are required to participate in a hybrid pension plan administered by the City of Ann Arbor Employees' Retirement System. The hybrid pension plan is comprised of two components: a defined benefit plan and a defined contribution plan. Under the defined benefit plan, the City contributes at an actuarially determined rate with a 3% contribution from the employee. Retirement benefits under the defined benefit plan within the hybrid are calculated as 1.25% of the employee's final five-year average compensation multiplied by the years of service for General members

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(non-Safety personnel). Employees vest 100% in the defined benefit plan after 10 years of service.

Under the defined contribution plan, the employees contribute 3% of their wages and the employer contributes 5.2% for General members and 6.88% for Assistant Fire Chiefs and deputy police Chiefs. Employees vest 100% in the defined contribution plan after five years of service. In accordance with these requirements, the City had net contributions (contributions less forfeitures) of \$520,869 and the employees contributed \$342,595 for the year ended June 30, 2021. The total pension liability, net plan position, and net pension liability of the defined benefit component are included in above.

**Note 12 - Other Postemployment Benefits**

**Plan description**

The City of Ann Arbor Retiree Health Care Benefits Plan and Trust, a voluntary employees beneficiary association (VEBA) (hereinafter referred to as the “Plan” or “VEBA”) is a single-employer defined benefit postemployment healthcare plan established and administered by the City of Ann Arbor (the “City”) through a board of trustees to provide health and life benefits to eligible retirees and their beneficiaries.

The City of Ann Arbor Employees’ Retirement System Board of Trustees consists of nine members, three are elected (representing fire, police and general City employees), five are appointed by the City Council of the City of Ann Arbor and one is Chief Financial Officer of the City of Ann Arbor, who serves as ex-officio member.

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 734-794-6710.

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

Plan membership – At June 30, 2020, the date of the latest actuarial valuation, the plan membership consisted of the following:

	2020
Retirees and surviving spouses currently covered	1,070
Vested active participants	725
Total membership	1,795

Benefits provided – The Plan provides certain healthcare and life insurance benefits for eligible retired employees and their dependents in accordance with the 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. Plan benefit provisions are established and may be amended by the City, subject to the City’s various collective bargaining agreements.

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Contributions – The Plan is funded by actuarially determined contributions from the City, under a trust agreement established pursuant to Section 501(c)(9) of the Internal Revenue Code, which allows for the formation of such a plan. The VEBA is included as a pension and other employee benefits trust fund in the City’s annual comprehensive financial report. For the year ended June 30, 2020, the City’s average contribution rate was 28.01 percent of covered payroll. Plan members are not required to contribute to the plan.

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 ended June 30, 2021, the City contributed approximately \$15,600,000 to the plan, including \$14,500,000 for current premiums and an additional \$1,110,000 to prefund benefits.

Investment policy – The Plans policy in regard to the allocation of invested assets is established and may be amended by the Retirement System Board of Trustees. The Policy pursues an investment strategy that protects the financial health of the Plan and reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plans assets will be invested in the broad investment categories and asset classes to achieve the allocation targets below. Recognizing that asset returns may vary, causing fluctuations in the relative dollar value levels of assets within classes, the Plan may not maintain strict adherence to the targets in the short-term, but may allow the values to fluctuate within these ranges. Over the long-term, the Plan will strive to adhere to the targets as financially practicable and move toward target allocations in a prudent manner consistent with its fiduciary duty.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best-estimate of arithmetic real rates of return for each major class included in the target asset allocation as of June 30, 2021 are summarized below along with the Board’s adopted asset allocation policy:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>
<b>Equities</b>		
Domestic equities	33.0%	4.7%
Developed foreign equities	12.0%	5.0%
Emerging markets equities	7.0%	6.0%
Private equities	3.0%	7.0%
<b>Fixed income</b>		
Investment grade bonds	12.0%	-0.3%
TIPS	4.0%	-0.3%
High yield bonds	6.0%	2.1%
Bank loans	4.0%	1.9%
Emerging market debts	3.0%	1.8%
<b>Other investments</b>		
Real estate	10.0%	4.8%
Natural resources	3.0%	5.2%
Infrastructure	3.0%	4.9%
Cash	0.0%	-1.0%

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Rate of return – For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 25.68%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

Net OPEB liability – the components of the net OPEB liability as of June 30, 2021 were as follows:

Total OPEB liability	\$ 313,723,384
Plan fiduciary net position	<u>244,344,934</u>
Net OPEB liability	<u>\$ 69,378,450</u>

Plan fiduciary net position as a percentage of the total OPEB liability is 77.89%.

Actuarial assumptions – The total OPEB liability was determined by an actuarial valuation as of June 30, 2020 (and rolled forward to June 30, 2021), using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	3.50%
Salary increases	3.50%, average, including inflation
Investment rate of return	6.90%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Initial trend of 8.25% decreasing 0.25% per year to an ultimate trend rate of 3.50%.

Mortality rates were based on the following:

- Post-Retirement: RP-2014 Healthy Annuitant Tables, projected with scale MP-2017 from a base year of 2006.
- Pre-Retirement: RP-2014 Healthy Employee Tables, projected with scale MP-2017 from a base year of 2006.

These actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2012 through June 30, 2017.

Discount rate – The discount rate used to measure the total OPEB liability was 6.9%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**City of Ann Arbor**  
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Changes in the net OPEB liability – The components of the change in the net OPEB liability are summarized as follows:

<b>Total OPEB Liability</b>	
Service cost	\$ 3,070,762
Interest on the total OPEB liability	19,890,079
Experience differences	1,826,175
Changes in assumptions	13,556,526
Other changes	29,557
Benefit payments and refunds	<u>(14,516,628)</u>
Net change in total OPEB liability	23,856,471
Total OPEB liability - beginning	<u>289,866,913</u>
Total OPEB liability - ending (a)	<u>\$ 313,723,384</u>
<b>Plan Fiduciary Net Position</b>	
Employer contributions	\$ 15,625,495
OPEB plan net investment income	49,728,641
Benefit payments and refunds	(14,516,628)
OPEB plan administrative expense	<u>(142,053)</u>
Net change in plan fiduciary net position	50,695,455
Plan fiduciary net position - beginning	<u>193,649,479</u>
Plan fiduciary net position - ending (b)	<u>244,344,934</u>
Net OPEB liability (a-b)	<u>\$ 69,378,450</u>
Plan fiduciary net position as a percentage of total OPEB liability	77.89%
Covered payroll	\$ 60,232,543
Net OPEB liability as a percentage of covered payroll	115.18%
Primary government	\$ 68,909,154
Fiduciary funds	<u>469,296</u>
Total	<u>\$ 69,378,450</u>

Sensitivity of the net OPEB liability to changes in the discount rate – The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1% lower (5.9%) or 1% higher (7.9%) than the current discount rate.

	City		
	1% Decrease 5.9%	Discount Rate 6.9%	1% Increase 7.9%
Net OPEB liability	\$ 106,047,842	\$ 68,909,154	\$ 38,018,491

	Pension Trust Fund		
	1% Decrease 5.9%	Discount Rate 6.9%	1% Increase 7.9%
Net OPEB liability	\$ 544,312	\$ 469,296	\$ 442,228

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates – The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if were calculated using healthcare cost trend rates that are 1% lower (7.0%) or 1% higher (9.0%) than the current healthcare cost trend rates:

	City		
	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Net OPEB liability	\$ 35,382,027	\$ 68,909,154	\$ 109,095,124

	Pension Trust Fund		
	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Net OPEB liability	\$ 444,083	\$ 469,296	\$ 546,458

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OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB – For the year ended June 30, 2021, the City recognized OPEB expense of \$9,796,306. The City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences in experience	\$ 10,611,905	\$ -	\$ 10,611,905
Differences in assumptions	10,196,542	(11,242,672)	(1,046,130)
Investment earnings	<u>-</u>	<u>(24,991,113)</u>	<u>(24,991,113)</u>
Total	<u>\$ 20,808,447</u>	<u>\$ (36,233,785)</u>	<u>\$ (15,425,338)</u>
Statement of Net Position	\$ 20,728,460	\$ (36,215,180)	\$ (15,486,720)
Statement of Fiduciary Net Position	<u>79,987</u>	<u>(18,605)</u>	<u>61,382</u>
	<u>\$ 20,808,447</u>	<u>\$ (36,233,785)</u>	<u>\$ (15,425,338)</u>

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended,</u>	
2022	\$ (681,142)
2023	(5,501,622)
2024	(2,147,004)
2025	<u>(7,095,570)</u>
	<u>\$ (15,425,338)</u>

**Note 13 - 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 corpus of the trust is restricted to the limitations established by the trust and follows Michigan Uniform Prudent Management of Institutional Funds Act (PA 87 of 2009). 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 and is considered non-spendable. Fund balance at June 30, 2021 was \$2,231,047. Representing the corpus of the trust and appreciation of investments from prior years. The amount is reflected in cash, equity in pooled cash, investments and accrued interest. \$247,047 is restricted to the limitations established by the trust but is available for expenditure and is restricted as to use. The City has no official policy for authorizing and spending investment income; however, all purchases are reviewed by accounting staff.

**Note 14 - Significant Commitments**

As of June 30, 2021, the City had \$13,886,509 in construction commitments for various projects including water mains, resurfacing of streets, bridge reconstruction and other road improvements. The commitments will be satisfied using millage proceeds, fund balance and bond proceeds.

**City of Ann Arbor**  
**Notes to the Financial Statements**  
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**Note 15 - Advances from Pooled Investments**

The City's General Fund provided an advance in fiscal year 2009. The 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.

	2009 Retirement System \$400,000 07/01/08 Due 3-1 & 9-1	
FY	Principal	Interest
2022	\$ 34,106	\$ 2,728
2023	35,640	1,194
	<u>\$ 69,746</u>	<u>\$ 3,922</u>
Interest Rate		4.45%

**Note 16 - 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 Fund	Street, Bridge, and Sidewalk Repair Millage Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>				
Inventories and prepaids	\$ 46,196	\$ -	\$ 43,000	\$ 89,196
Trust corpus	-	-	1,984,000	1,984,000
<b>Total nonspendable</b>	<u>46,196</u>	<u>-</u>	<u>2,027,000</u>	<u>2,073,196</u>
<b>Restricted</b>				
Debt service	-	-	516,118	516,118
Culture and recreation	-	-	21,153,135	21,153,135
Road maintenance and repairs	-	-	24,776,967	24,776,967
Road construction	-	12,572,782	-	12,572,782
Law enforcement	-	-	95,183	95,183
Energy projects	-	-	60,000	60,000
Indigent defense	-	-	120,673	120,673
Community television network	-	-	4,688,163	4,688,163
Construction code	-	-	6,679,953	6,679,953
<b>Total restricted</b>	<u>-</u>	<u>12,572,782</u>	<u>58,090,192</u>	<u>70,662,974</u>
<b>Committed</b>				
Culture and recreation	-	-	95,912	95,912
Capital projects	533,506	-	-	533,506
Energy projects	-	-	245,848	245,848
Special assistance	-	-	15,887	15,887
County Mental Health millage	-	-	1,439,103	1,439,103
Cemetery perpetual care	-	-	122,040	122,040
<b>Total committed</b>	<u>533,506</u>	<u>-</u>	<u>1,918,790</u>	<u>2,452,296</u>
<b>Assigned</b>				
Capital projects	-	-	6,835,506	6,835,506
Culture and recreation	297,641	-	-	297,641
Affordable housing initiatives	117,020	-	-	117,020
Subsequent years expenditures and potential retirement payouts	<u>9,473,635</u>	<u>-</u>	<u>-</u>	<u>9,473,635</u>
<b>Total assigned</b>	<u>9,888,296</u>	<u>-</u>	<u>6,835,506</u>	<u>16,723,802</u>
<b>Unassigned (deficit)</b>	<u>21,604,204</u>	<u>-</u>	<u>(1,962,868)</u>	<u>19,641,336</u>
<b>Total fund balances</b>	<u>\$ 32,072,202</u>	<u>\$ 12,572,782</u>	<u>\$ 66,908,620</u>	<u>\$ 111,553,604</u>

**City of Ann Arbor**  
**Notes to the Financial Statements**  
**June 30, 2021**

**Note 17 - Net Investment in Capital Assets**

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Component</u> <u>Units</u>
<b>Capital assets</b>			
Capital assets not being depreciated	\$ 95,099,623	\$ 36,617,286	\$ -
Capital assets - net of accumulated depreciation	<u>641,329,970</u>	<u>401,603,785</u>	<u>124,109</u>
<b>Total capital assets</b>	736,429,593	438,221,071	124,109
<b>Less:</b>			
General obligation bonds	(102,705,000)	(1,980,000)	-
Revenue bonds	-	(35,710,000)	-
Revolving loans	-	(112,727,101)	-
Drain notes	-	(15,674,518)	-
Premiums	(3,291,870)	(598,786)	-
Discounts	104,026	-	-
Deferred amount on refunding	<u>2,464,583</u>	<u>2,168,408</u>	<u>-</u>
<b>Net investment in capital assets</b>	<u>\$ 633,001,332</u>	<u>\$ 273,699,074</u>	<u>\$ 124,109</u>

**Note 18 - Tax Abatements**

Taxes abated by the City of Ann Arbor are done under the authority of Michigan Public Act 198 of 1974 (known as the Industrial Facilities Exemption) and Michigan Public Act 381 of 1996 (Brownfield Redevelopment Abatement).

Industrial Facilities Exemption – City first must establish a district in which exemptions will be granted. Industrial and high-tech taxpayers in the district may then apply for an abatement for building expansions/improvements and new equipment to be purchased. The application is submitted to the City and approved by Council. The application and local approval are then forwarded to the Michigan State Tax Commission for final approval.

The exemption is a reduction in the millage rate. All current abated properties in the City pay half the millage rate for all taxing authorities except the 6 mill State Education Tax. Tax abated properties are tracked by statute on a separate assessment roll.

For approval at the local level the City requires the applicants to enter into an Abatement Agreement. The agreement has performance requirements as to the dollar amount of improvement and equipment to be added, the number of jobs to be added, the length of the abatement, and that the business must stay in the City for the length of the abatement.

For the fiscal year ended June 30, 2021, the City abated \$11,950 under this program.

Brownfield Redevelopment Abatement – abatements to encourage the purchase and revitalization of properties in which redevelopment or reuse may be complicated by the presence or perception of contamination. Revitalizing and redeveloping these properties protects the environment, reuses existing infrastructure, minimizes urban sprawl and creates economic opportunities.

For the fiscal year ended June 30, 2021, the City abated \$1,436,192 under this program.

It is the City’s goal that all abatement agreements have a claw back provision. If the taxpayer does not meet the performance goals or moves out of the City, the City can request that all abated taxes be repaid.

## **REQUIRED SUPPLEMENTARY INFORMATION**

### GENERAL FUND

To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

### SPECIAL REVENUE FUND

Street, Bridge, and Sidewalks Repair Millage – to account for the proceeds of a special millage to repair streets, bridges and sidewalks.

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**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes				
Property taxes	\$ 63,018,033	\$ 63,018,033	\$ 63,431,379	\$ 413,346
Licenses and permits	1,924,447	1,924,447	1,468,199	(456,248)
State-shared revenue and grants	14,081,017	14,088,795	14,608,111	519,316
Contributions and donations	-	-	170,000	170,000
Charges for services	10,497,707	10,497,707	5,846,398	(4,651,309)
Fines and forfeitures	4,858,380	4,858,380	3,065,737	(1,792,643)
Interest income	963,817	963,817	-	(963,817)
Rental income	655,847	655,847	847,243	191,396
Other revenue	154,590	154,590	745,092	590,502
Sale of capital assets	-	-	55,001	55,001
Transfers in	<u>1,072,781</u>	<u>1,541,262</u>	<u>4,618,087</u>	<u>3,076,825</u>
Total revenues	<u>97,226,619</u>	<u>97,702,878</u>	<u>94,855,247</u>	<u>(2,847,631)</u>

**City of Ann Arbor**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Expenditures</b>				
General government				
Mayor and council	\$ 492,262	\$ 492,262	\$ 483,409	\$ (8,853)
Administration	2,138,307	2,045,458	1,762,847	(282,611)
Human resources	2,210,982	2,216,700	2,063,599	(153,101)
Attorney	2,561,961	2,688,348	2,545,268	(143,080)
Finance	8,359,546	8,385,496	7,737,640	(647,856)
Clerk/elections	1,609,511	1,922,520	1,874,069	(48,451)
Environmental coordination services	423,651	425,623	331,307	(94,316)
District court	4,975,589	4,978,589	4,582,597	(395,992)
Planning	1,431,930	1,438,781	1,309,183	(129,598)
Other unallocated	3,387,993	1,862,675	1,501,520	(361,155)
Municipal service charge	<u>(9,678,632)</u>	<u>(9,689,730)</u>	<u>(9,309,894)</u>	<u>379,836</u>
Total general government	<u>17,913,100</u>	<u>16,766,722</u>	<u>14,881,545</u>	<u>(1,885,177)</u>
Public safety				
Police department	30,746,848	31,743,218	28,923,840	(2,819,378)
Fire department	16,996,601	17,796,728	16,460,379	(1,336,349)
Building department	<u>1,263,597</u>	<u>1,399,755</u>	<u>1,130,538</u>	<u>(269,217)</u>
Total public safety	<u>49,007,046</u>	<u>50,939,701</u>	<u>46,514,757</u>	<u>(4,424,944)</u>
Public works				
Public services	8,353,021	8,642,556	7,866,716	(775,840)
Municipal service charge	<u>(3,936,420)</u>	<u>(3,942,333)</u>	<u>(3,710,815)</u>	<u>231,518</u>
Total public works	<u>4,416,601</u>	<u>4,700,223</u>	<u>4,155,901</u>	<u>(544,322)</u>

**City of Ann Arbor**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Public transportation				
Transportation	\$ 11,847,037	\$ 11,847,037	\$ 11,992,225	\$ 145,188
Community development				
Community development	5,050,508	6,089,814	5,679,125	(410,689)
Municipal service charge	(3,022,955)	(3,290,855)	(2,971,798)	319,057
Total community and economic development	<u>2,027,553</u>	<u>2,798,959</u>	<u>2,707,327</u>	<u>(91,632)</u>
Recreation and culture				
Parks and recreation	<u>8,545,802</u>	<u>8,649,202</u>	<u>7,289,276</u>	<u>(1,359,926)</u>
Capital outlay	<u>-</u>	<u>262,176</u>	<u>431,926</u>	<u>169,750</u>
Transfers out	<u>2,382,593</u>	<u>2,364,148</u>	<u>2,441,681</u>	<u>77,533</u>
Total expenditures	<u>96,139,732</u>	<u>98,328,168</u>	<u>90,414,638</u>	<u>(7,913,530)</u>
Excess (deficiency) of revenues over expenditures	1,086,887	(625,290)	4,440,609	5,065,899
Fund balance - beginning of year	<u>27,631,593</u>	<u>27,631,593</u>	<u>27,631,593</u>	<u>-</u>
Fund balance - end of year	<u>\$ 28,718,480</u>	<u>\$ 27,006,303</u>	<u>\$ 32,072,202</u>	<u>\$ 5,065,899</u>

**City of Ann Arbor**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Street, Bridge, and Sidewalk Repair Millage**  
**For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
<b>Revenues</b>				
Taxes	\$ 12,356,751	\$ 12,356,751	\$ 12,430,096	\$ 73,345
Special assessments	-	217,287	90,423	(126,864)
Federal grants	-	165,000	-	(165,000)
Contributions and donations	2,648,000	5,615,000	5,097,956	(517,044)
Charges for services	-	14,205	15,195	990
Interest income	262,902	262,902	3,490	(259,412)
Other revenue	-	23,220	164,318	141,098
Transfers in	345,400	3,224,934	2,360,111	(864,823)
	<u>15,613,053</u>	<u>21,879,299</u>	<u>20,161,589</u>	<u>(1,717,710)</u>
<b>Total revenues</b>				
<b>Expenditures</b>				
Current				
Public works	14,141,477	3,970,745	3,154,675	(816,070)
Capital outlay	-	8,844,031	9,640,210	796,179
Transfers out	138,054	2,398,856	2,344,081	(54,775)
	<u>14,279,531</u>	<u>15,213,632</u>	<u>15,138,966</u>	<u>(74,666)</u>
<b>Total expenditures</b>				
Excess (deficiency) of revenues over expenditures	1,333,522	6,665,667	5,022,623	(1,643,044)
Fund balance - beginning of year	<u>7,550,159</u>	<u>7,550,159</u>	<u>7,550,159</u>	<u>-</u>
Fund balance - end of year	<u>\$ 8,883,681</u>	<u>\$ 14,215,826</u>	<u>\$ 12,572,782</u>	<u>\$ (1,643,044)</u>

**City of Ann Arbor**  
**Required Supplementary Information**  
**City of Ann Arbor Employees' Retirement System**  
**Schedule of Changes in Net Pension Liability (Asset) and Related Ratios**  
**June 30, 2021**

Fiscal year ended June 30,	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>								
Service cost	\$ 10,172,596	\$ 9,922,176	\$ 9,783,377	\$ 9,403,000	\$ 8,869,000	\$ 8,729,000	\$ 9,760,000	\$ 9,802,000
Interest on the total pension liability	41,832,292	40,637,790	40,055,937	38,552,000	37,755,000	36,925,458	35,978,096	34,400,755
Experience differences	(5,188,914)	5,221,388	(2,982,853)	15,517,000	3,488,000	(3,826,000)	279,000	3,834,000
Changes in actuarial assumptions	6,182,687	1,248,573	-	-	-	-	-	-
Other changes	-	-	-	4,342	30,337	-	-	-
Benefit payments and refunds	(40,576,348)	(39,605,298)	(37,622,046)	(36,715,000)	(35,436,000)	(33,960,032)	(32,667,512)	(32,011,444)
Net change in total pension liability	12,422,313	17,424,629	9,234,415	26,761,342	14,706,337	7,868,426	13,349,584	16,025,311
Total pension liability - beginning	612,806,044	595,381,415	586,147,000	559,385,658	544,679,321	536,810,895	523,461,311	507,436,000
Total pension liability - ending (a)	<u>\$ 625,228,357</u>	<u>\$ 612,806,044</u>	<u>\$ 595,381,415</u>	<u>\$ 586,147,000</u>	<u>\$ 559,385,658</u>	<u>\$ 544,679,321</u>	<u>\$ 536,810,895</u>	<u>\$ 523,461,311</u>
<b>Plan Fiduciary Net Position</b>								
Employer contributions	\$ 15,284,295	\$ 14,124,165	\$ 13,621,926	\$ 13,446,000	\$ 13,253,000	\$ 13,352,412	\$ 13,091,474	\$ 11,227,290
Employee contributions	3,194,016	3,164,729	3,264,590	3,185,000	3,325,000	3,139,266	3,013,353	2,948,177
Pension plan net investment income	136,319,258	23,143,999	30,599,351	33,235,000	54,243,000	2,434,339	20,144,251	60,253,683
Benefit payments and refunds	(40,576,348)	(39,605,298)	(37,622,046)	(36,715,000)	(35,436,000)	(33,960,032)	(32,667,512)	(32,011,444)
Pension plan administrative expense	(604,004)	(1,049,565)	(671,194)	(694,000)	(762,000)	(719,561)	(683,980)	(644,051)
Other	(43,329)	-	(29,397)	299,982	30,337	-	-	-
Net change in plan fiduciary net position	113,573,888	(221,970)	9,163,230	12,756,982	34,653,337	(15,753,576)	2,897,586	41,773,655
Plan fiduciary net position - beginning	512,676,260	512,898,230	503,735,000	491,273,658	456,620,321	472,373,897	469,685,311	427,911,656
Restatement for pension liability	-	-	-	-	-	-	(209,000)	-
Restatement for net OPEB liability	-	-	-	(295,640)	-	-	-	-
Plan fiduciary net position - ending (b)	<u>\$ 626,250,148</u>	<u>\$ 512,676,260</u>	<u>\$ 512,898,230</u>	<u>\$ 503,735,000</u>	<u>\$ 491,273,658</u>	<u>\$ 456,620,321</u>	<u>\$ 472,373,897</u>	<u>\$ 469,685,311</u>
Net pension liability (asset) (a-b)	<u>\$ (1,021,791)</u>	<u>\$ 100,129,784</u>	<u>\$ 82,483,185</u>	<u>\$ 82,412,000</u>	<u>\$ 68,112,000</u>	<u>\$ 88,059,000</u>	<u>\$ 64,436,998</u>	<u>\$ 53,776,000</u>
Plan fiduciary net position as a percentage of total pension liability	100.16%	83.66%	86.15%	85.94%	87.82%	83.83%	88.00%	89.73%
Covered payroll	\$ 60,232,543	\$ 57,970,915	\$ 57,077,636	\$ 55,459,000	\$ 51,059,000	\$ 46,887,000	\$ 49,638,000	\$ 47,956,745
Net pension liability (asset) as a percentage of covered payroll	(1.70%)	172.72%	144.51%	148.60%	133.40%	187.81%	129.81%	112.13%

Note: GASB Statement No. 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Data will be added as information is available until 10 years of such data is available.

**City of Ann Arbor**  
**Required Supplementary Information**  
**City of Ann Arbor Employees' Retirement System**  
**Schedule of Employer Contributions**  
**June 30, 2021**

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 11,217,000	\$ 11,227,290	\$ (10,290)	\$ 47,956,745	23.41%
2015	12,327,000	13,091,474	(764,474)	49,638,000	26.37%
2016	12,233,000	13,352,412	(1,119,412)	46,887,000	28.48%
2017	11,348,853	13,253,118	(1,904,265)	51,059,000	25.96%
2018	11,757,000	13,446,000	(1,689,000)	55,459,000	24.24%
2019	13,464,778	13,621,926	(157,148)	57,077,636	23.87%
2020	14,092,966	14,124,165	(31,199)	57,970,915	24.36%
2021	15,251,454	15,284,295	(32,841)	60,232,543	25.38%

Note: GASB Statement No. 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Data will be added as information is available until 10 years of such data is available.

**Notes to Schedule of Employer Contributions**

Valuation date June 30, 2019

Actuarially determined contribution Actuarially determined contribution (ADC) rates are calculated as of June 30 that is 12 months prior to the beginning of the fiscal year for which the contributions are reported. The ADC included in this schedule is calculated as the normal cost payment plus the amortized portion of the unfunded actuarial accrued liability.

Other information There were no benefit changes during the year.

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method Entry age normal  
Amortization method Level dollar, closed  
Remaining amortization period 22 years closed until 15 years at which a 15 year open period is used  
Asset valuation method 5-year smoothed market  
Inflation 2.5%  
Salary increases General: 4.0% - 7.5%  
Police: 5.3% - 11%  
Fire: 5.4% - 10.8%  
Investment rate of return 7% net of pension plan investment expense, including inflation  
Retirement age Experience-based table of rates that are specific to the type of eligibility condition  
Mortality RP-2014 Healthy Employees and Annuitants, Adjusted back to 2006  
Generational Under Projection Scale MP-2017

**City of Ann Arbor**  
**Required Supplementary Information**  
**City of Ann Arbor Employees' Retirement System**  
**Schedule of Investment Returns**  
**June 30, 2021**

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Fiscal Year Ending June 30,	Annual Return (1)
2013	12.96%
2014	14.01%
2015	4.35%
2016	0.50%
2017	11.93%
2018	7.02%
2019	6.07%
2020	4.45%
2021	26.74%

(1) Annual money-weighted rate of return, net of investment expenses.

Note: GASB Statement No. 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Data will be added as information is available until 10 years of such data is available.

**City of Ann Arbor**  
**Required Supplementary Information**  
**Other Post Employment Benefits**  
**Schedule of Changes in Net OPEB Liability and Related Ratios**  
**June 30, 2021**

Fiscal year ended June 30,	2021	2020	2019	2018	2017
<b>Total OPEB Liability</b>					
Service cost	\$ 3,070,762	\$ 2,169,920	\$ 2,623,066	\$ 3,331,000	\$ 3,071,000
Interest	19,890,079	20,212,994	17,926,505	17,099,000	17,058,000
Changes of benefit terms	29,557	-	-	-	-
Differences between expected and actual experience	1,826,175	8,453,222	23,161,053	-	-
Changes in assumptions	13,556,526	(22,907,010)	1,500,000	-	-
Other	-	(353)	-	1,181,354	-
Benefit payments	<u>(14,516,628)</u>	<u>(11,468,614)</u>	<u>(13,171,224)</u>	<u>(14,273,000)</u>	<u>(13,207,000)</u>
Net change in total OPEB liability	23,856,471	(3,539,841)	32,039,400	7,338,354	6,922,000
Total OPEB liability - beginning	<u>289,866,913</u>	<u>293,406,754</u>	<u>261,367,354</u>	<u>254,029,000</u>	<u>247,107,000</u>
Total OPEB liability - ending (a)	<u>\$ 313,723,384</u>	<u>\$ 289,866,913</u>	<u>\$ 293,406,754</u>	<u>\$ 261,367,354</u>	<u>\$ 254,029,000</u>
<b>Plan Fiduciary Net Position</b>					
Employer contributions	\$ 15,625,495	\$ 12,241,536	\$ 15,987,768	\$ 17,724,000	\$ 16,820,000
Net investment income	49,728,641	6,722,726	11,824,566	11,114,000	17,225,000
Benefit payments and refunds	(14,516,628)	(11,468,614)	(13,171,224)	(14,273,000)	(13,207,000)
Administrative expense	(142,053)	(177,731)	(116,902)	(97,000)	(130,000)
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>354</u>	<u>(153,000)</u>
Net change in plan fiduciary net position	50,695,455	7,317,917	14,524,208	14,468,354	20,555,000
Plan fiduciary net position - beginning	<u>193,649,479</u>	<u>186,331,562</u>	<u>171,807,354</u>	<u>157,339,000</u>	<u>136,784,000</u>
Plan fiduciary net position - ending (b)	<u>\$ 244,344,934</u>	<u>\$ 193,649,479</u>	<u>\$ 186,331,562</u>	<u>\$ 171,807,354</u>	<u>\$ 157,339,000</u>
Net OPEB liability (a-b)	<u>\$ 69,378,450</u>	<u>\$ 96,217,434</u>	<u>\$ 107,075,192</u>	<u>\$ 89,560,000</u>	<u>\$ 96,690,000</u>
Plan fiduciary net position as a percentage of total OPEB liability	77.89%	66.81%	63.51%	65.73%	61.94%
Covered payroll	\$ 60,232,543	\$ 57,970,915	\$ 57,077,636	\$ 55,458,000	\$ 53,583,000
Net OPEB liability as a percentage of covered payroll	115.18%	165.98%	187.60%	161.49%	180.45%

Note: GASB Statement No. 74 was implemented for the fiscal year ended June 30, 2017 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.

**City of Ann Arbor**  
**Required Supplementary Information**  
**Other Post Employment Benefits**  
**Schedule of Employer Contributions**  
**June 30, 2021**

Actuarial Valuation Date	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2017	\$ 11,168,000	\$ 16,819,824	\$ (5,651,824)	\$ 53,583,000	31.39%
2018	9,683,000	17,724,000	(8,041,000)	55,458,000	31.96%
2019	9,234,000	15,987,768	(6,753,768)	57,077,636	28.01%
2020	12,129,387	12,241,536	(112,149)	57,970,915	21.12%
2021	11,663,630	15,625,495	(3,961,865)	60,232,543	25.94%

Note: GASB Statement No. 74 was implemented for the fiscal year ended June 30, 2017 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.

**Notes to Schedule of Employer Contributions**

Valuation date	June 30, 2019
Actuarially Determined Contribution	Actuarially determined contribution (ADC) rates are calculated as of June 30 that is 12 months prior to the beginning of the fiscal year for which the contributions are reported. The ADC included in this schedule is calculated as the normal cost payment plus the amortized portion of the unfunded actuarial accrued liability.
Other information	There were no benefit changes during the year.

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Entry age
Amortization method	Level percentage of projected pay (amortization of the unfunded AAL)
Remaining amortization period	24 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Inflation rate	3.5%
Salary increases	3.5%, average, including inflation
Investment rate of return	7%, net of OPEB plan investment expense, including inflation
Mortality	Post-Retirement: RP-2014 Healthy Employee Tables, projected with Scale MP-2017 from a base year of 2006. Pre-Retirement: RP-2014 Healthy Employee Tables, projected with scale MP-2017 from a base year of 2006.
Healthcare cost trend rates	Initial trend of 8.25%, decreasing .25% per year to an ultimate rate of 3.5% in year 10.

**City of Ann Arbor**  
**Required Supplementary Information**  
**Other Post Employment Benefits**  
**Schedule of Investment Returns**  
**June 30, 2021**

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Fiscal Year Ending June 30,	Annual Return (1)
2017	11.78%
2018	7.21%
2019	6.83%
2020	3.52%
2021	25.68%

(1) Annual money-weighted rate of return, net of investment expenses.

Note: GASB Statement No. 74 was implemented for the fiscal year ended June 30, 2017 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.

## NONMAJOR SPECIAL REVENUE FUNDS

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

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.

NONMAJOR SPECIAL REVENUE FUNDS (continued)

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.

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.

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.

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.

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

County Mental Health Millage - to account for the proceeds of a Washtenaw County special millage. The City is using the funds to provide pedestrian safety, affordable housing improvements and climate action initiatives.

Indigent Defense Fund - to account for State grant monies in the Fifteenth District Court related to indigent defense improvement initiatives.

#### NONMAJOR 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.

#### NONMAJOR CAPITAL PROJECTS FUNDS

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

2019-A Capital Improvement Bonds – to account for bond proceeds and construction of pedestrian and road improvements in the downtown area.

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

#### NONMAJOR 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**  
**Other Supplementary Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2021**

	Special Revenue Funds							
	Energy Projects	Community Television Network	Homeland Security Fund	Major Streets	Local Streets	Court Facilities	Open Space & Parkland Preservation	
<b>Assets</b>								
Cash and cash equivalents	\$ 16,023	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equity in pooled cash and investments	290,577	4,317,797	291	15,857,557	4,481,710	7,920	12,207,445	95,162
Investments	-	-	-	-	-	-	-	-
Receivables								
Taxes, net	-	-	-	-	-	-	-	-
Accounts, net	-	440,289	-	103,624	1,199	-	-	750
Special assessments	135,485	-	-	-	-	-	-	-
Accrued interest and other	-	-	-	-	-	-	-	-
Due from other units of government	-	-	-	1,755,473	489,672	-	-	-
Prepaid items	-	-	-	33,000	-	-	10,000	-
Total assets	<u>\$ 442,085</u>	<u>\$ 4,758,086</u>	<u>\$ 291</u>	<u>\$ 17,749,654</u>	<u>\$ 4,972,581</u>	<u>\$ 7,920</u>	<u>\$ 12,217,445</u>	<u>\$ 95,912</u>
<b>Liabilities</b>								
Accounts payable	\$ -	\$ 52,551	\$ -	\$ 600,003	\$ 9,343	\$ -	\$ 60,938	\$ -
Accrued and other liabilities	752	17,372	-	76,842	10,947	-	1,103	-
Due to other funds	-	-	-	-	-	-	-	-
Deposits payable	-	-	-	346,000	-	-	-	-
Due to other units of government	-	-	-	-	-	-	-	-
Total liabilities	<u>752</u>	<u>69,923</u>	<u>-</u>	<u>1,022,845</u>	<u>20,290</u>	<u>-</u>	<u>62,041</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>								
Unavailable revenue	<u>135,485</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>								
<b>Non-spendable</b>								
Corpus	-	-	-	-	-	-	-	-
Prepaid items	-	-	-	33,000	-	-	10,000	-
<b>Restricted for</b>								
Culture and recreation	-	-	-	-	-	-	12,145,404	-
Law enforcement	-	-	291	-	-	7,920	-	-
Road maintenance and repairs	-	-	-	16,693,809	4,952,291	-	-	-
Debt service	-	-	-	-	-	-	-	-
Other purposes	60,000	4,688,163	-	-	-	-	-	-
<b>Committed for</b>								
Culture and recreation	-	-	-	-	-	-	-	95,912
Other purposes	245,848	-	-	-	-	-	-	-
Assigned to capital projects	-	-	-	-	-	-	-	-
Unassigned (deficit)	-	-	-	-	-	-	-	-
Total fund balances (deficit)	<u>305,848</u>	<u>4,688,163</u>	<u>291</u>	<u>16,726,809</u>	<u>4,952,291</u>	<u>7,920</u>	<u>12,155,404</u>	<u>95,912</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 442,085</u>	<u>\$ 4,758,086</u>	<u>\$ 291</u>	<u>\$ 17,749,654</u>	<u>\$ 4,972,581</u>	<u>\$ 7,920</u>	<u>\$ 12,217,445</u>	<u>\$ 95,912</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2021**

	Special Revenue Funds							
	Construction Code	Drug Enforcement	Federal Equitable Sharing Forfeiture	Parks Memorial & Contribution	Metro Expansion	Special Assistance	Open Space Endowment	
<b>Assets</b>								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equity in pooled cash and investments	7,041,764	60,498	173,470	1,434,932	3,154,712	23,055	967,152	122,040
Investments	-	-	-	-	-	-	-	-
Receivables								
Taxes, net	-	-	-	-	-	-	-	-
Accounts, net	25,321	-	-	-	-	282	-	-
Special assessments	-	-	-	-	-	-	-	-
Accrued interest and other	-	-	-	-	-	-	-	-
Due from other units of government	-	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-	-
<b>Total assets</b>	<u>\$ 7,067,085</u>	<u>\$ 60,498</u>	<u>\$ 173,470</u>	<u>\$ 1,434,932</u>	<u>\$ 3,154,712</u>	<u>\$ 23,337</u>	<u>\$ 967,152</u>	<u>\$ 122,040</u>
<b>Liabilities</b>								
Accounts payable	\$ 146,330	\$ 56,000	\$ 114,000	\$ 75,955	\$ 20,546	\$ 7,450	\$ -	\$ -
Accrued and other liabilities	68,252	-	-	-	3,299	-	-	-
Due to other funds	-	-	-	-	-	-	-	-
Deposits payable	-	-	-	-	-	-	-	-
Due to other units of government	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<u>214,582</u>	<u>56,000</u>	<u>114,000</u>	<u>75,955</u>	<u>23,845</u>	<u>7,450</u>	<u>-</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>								
Unavailable revenue	<u>172,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>								
Non-spendable								
Corpus	-	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-	-
Restricted for								
Culture and recreation	-	-	-	1,358,977	-	-	967,152	-
Law enforcement	-	4,498	59,470	-	-	-	-	-
Road maintenance and repairs	-	-	-	-	3,130,867	-	-	-
Debt service	-	-	-	-	-	-	-	-
Other purposes	6,679,953	-	-	-	-	-	-	-
Committed for								
Culture and recreation	-	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	15,887	-	122,040
Assigned to capital projects	-	-	-	-	-	-	-	-
Unassigned (deficit)	-	-	-	-	-	-	-	-
<b>Total fund balances (deficit)</b>	<u>6,679,953</u>	<u>4,498</u>	<u>59,470</u>	<u>1,358,977</u>	<u>3,130,867</u>	<u>15,887</u>	<u>967,152</u>	<u>122,040</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 7,067,085</u>	<u>\$ 60,498</u>	<u>\$ 173,470</u>	<u>\$ 1,434,932</u>	<u>\$ 3,154,712</u>	<u>\$ 23,337</u>	<u>\$ 967,152</u>	<u>\$ 122,040</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2021**

	Special Revenue Funds					
	Alternative Transportation	Michigan Justice Training	Parks Maint. & Capital Imp. Millage	Major Grants	County Mental Health Millage	Indigent Defense
<b>Assets</b>						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equity in pooled cash and investments	905,000	20,996	6,800,411	-	1,513,031	120,673
Investments	-	-	-	-	-	-
Receivables						
Taxes, net	-	-	-	-	-	-
Accounts, net	-	2,008	4,777	-	-	-
Special assessments	-	-	-	-	-	-
Accrued interest and other	-	-	-	-	-	-
Due from other units of government	-	-	-	4,598,251	-	-
Prepaid items	-	-	-	-	-	-
Total assets	<u>\$ 905,000</u>	<u>\$ 23,004</u>	<u>\$ 6,805,188</u>	<u>\$ 4,598,251</u>	<u>\$ 1,513,031</u>	<u>\$ 120,673</u>
<b>Liabilities</b>						
Accounts payable	\$ 23,189	\$ -	\$ 303,208	\$ 32,360	\$ 69,862	\$ -
Accrued and other liabilities	5,256	-	67,425	2,636	4,066	-
Due to other funds	890,935	-	-	4,128,177	-	-
Deposits payable	-	-	-	-	-	-
Due to other units of government	-	-	-	-	-	-
Total liabilities	<u>919,380</u>	<u>-</u>	<u>370,633</u>	<u>4,163,173</u>	<u>73,928</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>						
Unavailable revenue	-	-	-	2,383,566	-	-
<b>Fund Balances</b>						
Non-spendable						
Corpus	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
Restricted for						
Culture and recreation	-	-	6,434,555	-	-	-
Law enforcement	-	23,004	-	-	-	-
Road maintenance and repairs	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Other purposes	-	-	-	-	-	120,673
Committed for						
Culture and recreation	-	-	-	-	-	-
Other purposes	-	-	-	-	1,439,103	-
Assigned to capital projects	-	-	-	-	-	-
Unassigned (deficit)	(14,380)	-	-	(1,948,488)	-	-
Total fund balances (deficit)	<u>(14,380)</u>	<u>23,004</u>	<u>6,434,555</u>	<u>(1,948,488)</u>	<u>1,439,103</u>	<u>120,673</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 905,000</u>	<u>\$ 23,004</u>	<u>\$ 6,805,188</u>	<u>\$ 4,598,251</u>	<u>\$ 1,513,031</u>	<u>\$ 120,673</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2021**

	Debt Service Fund		Capital Projects Funds		Permanent Fund	Total Nonmajor Governmental Funds
	General Debt Service	Maintenance Facility	2019-A Capital Improvements Bonds	General Capital Improvements	Elizabeth R. Dean Trust	
<b>Assets</b>						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,023
Equity in pooled cash and investments	516,613	769,733	-	2,019,569	186,294	63,088,402
Investments	-	-	5,857,593	-	2,058,104	7,915,697
Receivables						
Taxes, net	5	-	-	-	-	5
Accounts, net	-	-	-	-	-	578,250
Special assessments	-	-	-	-	-	135,485
Accrued interest and other	-	-	-	-	9,769	9,769
Due from other units of government	-	-	-	17,000	-	6,860,396
Prepaid items	-	-	-	-	-	43,000
Total assets	<u>\$ 516,618</u>	<u>\$ 769,733</u>	<u>\$ 5,857,593</u>	<u>\$ 2,036,569</u>	<u>\$ 2,254,167</u>	<u>\$ 78,647,027</u>
<b>Liabilities</b>						
Accounts payable	\$ -	\$ 62,655	\$ -	\$ 149,805	\$ 23,120	\$ 1,807,315
Accrued and other liabilities	-	-	-	1,056	-	259,006
Due to other funds	-	-	109,902	-	-	5,129,014
Deposits payable	-	-	-	-	-	346,000
Due to other units of government	500	-	1,504,971	-	-	1,505,471
Total liabilities	<u>500</u>	<u>62,655</u>	<u>1,614,873</u>	<u>150,861</u>	<u>23,120</u>	<u>9,046,806</u>
<b>Deferred Inflows of Resources</b>						
Unavailable revenue	-	-	-	-	-	2,691,601
<b>Fund Balances</b>						
Non-spendable						
Corpus	-	-	-	-	1,984,000	1,984,000
Prepaid items	-	-	-	-	-	43,000
Restricted for						
Culture and recreation	-	-	-	-	247,047	21,153,135
Law enforcement	-	-	-	-	-	95,183
Road maintenance and repairs	-	-	-	-	-	24,776,967
Debt service	516,118	-	-	-	-	516,118
Other purposes	-	-	-	-	-	11,548,789
Committed for						
Culture and recreation	-	-	-	-	-	95,912
Other purposes	-	-	-	-	-	1,822,878
Assigned to capital projects	-	707,078	4,242,720	1,885,708	-	6,835,506
Unassigned (deficit)	-	-	-	-	-	(1,962,868)
Total fund balances (deficit)	<u>516,118</u>	<u>707,078</u>	<u>4,242,720</u>	<u>1,885,708</u>	<u>2,231,047</u>	<u>66,908,620</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 516,618</u>	<u>\$ 769,733</u>	<u>\$ 5,857,593</u>	<u>\$ 2,036,569</u>	<u>\$ 2,254,167</u>	<u>\$ 78,647,027</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2021**

	Special Revenue Funds							
	Energy Projects	Community Television Grant	Homeland Security Grant	Major Streets	Local Streets	Court Facilities	Open Space & Parkland Preservation	Bandemer
<b>Revenues</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,769,752	\$ -
Licenses, permits and registration	-	1,751,090	-	-	-	-	-	-
Federal grants	-	-	44,544	-	-	-	213,750	-
State-shared revenues and grants	-	-	-	10,853,341	2,990,527	-	-	-
Local contributions and donations	-	-	-	1,536	-	-	-	-
Charges for services	53,742	-	-	927,804	195,531	-	-	729
Fines and forfeitures	-	-	-	-	-	26,788	-	-
Investment income	346	4,855	-	17,383	6,789	128	11,042	103
Other revenue	-	86	-	382,512	1,516	-	591	7,650
Sale of capital assets	-	-	-	-	42,000	-	-	-
<b>Total revenues</b>	<b>54,088</b>	<b>1,756,031</b>	<b>44,544</b>	<b>12,182,576</b>	<b>3,236,363</b>	<b>26,916</b>	<b>2,995,135</b>	<b>8,482</b>
<b>Expenditures</b>								
Current								
General government	47,069	1,316,200	-	-	-	-	-	-
Public safety	-	-	44,609	-	-	-	-	-
Public works	-	-	-	10,411,272	2,139,109	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-	623,751	1,370
Capital outlay	-	45,134	-	11,735	-	-	512,920	-
Debt service								
Principal retirement	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>47,069</b>	<b>1,361,334</b>	<b>44,609</b>	<b>10,423,007</b>	<b>2,139,109</b>	<b>-</b>	<b>1,136,671</b>	<b>1,370</b>
Excess (deficiency) of revenues over expenditures	7,019	394,697	(65)	1,759,569	1,097,254	26,916	1,858,464	7,112
<b>Other financing sources (uses)</b>								
Transfers in	-	-	-	491,189	6,766	197,500	-	-
Transfers out	(62,116)	(333,488)	-	(2,966,340)	(1,499,335)	(225,000)	(1,215,447)	-
<b>Total other financing sources and uses</b>	<b>(62,116)</b>	<b>(333,488)</b>	<b>-</b>	<b>(2,475,151)</b>	<b>(1,492,569)</b>	<b>(27,500)</b>	<b>(1,215,447)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(55,097)</b>	<b>61,209</b>	<b>(65)</b>	<b>(715,582)</b>	<b>(395,315)</b>	<b>(584)</b>	<b>643,017</b>	<b>7,112</b>
Fund balances (deficit) - beginning of year	360,945	4,626,954	356	17,442,391	5,347,606	8,504	11,512,387	88,800
Fund balances (deficit) - end of year	<b>\$ 305,848</b>	<b>\$ 4,688,163</b>	<b>\$ 291</b>	<b>\$ 16,726,809</b>	<b>\$ 4,952,291</b>	<b>\$ 7,920</b>	<b>\$ 12,155,404</b>	<b>\$ 95,912</b>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2021**

	Special Revenue Funds							
	Construction Code	Drug Enforcement	Federal Equitable Sharing Forfeiture	Parks Memorial & Contributions	Metro Expansion	Special Assistance	Open Space Endowment	Cemetery Perpetual Care
<b>Revenues</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits and registration	4,678,917	-	-	-	-	-	-	-
Federal grants	-	-	-	-	-	-	-	-
State-shared revenues and grants	-	-	-	-	458,579	-	-	-
Local contributions and donations	-	-	-	203,776	-	20,808	-	-
Charges for services	-	-	-	28,392	-	-	-	1,575
Fines and forfeitures	-	10,789	21,892	-	-	-	-	-
Investment income	7,276	57	241	1,440	3,390	32	1,064	1,505
Other revenue	-	-	-	-	1,720	-	-	-
Sale of capital assets	26,800	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>4,712,993</b>	<b>10,846</b>	<b>22,133</b>	<b>233,608</b>	<b>463,689</b>	<b>20,840</b>	<b>1,064</b>	<b>3,080</b>
<b>Expenditures</b>								
Current								
General government	-	-	-	-	-	-	-	-
Public safety	4,387,670	56,000	166,730	-	-	-	-	-
Public works	-	-	-	-	346,784	-	-	660
Health and welfare	-	-	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	17,000	-	-
Recreation and culture	-	-	-	87,060	-	-	3,898	-
Capital outlay	-	-	4,894	-	-	-	-	-
Debt service								
Principal retirement	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>4,387,670</b>	<b>56,000</b>	<b>171,624</b>	<b>87,060</b>	<b>346,784</b>	<b>17,000</b>	<b>3,898</b>	<b>660</b>
Excess (deficiency) of revenues over expenditures	325,323	(45,154)	(149,491)	146,548	116,905	3,840	(2,834)	2,420
<b>Other financing sources (uses)</b>								
Transfers in	-	-	-	-	-	-	47,734	-
Transfers out	-	-	-	(15,000)	-	-	-	-
<b>Total other financing sources and uses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(15,000)</b>	<b>-</b>	<b>-</b>	<b>47,734</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>325,323</b>	<b>(45,154)</b>	<b>(149,491)</b>	<b>131,548</b>	<b>116,905</b>	<b>3,840</b>	<b>44,900</b>	<b>2,420</b>
Fund balances (deficit) - beginning of year	6,354,630	49,652	208,961	1,227,429	3,013,962	12,047	922,252	119,620
Fund balances (deficit) - end of year	<b>\$ 6,679,953</b>	<b>\$ 4,498</b>	<b>\$ 59,470</b>	<b>\$ 1,358,977</b>	<b>\$ 3,130,867</b>	<b>\$ 15,887</b>	<b>\$ 967,152</b>	<b>\$ 122,040</b>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2021**

	Special Revenue Funds					
	Alternative Transportation	Michigan Justice Training	Parks Maint. & Capital Impro. Millage	Major Grants	County Mental Health Millage	Indigent Defense
<b>Revenues</b>						
Taxes	\$ -	\$ -	\$ 6,610,087	\$ -	\$ 2,502,263	\$ -
Licenses, permits and registration	-	-	-	-	-	-
Federal grants	-	-	-	5,495,221	-	-
State-shared revenues and grants	-	13,159	88,352	603,596	-	46,756
Local contributions and donations	-	-	-	-	-	-
Charges for services	4,384	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Investment income	1,369	220	748	-	1,767	169
Other revenue	-	-	4,636	8,220	7,775	-
Sale of capital assets	-	-	-	-	-	-
Total revenues	<u>5,753</u>	<u>13,379</u>	<u>6,703,823</u>	<u>6,107,037</u>	<u>2,511,805</u>	<u>46,925</u>
<b>Expenditures</b>						
Current						
General government	9,887	-	-	356,294	1,525,414	-
Public safety	-	9,148	-	208,988	-	-
Public works	2,161,045	-	-	319	114,857	-
Health and welfare	-	-	-	-	-	71,562
Community and economic development	-	-	-	-	286,555	-
Recreation and culture	-	-	4,543,456	29,987	-	-
Capital outlay	-	-	1,150,004	3,036,052	5,000	-
Debt service						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>2,170,932</u>	<u>9,148</u>	<u>5,693,460</u>	<u>3,631,640</u>	<u>1,931,826</u>	<u>71,562</u>
Excess (deficiency) of revenues over expenditures	<u>(2,165,179)</u>	<u>4,231</u>	<u>1,010,363</u>	<u>2,475,397</u>	<u>579,979</u>	<u>(24,637)</u>
<b>Other financing sources (uses)</b>						
Transfers in	1,661,448	-	-	766,813	-	-
Transfers out	(174,062)	-	-	(3,509,606)	(1,049,619)	-
Total other financing sources and uses	<u>1,487,386</u>	<u>-</u>	<u>-</u>	<u>(2,742,793)</u>	<u>(1,049,619)</u>	<u>-</u>
Net change in fund balances	(677,793)	4,231	1,010,363	(267,396)	(469,640)	(24,637)
Fund balances (deficit) - beginning of year	663,413	18,773	5,424,192	(1,681,092)	1,908,743	145,310
Fund balances (deficit) - end of year	<u>\$ (14,380)</u>	<u>\$ 23,004</u>	<u>\$ 6,434,555</u>	<u>\$ (1,948,488)</u>	<u>\$ 1,439,103</u>	<u>\$ 120,673</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2021**

	Debt Service	Capital			Permanent	Total
	Fund	Projects Funds			Fund	
	General		2019-A	General	Elizabeth	Total
	Debt	Maintenance	Capital	Capital	R. Dean	Nonmajor
	Service	Facility	Improvement	Improvements	Trust	Governmental
			Bonds			Funds
<b>Revenues</b>						
Taxes	\$ 2,063	\$ -	\$ -	\$ -	\$ -	\$ 11,884,165
Licenses, permits and registration	-	-	-	-	-	6,430,007
Federal grants	-	-	-	-	-	5,753,515
State-shared revenues and grants	-	-	-	-	-	15,054,310
Local contributions and donations	-	-	690,038	-	-	916,158
Charges for services	5,418,941	-	-	168,938	-	6,800,036
Fines and forfeitures	-	-	-	-	-	59,469
Investment income	904	907	7,788	2,058	-	71,581
Other revenue	155	-	-	3,039	-	417,900
Sale of capital assets	-	-	-	-	-	68,800
<b>Total revenues</b>	<b>5,422,063</b>	<b>907</b>	<b>697,826</b>	<b>174,035</b>	<b>-</b>	<b>47,455,941</b>
<b>Expenditures</b>						
<b>Current</b>						
General government	-	6,042	-	(40,812)	-	3,220,094
Public safety	-	-	-	-	-	4,873,145
Public works	-	-	-	6,470	-	15,180,516
Health and welfare	-	-	-	-	-	71,562
Community and economic development	-	-	153,478	-	-	457,033
Recreation and culture	-	-	-	-	34,168	5,323,690
Capital outlay	-	13,444	4,564,149	622,968	-	9,966,300
<b>Debt service</b>						
Principal retirement	6,694,000	-	-	-	-	6,694,000
Interest and fiscal charges	3,205,397	-	-	-	-	3,205,397
<b>Total expenditures</b>	<b>9,899,397</b>	<b>19,486</b>	<b>4,717,627</b>	<b>588,626</b>	<b>34,168</b>	<b>48,991,737</b>
Excess (deficiency) of revenues over expenditures	(4,477,334)	(18,579)	(4,019,801)	(414,591)	(34,168)	(1,535,796)
<b>Other financing sources (uses)</b>						
Transfers in	4,439,697	-	-	1,030,210	-	8,641,357
Transfers out	-	-	-	-	-	(11,050,013)
<b>Total other financing sources and uses</b>	<b>4,439,697</b>	<b>-</b>	<b>-</b>	<b>1,030,210</b>	<b>-</b>	<b>(2,408,656)</b>
<b>Net change in fund balances</b>	<b>(37,637)</b>	<b>(18,579)</b>	<b>(4,019,801)</b>	<b>615,619</b>	<b>(34,168)</b>	<b>(3,944,452)</b>
Fund balances (deficit) - beginning of year	553,755	725,657	8,262,521	1,270,089	2,265,215	70,853,072
Fund balances (deficit) - end of year	\$ 516,118	\$ 707,078	\$ 4,242,720	\$ 1,885,708	\$ 2,231,047	\$ 66,908,620

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Energy Projects**  
**For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Charges for services	\$ 51,597	\$ 51,597	\$ 53,742	\$ 2,145
Investment income	6,077	6,077	346	(5,731)
Other revenue	18,000	18,000	-	(18,000)
	<u>75,674</u>	<u>75,674</u>	<u>54,088</u>	<u>(21,586)</u>
Total revenues				
<b>Expenditures</b>				
Current				
General government	97,203	97,597	47,069	(50,528)
Transfers out	62,616	62,616	62,116	(500)
	<u>159,819</u>	<u>160,213</u>	<u>109,185</u>	<u>(51,028)</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	(84,145)	(84,539)	(55,097)	29,442
Fund balance - beginning of year	<u>360,945</u>	<u>360,945</u>	<u>360,945</u>	<u>-</u>
Fund balance - end of year	<u>\$ 276,800</u>	<u>\$ 276,406</u>	<u>\$ 305,848</u>	<u>\$ 29,442</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Community Television Network**  
**For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Licenses and permits	\$ 2,055,000	\$ 2,055,000	\$ 1,751,090	\$ (303,910)
Investment income	85,499	85,499	4,855	(80,644)
Other revenue	-	-	86	86
	<u>2,140,499</u>	<u>2,140,499</u>	<u>1,756,031</u>	<u>(384,468)</u>
Total revenues				
<b>Expenditures</b>				
Current				
General government	1,591,422	1,591,422	1,316,200	(275,222)
Capital outlay	75,000	75,000	45,134	(29,866)
Transfers out	334,000	334,000	333,488	(512)
	<u>2,000,422</u>	<u>2,000,422</u>	<u>1,694,822</u>	<u>(305,600)</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	140,077	140,077	61,209	(78,868)
Fund balance - beginning of year	<u>4,626,954</u>	<u>4,626,954</u>	<u>4,626,954</u>	<u>-</u>
Fund balance - end of year	<u>\$ 4,767,031</u>	<u>\$ 4,767,031</u>	<u>\$ 4,688,163</u>	<u>\$ (78,868)</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Homeland Security Grant**  
**For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Federal grants	\$ -	\$ 44,609	\$ 44,544	\$ (65)
<b>Expenditures</b>				
Current				
Public safety	-	44,609	44,609	-
Excess (deficiency) of revenues over expenditures	-	-	(65)	(65)
Fund balance - beginning of year	356	356	356	-
Fund balance - end of year	<u>\$ 356</u>	<u>\$ 356</u>	<u>\$ 291</u>	<u>\$ (65)</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Major Streets**  
**For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
State-shared revenue	\$ 10,309,335	\$ 10,309,335	\$ 10,853,341	\$ 544,006
Local contributions	-	-	1,536	1,536
Charges for services	788,310	811,277	927,804	116,527
Interest income	324,251	324,251	17,383	(306,868)
Other revenue	265,150	265,150	382,512	117,362
Transfers in	32,247	1,028,818	491,189	(537,629)
	<u>11,719,293</u>	<u>12,738,831</u>	<u>12,673,765</u>	<u>(65,066)</u>
Total revenues				
<b>Expenditures</b>				
Current				
Public works	13,865,150	12,295,957	10,411,272	(1,884,685)
Capital outlay	-	-	11,735	11,735
Transfers out	1,288,207	2,061,762	2,966,340	904,578
	<u>15,153,357</u>	<u>14,357,719</u>	<u>13,389,347</u>	<u>(968,372)</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	(3,434,064)	(1,618,888)	(715,582)	903,306
Fund balance - beginning of year	<u>17,442,391</u>	<u>17,442,391</u>	<u>17,442,391</u>	<u>-</u>
Fund balance - end of year	<u>\$ 14,008,327</u>	<u>\$ 15,823,503</u>	<u>\$ 16,726,809</u>	<u>\$ 903,306</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Local Streets**  
**For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
State-shared revenues and grants	\$ 2,852,042	\$ 2,852,042	\$ 2,990,527	\$ 138,485
Charges for services	202,160	202,160	195,531	(6,629)
Interest income	124,744	124,744	6,789	(117,955)
Other revenue	-	-	1,516	1,516
Sale of capital assets	-	-	42,000	42,000
Transfers in	6,762	6,762	6,766	4
	<u>3,185,708</u>	<u>3,185,708</u>	<u>3,243,129</u>	<u>57,421</u>
Total revenues				
	<u>3,185,708</u>	<u>3,185,708</u>	<u>3,243,129</u>	<u>57,421</u>
<b>Expenditures</b>				
Current				
Public works	2,926,793	2,488,723	2,139,109	(349,614)
Transfers out	258,915	1,499,361	1,499,335	(26)
	<u>3,185,708</u>	<u>3,988,084</u>	<u>3,638,444</u>	<u>(349,640)</u>
Total expenditures				
	<u>3,185,708</u>	<u>3,988,084</u>	<u>3,638,444</u>	<u>(349,640)</u>
Excess (deficiency) of revenues over expenditures	-	(802,376)	(395,315)	407,061
Fund balance - beginning of year	<u>5,347,606</u>	<u>5,347,606</u>	<u>5,347,606</u>	<u>-</u>
Fund balance - end of year	<u>\$ 5,347,606</u>	<u>\$ 4,545,230</u>	<u>\$ 4,952,291</u>	<u>\$ 407,061</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Court Facilities**  
**For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Fines and forfeitures	\$ 90,000	\$ 90,000	\$ 26,788	\$ (63,212)
Investment income	-	-	128	128
Transfers in	<u>135,000</u>	<u>197,500</u>	<u>197,500</u>	<u>-</u>
Total revenues	225,000	287,500	224,416	(63,084)
<b>Expenditures</b>				
Transfers out	<u>225,000</u>	<u>225,000</u>	<u>225,000</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	62,500	(584)	(63,084)
Fund balance - beginning of year	<u>8,504</u>	<u>8,504</u>	<u>8,504</u>	<u>-</u>
Fund balance - end of year	<u><u>\$ 8,504</u></u>	<u><u>\$ 71,004</u></u>	<u><u>\$ 7,920</u></u>	<u><u>\$ (63,084)</u></u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Open Space & Parkland Preservation**  
**For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 2,751,967	\$ 2,751,967	\$ 2,769,752	\$ 17,785
Federal grants	-	-	213,750	213,750
Investment income	262,738	262,738	11,042	(251,696)
Other revenue	-	-	591	591
	<u>3,014,705</u>	<u>3,014,705</u>	<u>2,995,135</u>	<u>(19,570)</u>
<b>Total revenues</b>				
	<u>3,014,705</u>	<u>3,014,705</u>	<u>2,995,135</u>	<u>(19,570)</u>
<b>Expenditures</b>				
Current				
Recreation and culture	257,802	665,853	623,751	(42,102)
Capital outlay	-	522,920	512,920	(10,000)
Transfers out	1,167,713	1,215,447	1,215,447	-
	<u>1,425,515</u>	<u>2,404,220</u>	<u>2,352,118</u>	<u>(52,102)</u>
<b>Total expenditures</b>				
	<u>1,425,515</u>	<u>2,404,220</u>	<u>2,352,118</u>	<u>(52,102)</u>
Excess (deficiency) of revenues over expenditures	1,589,190	610,485	643,017	32,532
Fund balance - beginning of year	<u>11,512,387</u>	<u>11,512,387</u>	<u>11,512,387</u>	<u>-</u>
Fund balance - end of year	<u>\$ 13,101,577</u>	<u>\$ 12,122,872</u>	<u>\$ 12,155,404</u>	<u>\$ 32,532</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Bandemer**  
**For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Charges for services	\$ -	\$ -	\$ 729	\$ 729
Investment income	1,565	1,565	103	(1,462)
Other revenue	7,650	7,650	7,650	-
Total revenues	<u>9,215</u>	<u>9,215</u>	<u>8,482</u>	<u>(733)</u>
<b>Expenditures</b>				
Current				
Recreation and culture	1,326	1,326	1,370	44
Capital outlay	4,964	4,964	-	(4,964)
Total expenditures	<u>6,290</u>	<u>6,290</u>	<u>1,370</u>	<u>(4,920)</u>
Excess (deficiency) of revenues over expenditures	2,925	2,925	7,112	4,187
Fund balance - beginning of year	<u>88,800</u>	<u>88,800</u>	<u>88,800</u>	<u>-</u>
Fund balance - end of year	<u>\$ 91,725</u>	<u>\$ 91,725</u>	<u>\$ 95,912</u>	<u>\$ 4,187</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Construction Code**  
**For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Licenses and permits	\$ 4,093,850	\$ 4,093,850	\$ 4,678,917	\$ 585,067
Investment income	135,290	135,290	7,276	(128,014)
Other revenue	1,200	1,200	-	(1,200)
Sale of capital assets	-	-	26,800	26,800
	<u>4,230,340</u>	<u>4,230,340</u>	<u>4,712,993</u>	<u>482,653</u>
<b>Expenditures</b>				
Current				
Public safety	<u>4,852,934</u>	<u>5,299,295</u>	<u>4,387,670</u>	<u>(911,625)</u>
Excess (deficiency) of revenues over expenditures	(622,594)	(1,068,955)	325,323	1,394,278
Fund balance - beginning of year	<u>6,354,630</u>	<u>6,354,630</u>	<u>6,354,630</u>	<u>-</u>
Fund balance - end of year	<u>\$ 5,732,036</u>	<u>\$ 5,285,675</u>	<u>\$ 6,679,953</u>	<u>\$ 1,394,278</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Drug Enforcement**  
**For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Fines and forfeitures	\$ 500	\$ 10,789	\$ 10,789	\$ -
Investment income	<u>1,796</u>	<u>1,796</u>	<u>57</u>	<u>(1,739)</u>
Total revenues	2,296	12,585	10,846	(1,739)
<b>Expenditures</b>				
Current				
Public safety	<u>47,235</u>	<u>57,524</u>	<u>56,000</u>	<u>(1,524)</u>
Excess (deficiency) of revenues over expenditures	(44,939)	(44,939)	(45,154)	(215)
Fund balance - beginning of year	<u>49,652</u>	<u>49,652</u>	<u>49,652</u>	<u>-</u>
Fund balance - end of year	<u>\$ 4,713</u>	<u>\$ 4,713</u>	<u>\$ 4,498</u>	<u>\$ (215)</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Federal Equitable Sharing Forfeiture**  
**For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Fines and forfeitures	\$ 10,000	\$ 21,892	\$ 21,892	\$ -
Investment income	<u>2,663</u>	<u>2,663</u>	<u>241</u>	<u>(2,422)</u>
Total revenues	<u>12,663</u>	<u>24,555</u>	<u>22,133</u>	<u>(2,422)</u>
<b>Expenditures</b>				
Current				
Public safety	175,879	182,877	166,730	(16,147)
Capital outlay	<u>-</u>	<u>4,894</u>	<u>4,894</u>	<u>-</u>
Total expenditures	<u>175,879</u>	<u>187,771</u>	<u>171,624</u>	<u>(16,147)</u>
Excess (deficiency) of revenues over expenditures	(163,216)	(163,216)	(149,491)	13,725
Fund balance - beginning of year	<u>208,961</u>	<u>208,961</u>	<u>208,961</u>	<u>-</u>
Fund balance - end of year	<u>\$ 45,745</u>	<u>\$ 45,745</u>	<u>\$ 59,470</u>	<u>\$ 13,725</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Parks & Memorial Contributions**  
**For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Local contributions and donations	\$ 27,500	\$ 177,125	\$ 203,776	\$ 26,651
Charges for services	75,000	75,000	28,392	(46,608)
Investment income	18,287	18,287	1,440	(16,847)
	<u>120,787</u>	<u>270,412</u>	<u>233,608</u>	<u>(36,804)</u>
Total revenues				
<b>Expenditures</b>				
Current				
Recreation and culture	35,787	110,872	87,060	(23,812)
Transfers out	65,000	65,000	15,000	(50,000)
	<u>100,787</u>	<u>175,872</u>	<u>102,060</u>	<u>(73,812)</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	20,000	94,540	131,548	37,008
Fund balance - beginning of year	<u>1,227,429</u>	<u>1,227,429</u>	<u>1,227,429</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1,247,429</u>	<u>\$ 1,321,969</u>	<u>\$ 1,358,977</u>	<u>\$ 37,008</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Metro Expansion**  
**For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
State-shared revenue and grants	\$ 390,000	\$ 390,000	\$ 458,579	\$ 68,579
Investment income	50,984	50,984	3,390	(47,594)
Other revenue	-	-	1,720	1,720
	<u>440,984</u>	<u>440,984</u>	<u>463,689</u>	<u>22,705</u>
<b>Expenditures</b>				
Current				
Public works	440,984	440,984	346,784	(94,200)
	<u>440,984</u>	<u>440,984</u>	<u>346,784</u>	<u>(94,200)</u>
Excess (deficiency) of revenues over expenditures	-	-	116,905	116,905
Fund balance - beginning of year	<u>3,013,962</u>	<u>3,013,962</u>	<u>3,013,962</u>	<u>-</u>
Fund balance - end of year	<u>\$ 3,013,962</u>	<u>\$ 3,013,962</u>	<u>\$ 3,130,867</u>	<u>\$ 116,905</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Special Assistance**  
**For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Local contributions	\$ 5,000	\$ 5,000	\$ 20,808	\$ 15,808
Investment income	227	227	32	(195)
Total revenues	5,227	5,227	20,840	15,613
<b>Expenditures</b>				
Current				
Community and economic development	5,000	17,000	17,000	-
Excess (deficiency) of revenues over expenditures	227	(11,773)	3,840	15,613
Fund balance - beginning of year	12,047	12,047	12,047	-
Fund balance - end of year	<u>\$ 12,274</u>	<u>\$ 274</u>	<u>\$ 15,887</u>	<u>\$ 15,613</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Open Space Endowment**  
**For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Interest income	\$ 17,836	\$ 17,836	\$ 1,064	\$ (16,772)
Transfers in	-	-	47,734	47,734
Total revenues	<u>17,836</u>	<u>17,836</u>	<u>48,798</u>	<u>30,962</u>
<b>Expenditures</b>				
Current				
Recreation and culture	<u>15,000</u>	<u>15,000</u>	<u>3,898</u>	<u>(11,102)</u>
Excess (deficiency) of revenues over expenditures	2,836	2,836	44,900	42,064
Fund balance - beginning of year	<u>922,252</u>	<u>922,252</u>	<u>922,252</u>	<u>-</u>
Fund balance - end of year	<u>\$ 925,088</u>	<u>\$ 925,088</u>	<u>\$ 967,152</u>	<u>\$ 42,064</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Cemetery Perpetual Care**  
**For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Charges for services	\$ 3,000	\$ 3,000	\$ 1,575	\$ (1,425)
Investment income	<u>2,343</u>	<u>2,343</u>	<u>1,505</u>	<u>(838)</u>
Total revenues	<u>5,343</u>	<u>5,343</u>	<u>3,080</u>	<u>(2,263)</u>
<b>Expenditures</b>				
Current				
Public works	<u>-</u>	<u>-</u>	<u>660</u>	<u>660</u>
Excess (deficiency) of revenues over expenditures	5,343	5,343	2,420	(2,923)
Fund balance - beginning of year	<u>119,620</u>	<u>119,620</u>	<u>119,620</u>	<u>-</u>
Fund balance - end of year	<u>\$ 124,963</u>	<u>\$ 124,963</u>	<u>\$ 122,040</u>	<u>\$ (2,923)</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Alternative Transportation**  
**For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Charges for services	\$ -	\$ -	\$ 4,384	\$ 4,384
Investment income	14,150	14,150	1,369	(12,781)
Transfers in	656,445	1,661,445	1,661,448	3
Total revenues	<u>670,595</u>	<u>1,675,595</u>	<u>1,667,201</u>	<u>(8,394)</u>
<b>Expenditures</b>				
Current				
General government	22,142	22,142	9,887	(12,255)
Public works	520,707	2,256,622	2,161,045	(95,577)
Transfers out	-	174,063	174,062	(1)
Total expenditures	<u>542,849</u>	<u>2,452,827</u>	<u>2,344,994</u>	<u>(107,833)</u>
Excess (deficiency) of revenues over expenditures	127,746	(777,232)	(677,793)	99,439
Fund balance - beginning of year	<u>663,413</u>	<u>663,413</u>	<u>663,413</u>	<u>-</u>
Fund balance (deficit) - end of year	<u>\$ 791,159</u>	<u>\$ (113,819)</u>	<u>\$ (14,380)</u>	<u>\$ 99,439</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Michigan Justice Training**  
**For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
State-shared revenue	\$ 21,000	\$ 21,000	\$ 13,159	\$ (7,841)
Investment income	298	298	220	(78)
Total revenues	21,298	21,298	13,379	(7,919)
<b>Expenditures</b>				
Current				
Public safety	21,000	21,000	9,148	(11,852)
Excess (deficiency) of revenues over expenditures	298	298	4,231	3,933
Fund balance - beginning of year	18,773	18,773	18,773	-
Fund balance - end of year	\$ 19,071	\$ 19,071	\$ 23,004	\$ 3,933

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Parks Maintenance & Capital Improvement Millage**  
**For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
<b>Revenues</b>				
Taxes	\$ 6,581,214	\$ 6,581,214	\$ 6,610,087	\$ 28,873
State-shared revenue	-	-	88,352	88,352
Investment income	133,209	133,209	748	(132,461)
Other revenue	1,100	1,100	4,636	3,536
Transfers in	50,000	50,000	-	(50,000)
<b>Total revenues</b>	<u>6,765,523</u>	<u>6,765,523</u>	<u>6,703,823</u>	<u>(61,700)</u>
<b>Expenditures</b>				
Current				
Recreation and culture	6,756,282	5,444,182	4,543,456	(900,726)
Capital outlay	-	1,005,668	1,150,004	144,336
<b>Total expenditures</b>	<u>6,756,282</u>	<u>6,449,850</u>	<u>5,693,460</u>	<u>(756,390)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	9,241	315,673	1,010,363	694,690
Fund balance - beginning of year	<u>5,424,192</u>	<u>5,424,192</u>	<u>5,424,192</u>	<u>-</u>
Fund balance - end of year	<u>\$ 5,433,433</u>	<u>\$ 5,739,865</u>	<u>\$ 6,434,555</u>	<u>\$ 694,690</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Major Grants**  
**For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Federal grants	\$ -	\$ 5,495,222	\$ 5,495,221	\$ (1)
State-shared revenue and grants	-	1,092,952	603,596	(489,356)
Other revenue	-	40,739	8,220	(32,519)
Transfers in	-	766,813	766,813	-
	<u>-</u>	<u>7,395,726</u>	<u>6,873,850</u>	<u>(521,876)</u>
<b>Total revenues</b>	<u>-</u>	<u>7,395,726</u>	<u>6,873,850</u>	<u>(521,876)</u>
<b>Expenditures</b>				
Current				
General government	-	457,261	356,294	(100,967)
Public safety	-	208,988	208,988	-
Public works	-	319	319	-
Recreation and culture	-	29,987	29,987	-
Capital outlay	-	3,036,053	3,036,052	(1)
Transfers out	-	3,509,606	3,509,606	-
	<u>-</u>	<u>7,242,214</u>	<u>7,141,246</u>	<u>(100,968)</u>
<b>Total expenditures</b>	<u>-</u>	<u>7,242,214</u>	<u>7,141,246</u>	<u>(100,968)</u>
Excess (deficiency) of revenues over expenditures	-	153,512	(267,396)	(420,908)
Fund balance (deficit) - beginning of year	<u>(1,681,092)</u>	<u>(1,681,092)</u>	<u>(1,681,092)</u>	<u>-</u>
Fund balance (deficit) - end of year	<u>\$ (1,681,092)</u>	<u>\$ (1,527,580)</u>	<u>\$ (1,948,488)</u>	<u>\$ (420,908)</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**County Mental Health Millage**  
**For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 2,350,000	\$ 2,350,000	\$ 2,502,263	\$ 152,263
Investment income	-	-	1,767	1,767
Other revenue	-	-	7,775	7,775
	<u>2,350,000</u>	<u>2,350,000</u>	<u>2,511,805</u>	<u>161,805</u>
Total revenues				
<b>Expenditures</b>				
Current				
General government	1,878,000	1,878,000	1,525,414	(352,586)
Public safety	49,800	49,800	-	(49,800)
Public works	365,000	439,000	114,857	(324,143)
Community and economic development	235,000	256,006	286,555	30,549
Capital outlay	100,000	100,000	5,000	(95,000)
Transfers out	1,024,600	950,600	1,049,619	99,019
	<u>3,652,400</u>	<u>3,673,406</u>	<u>2,981,445</u>	<u>(691,961)</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	(1,302,400)	(1,323,406)	(469,640)	853,766
Fund balance - beginning of year	<u>1,908,743</u>	<u>1,908,743</u>	<u>1,908,743</u>	<u>-</u>
Fund balance - end of year	<u>\$ 606,343</u>	<u>\$ 585,337</u>	<u>\$ 1,439,103</u>	<u>\$ 853,766</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Michigan Indigent Defense**  
**For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
State-shared revenue and grants	\$ -	\$ 244,789	\$ 46,756	\$ (198,033)
Investment income	-	-	169	169
	<u>-</u>	<u>-</u>	<u>169</u>	<u>169</u>
Total revenues	-	244,789	46,925	(197,864)
<b>Expenditures</b>				
Current				
Health and welfare	-	71,563	71,562	(1)
	<u>-</u>	<u>71,563</u>	<u>71,562</u>	<u>(1)</u>
Excess (deficiency) of revenues over expenditures	-	173,226	(24,637)	(197,863)
Fund balance - beginning of year	<u>145,310</u>	<u>145,310</u>	<u>145,310</u>	<u>-</u>
Fund balance - end of year	<u>\$ 145,310</u>	<u>\$ 318,536</u>	<u>\$ 120,673</u>	<u>\$ (197,863)</u>

## INTERNAL SERVICE FUNDS

Central Stores – to account for various inventories of road repair materials, repair parts, and other miscellaneous items, which are inventoried by the City.

Fleet Services – to account for the operation and maintenance of the City's motor vehicle fleet and other equipment.

Information Technology – to account for the operation and maintenance of the City's Information Technology equipment and software.

Project Management – to account for the centralized project management and engineering services provided for the City's various capital improvement projects.

Risk – to account for the City's self-insurance program along with all other coverage necessary.

Wheeler Center – to account for internal operation and maintenance costs by the occupants of the Wheeler Center.

**City of Ann Arbor**  
**Other Supplementary Information**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**June 30, 2021**

	Central Store	Fleet Services	Information Technology	Project Management	Risk	Wheeler Center	Total
<b>Assets</b>							
Current assets							
Cash	\$ -	\$ -	\$ -	\$ 200	\$ 98	\$ -	\$ 298
Equity in pooled cash and investments	2,079,537	16,067,079	4,207,312	2,573,847	10,104,688	557,970	35,590,433
Accounts receivable, net	-	-	185,590	119,653	-	259	305,502
Inventories	661,722	396,221	-	-	-	-	1,057,943
Prepaid items	-	-	98,395	-	1,649,531	-	1,747,926
Total current assets	<u>2,741,259</u>	<u>16,463,300</u>	<u>4,491,297</u>	<u>2,693,700</u>	<u>11,754,317</u>	<u>558,229</u>	<u>38,702,102</u>
Noncurrent assets							
Capital assets not being depreciated	-	90,005	-	-	-	-	90,005
Capital assets, net of accumulated depreciation	4,694	11,710,602	577,795	105,521	-	-	12,398,612
Total noncurrent assets	<u>4,694</u>	<u>11,800,607</u>	<u>577,795</u>	<u>105,521</u>	<u>-</u>	<u>-</u>	<u>12,488,617</u>
Total assets	<u>2,745,953</u>	<u>28,263,907</u>	<u>5,069,092</u>	<u>2,799,221</u>	<u>11,754,317</u>	<u>558,229</u>	<u>51,190,719</u>
<b>Liabilities</b>							
Current liabilities							
Accounts payable	39,772	134,035	320,207	34,031	783,693	12,577	1,324,315
Accrued and other liabilities	-	-	167	-	-	-	167
Deposits	-	-	5,469	562,007	-	-	567,476
Estimated claims payable, current	-	-	-	-	453,846	-	453,846
Total current liabilities	<u>39,772</u>	<u>134,035</u>	<u>325,843</u>	<u>596,038</u>	<u>1,237,539</u>	<u>12,577</u>	<u>2,345,804</u>
Noncurrent liabilities							
Estimated claims payable, net	-	-	-	-	2,340,445	-	2,340,445
Total liabilities	<u>39,772</u>	<u>134,035</u>	<u>325,843</u>	<u>596,038</u>	<u>3,577,984</u>	<u>12,577</u>	<u>4,686,249</u>
<b>Net Position</b>							
Net investment in capital assets	4,694	11,800,607	577,795	105,521	-	-	12,488,617
Unrestricted	2,701,487	16,329,265	4,165,454	2,097,662	8,176,333	545,652	34,015,853
Total net position	<u>\$ 2,706,181</u>	<u>\$ 28,129,872</u>	<u>\$ 4,743,249</u>	<u>\$ 2,203,183</u>	<u>\$ 8,176,333</u>	<u>\$ 545,652</u>	<u>\$ 46,504,470</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Combining Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Internal Service Funds**  
**For the Year Ended June 30, 2021**

	Central Stores	Fleet Services	Information Technology	Project Management	Risk	Wheeler Center	Total
<b>Operating revenue</b>							
Charges for services	\$ 936,404	\$ 7,415,739	\$ 8,531,509	\$ 3,357,772	\$ 28,369,060	\$ 591,160	\$ 49,201,644
Other revenue	-	-	-	5,260	-	-	5,260
Total operating revenue	<u>936,404</u>	<u>7,415,739</u>	<u>8,531,509</u>	<u>3,363,032</u>	<u>28,369,060</u>	<u>591,160</u>	<u>49,206,904</u>
<b>Operating expenses</b>							
Personnel services	193,968	1,446,534	3,989,403	2,383,915	788,070	42,953	8,844,843
Municipal service charge	32,424	178,980	692,448	159,492	589,512	24,984	1,677,840
Information technology charges	9,000	98,566	481,777	384,654	49,620	1,595	1,025,212
Other expenses	637,620	2,217,058	3,318,027	739,550	28,460,776	380,908	35,753,939
Depreciation	2,254	2,412,187	174,692	20,697	-	-	2,609,830
Total operating expenses	<u>875,266</u>	<u>6,353,325</u>	<u>8,656,347</u>	<u>3,688,308</u>	<u>29,887,978</u>	<u>450,440</u>	<u>49,911,664</u>
Operating income	<u>61,138</u>	<u>1,062,414</u>	<u>(124,838)</u>	<u>(325,276)</u>	<u>(1,518,918)</u>	<u>140,720</u>	<u>(704,760)</u>
<b>Nonoperating revenue</b>							
Investment income	2,373	16,687	5,743	1,893	17,915	556	45,167
Gain on sale of assets	-	779,854	-	-	-	-	779,854
Total nonoperating revenues (expenses)	<u>2,373</u>	<u>796,541</u>	<u>5,743</u>	<u>1,893</u>	<u>17,915</u>	<u>556</u>	<u>825,021</u>
Income before contributions and transfers	63,511	1,858,955	(119,095)	(323,383)	(1,501,003)	141,276	120,261
Capital contributions	-	348,533	-	-	-	-	348,533
Transfers out	<u>(47,548)</u>	<u>(720,525)</u>	<u>(41,643)</u>	<u>(60,048)</u>	<u>(29,718)</u>	<u>-</u>	<u>(899,482)</u>
Change in net position	15,963	1,486,963	(160,738)	(383,431)	(1,530,721)	141,276	(430,688)
Net position - beginning of year	<u>2,690,218</u>	<u>26,642,909</u>	<u>4,903,987</u>	<u>2,586,614</u>	<u>9,707,054</u>	<u>404,376</u>	<u>46,935,158</u>
Net position - end of year	<u>\$ 2,706,181</u>	<u>\$ 28,129,872</u>	<u>\$ 4,743,249</u>	<u>\$ 2,203,183</u>	<u>\$ 8,176,333</u>	<u>\$ 545,652</u>	<u>\$ 46,504,470</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2021**

	Central Stores	Fleet Services	Information Technology	Project Management	Risk	Wheeler Center	Total
<b>Cash flows from operating activities</b>							
Payments to suppliers	\$ (689,429)	\$ (2,392,711)	\$ (4,341,008)	\$ (1,418,867)	\$ (28,264,968)	\$ (444,273)	\$ (37,551,256)
Payments to employees	(193,968)	(1,446,534)	(3,989,403)	(2,383,915)	(788,070)	(42,953)	(8,844,843)
Payments received for interfund services	936,404	7,415,739	8,387,814	3,435,616	28,369,060	591,130	49,135,763
Net cash provided (used) by operating activities	<u>53,007</u>	<u>3,576,494</u>	<u>57,403</u>	<u>(367,166)</u>	<u>(683,978)</u>	<u>103,904</u>	<u>2,739,664</u>
<b>Cash flows from noncapital financing activities</b>							
Transfers to other funds	(47,548)	(720,525)	(41,643)	(60,048)	(29,718)	-	(899,482)
<b>Cash flows from capital and related financing activities</b>							
Contributions received to be used for capital purchases	-	348,533	-	-	-	-	348,533
Purchases/construction of capital assets	-	(2,219,581)	(298,557)	(52,971)	-	-	(2,571,109)
Proceeds from sale of capital assets	-	793,152	-	-	-	-	793,152
Net cash used by capital and related financing activities	<u>-</u>	<u>(1,077,896)</u>	<u>(298,557)</u>	<u>(52,971)</u>	<u>-</u>	<u>-</u>	<u>(1,429,424)</u>
<b>Cash flows from investing activities</b>							
Interest received	2,373	16,687	5,743	1,893	17,915	556	45,167
Net change in cash and cash equivalents	7,832	1,794,760	(277,054)	(478,292)	(695,781)	104,460	455,925
Cash and cash equivalents - beginning of year	2,071,705	14,272,319	4,484,366	3,052,339	10,800,567	453,510	35,134,806
Cash and cash equivalents - end of year	<u>\$ 2,079,537</u>	<u>\$ 16,067,079</u>	<u>\$ 4,207,312</u>	<u>\$ 2,574,047</u>	<u>\$ 10,104,786</u>	<u>\$ 557,970</u>	<u>\$ 35,590,731</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>							
Operating income	\$ 61,138	\$ 1,062,414	\$ (124,838)	\$ (325,276)	\$ (1,518,918)	\$ 140,720	\$ (704,760)
Adjustments to reconcile operating income to net cash from operating activities							
Depreciation and amortization expense	2,254	2,412,187	174,692	20,697	-	-	2,609,830
Changes in assets and liabilities							
Receivables (net)	-	-	(143,695)	72,584	-	(30)	(71,141)
Inventories	(19,146)	84,600	-	-	-	-	65,454
Prepaid items	-	-	160,116	-	457,353	-	617,469
Accounts payable	8,761	17,293	5,534	(31,520)	141,803	(36,786)	105,085
Accrued and other liabilities	-	-	(723)	-	-	-	(723)
Deposits	-	-	(13,683)	(103,651)	-	-	(117,334)
Estimated claims payable	-	-	-	-	235,784	-	235,784
Net cash provided (used) by operating activities	<u>\$ 53,007</u>	<u>\$ 3,576,494</u>	<u>\$ 57,403</u>	<u>\$ (367,166)</u>	<u>\$ (683,978)</u>	<u>\$ 103,904</u>	<u>\$ 2,739,664</u>

## FIDUCIARY FUNDS

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.

Employee Retirement System – a pension trust fund to account for the accumulation of resources to be used for retirement pension and annuity payments. Resources are contributed by employees at rates fixed by law and by the City at amounts determined by an annual actuarial study.

Retiree Health Care Trust Fund – an other employee benefits trust fund, which provides funds for post retirement medical and life insurance for the retirees of the City.

Treasurer's Delinquent Tax – to account for the receipt and distribution of delinquent property taxes collected on behalf of others.

Treasurer's Current Tax – to account for the receipt and distribution for property taxes collected on behalf of others.

**City of Ann Arbor**  
**Other Supplementary Information**  
**Combining Statement of Fiduciary Net Position**  
**June 30, 2021**

	Private-purpose	Pension and Other Employee		Custodial Funds		Total
	Trust Fund	Benefits Trust Funds		Treasurer's	Treasurer's	
	Police and Fire	Employee	Retiree	Treasurer's	Treasurer's	
	Relief Fund	Retirement	Health Care	Delinquent	Current	
		System	Trust Fund	Tax	Tax	
<b>Assets</b>						
Cash	\$ -	\$ -	\$ -	\$ -	\$ 3,502	\$ 3,502
Equity in pooled cash and investments	-	980,963	690,086	-	107,399	1,778,448
Investments, at fair value:						
Equities	-	437,519,322	152,180,543	-	-	589,699,865
Fixed income	-	128,439,272	66,785,073	-	-	195,224,345
Other	666,040	66,259,684	24,646,220	-	-	91,571,944
Receivables						
Accrued interest and other	-	346,447	217,416	-	-	563,863
Due from other units of government	-	139,463	-	6,890	-	146,353
Capital assets, net	-	323,958	-	-	-	323,958
Total assets	<u>666,040</u>	<u>634,009,109</u>	<u>244,519,338</u>	<u>6,890</u>	<u>110,901</u>	<u>879,312,278</u>
<b>Deferred Outflows of Resources</b>						
Deferred amount of pension expense related to net pension liability	-	52,963	-	-	-	52,963
Deferred amount of OPEB expense related to net OPEB liability	-	79,987	-	-	-	79,987
Total deferred outflows of resources	<u>-</u>	<u>132,950</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>132,950</u>
<b>Liabilities</b>						
Accounts payable and accrued liabilities	-	3,548,113	174,404	1,485	-	3,724,002
Due to other units of government	-	-	-	1,536	23,895	25,431
Mortgage payable, due in one year	-	34,106	-	-	-	34,106
Mortgage payable, due in more than one year	-	35,640	-	-	-	35,640
Net pension liability	-	272,089	-	-	-	272,089
Net OPEB liability	-	469,296	-	-	-	469,296
Total liabilities	<u>-</u>	<u>4,359,244</u>	<u>174,404</u>	<u>3,021</u>	<u>23,895</u>	<u>4,560,564</u>
<b>Deferred Inflows of Resources</b>						
Deferred amount on net pension liability	-	295,639	-	-	-	295,639
Deferred amount on net OPEB liability	-	18,605	-	-	-	18,605
Total deferred inflows of resources	<u>-</u>	<u>314,244</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>314,244</u>
<b>Net Position</b>						
Restricted for police and fire relief	666,040	-	-	-	-	666,040
Restricted for pensions	-	629,468,571	-	-	-	629,468,571
Restricted for other employee benefits	-	-	244,344,934	-	-	244,344,934
Restricted for individuals, organizations and other governments	-	-	-	3,869	87,006	90,875
Total net position	<u>\$ 666,040</u>	<u>\$ 629,468,571</u>	<u>\$ 244,344,934</u>	<u>\$ 3,869</u>	<u>\$ 87,006</u>	<u>\$ 874,570,420</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Combining Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2021**

	Private-purpose	Pension and Other Employee		Custodial Funds		Total
	Trust Fund	Benefits Trust Funds		Treasurer's Delinquent Tax	Treasurer's Current Tax	
	Police and Fire Relief Fund	Employee Retirement System	Retiree Health Care Trust Fund			
<b>Additions</b>						
Investment earnings						
Appreciation in fair value of investments	\$ -	\$ 131,247,289	\$ 46,799,880	\$ -	\$ -	\$ 178,047,169
Interest and dividends	687	6,291,276	3,148,134	3,869	56,116	9,500,082
Total investment income	687	137,538,565	49,948,014	3,869	56,116	187,547,251
Investment management fees	-	(540,311)	(219,322)	-	-	(759,633)
Net investment income from investing activities	687	136,998,254	49,728,692	3,869	56,116	186,787,618
From securities lending activities						
Gross earnings	-	698	353	-	-	1,051
Borrower rebates received (paid)	-	(1,254)	(723)	-	-	(1,977)
Securities lending fees	-	584	320	-	-	904
Net investment income (loss) from securities and lending activities	-	28	(50)	-	-	(22)
Total net investment income	687	136,998,282	49,728,642	3,869	56,116	186,787,596
Contributions						
Employer	-	15,805,164	15,625,495	-	-	31,430,659
Plan member	-	3,536,902	-	-	-	3,536,902
Total contributions	-	19,342,066	15,625,495	-	-	34,967,561
Property tax collections for other governments	-	-	-	-	277,462,714	277,462,714
Total additions	687	156,340,348	65,354,137	3,869	277,518,830	499,217,871
<b>Deductions</b>						
Benefits	25,000	39,937,793	14,516,628	-	-	54,479,421
Refunds of contributions	-	674,096	-	-	-	674,096
Administrative expenses	-	555,410	142,054	-	-	697,464
Payments of property tax to other governments	-	-	-	-	277,431,824	277,431,824
Total deductions	25,000	41,167,299	14,658,682	-	277,431,824	333,282,805
Change in net position	(24,313)	115,173,049	50,695,455	3,869	87,006	165,935,066
Net position - beginning of year	690,353	514,295,522	193,649,479	-	-	708,635,354
Net position - end of year	\$ 666,040	\$ 629,468,571	\$ 244,344,934	\$ 3,869	\$ 87,006	874,570,420

**City of Ann Arbor**  
**Other Supplementary Information**  
**Balance Sheet**  
**Component Unit - SmartZone Local Development Finance Authority**  
**June 30, 2021**

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	<u>SmartZone Local Development Finance Authority</u>
<b>Assets</b>	
Equity in pooled cash and investments	\$ 5,075,106
Loans receivable	<u>522,250</u>
Total assets	<u>\$ 5,597,356</u>
<b>Liabilities</b>	
Accounts payable	\$ 487,950
Unearned revenue	<u>522,250</u>
Total liabilities	1,010,200
<b>Fund Balance</b>	
Committed for community and economic development	<u>4,587,156</u>
Total liabilities and fund balance	<u>\$ 5,597,356</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Component Unit - SmartZone Local Development Finance Authority**  
**For the Year Ended June 30, 2021**

	<u>SmartZone Local Development Finance Authority</u>
<b>Revenues</b>	
Taxes	\$ 4,658,896
Investment income	2,419
Other revenue	<u>21,484</u>
Total revenues	4,682,799
<b>Expenditures</b>	
Current	
Community and economic development	<u>4,341,768</u>
Excess (deficiency) of revenues over expenditures	341,031
Fund balance - beginning of year	<u>4,246,125</u>
Fund balance - end of year	<u><u>\$ 4,587,156</u></u>

## Statistical Section

This part of the annual comprehensive 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

The statistical section is organized into the following main categories:

- Financial trends
- Revenue capacity
- Debt capacity
- Demographic and economic information
- Operating information

**Sources:** Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

## **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.

**City of Ann Arbor**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**  
**(Unaudited)**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Governmental activities</b>										
Net investment in capital assets	\$ 684,183,914	\$ 698,805,464	\$ 701,333,045	\$ 697,791,106	\$ 696,101,749	\$ 700,165,724	\$ 701,307,637	\$ 664,619,342	\$ 653,605,138	\$ 633,001,332
Restricted	66,605,173	59,433,488	56,297,832	56,287,227	57,396,259	55,228,918	57,546,687	66,516,345	71,507,486	74,937,129
Unrestricted (1)	23,913,683	32,017,583	41,320,644	1,632,309	526,827	(430,810)	(92,031,983)	(64,115,536)	(81,833,606)	(62,743,620)
<b>Total governmental activities net position</b>	<u>\$ 774,702,770</u>	<u>\$ 790,256,535</u>	<u>\$ 798,951,521</u>	<u>\$ 755,710,642</u>	<u>\$ 754,024,835</u>	<u>\$ 754,963,832</u>	<u>\$ 666,822,341</u>	<u>\$ 667,020,151</u>	<u>\$ 643,279,018</u>	<u>\$ 645,194,841</u>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 183,625,625	\$ 189,069,070	\$ 190,241,413	\$ 193,410,202	\$ 198,917,535	\$ 210,361,709	\$ 216,805,278	\$ 234,555,667	\$ 251,130,814	\$ 273,699,074
Restricted	21,926,274	28,947,807	30,332,684	32,368,111	33,715,282	32,956,794	33,448,566	33,863,408	33,752,565	34,200,616
Unrestricted	49,549,547	49,841,922	61,803,420	61,336,547	66,341,759	70,350,912	66,043,566	66,288,021	76,353,673	83,268,136
<b>Total business-type activities net position</b>	<u>\$ 255,101,446</u>	<u>\$ 267,858,799</u>	<u>\$ 282,377,517</u>	<u>\$ 287,114,860</u>	<u>\$ 298,974,576</u>	<u>\$ 313,669,415</u>	<u>\$ 316,297,410</u>	<u>\$ 334,707,096</u>	<u>\$ 361,237,052</u>	<u>\$ 391,167,826</u>
<b>Primary government</b>										
Net investment in capital assets	\$ 867,809,539	\$ 887,874,534	\$ 891,574,458	\$ 891,201,308	\$ 895,019,284	\$ 910,527,433	\$ 918,112,915	\$ 899,175,009	\$ 904,735,952	\$ 906,700,406
Restricted	88,531,447	88,381,295	86,630,516	88,655,338	91,111,541	88,185,712	90,995,253	100,379,753	105,260,051	109,137,745
Unrestricted	73,463,230	81,859,505	103,124,064	62,968,856	66,868,586	69,920,102	(25,988,417)	2,172,485	(5,479,933)	20,524,516
<b>Total primary government net position</b>	<u>\$ 1,029,804,216</u>	<u>\$ 1,058,115,334</u>	<u>\$ 1,081,329,038</u>	<u>\$ 1,042,825,502</u>	<u>\$ 1,052,999,411</u>	<u>\$ 1,068,633,247</u>	<u>\$ 983,119,751</u>	<u>\$ 1,001,727,247</u>	<u>\$ 1,004,516,070</u>	<u>\$ 1,036,362,667</u>

(1) Unrestricted net position is a negative balance primarily due to the large liabilities related to the City's pension and OPEB plans.

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

**City of Ann Arbor**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**  
**(Unaudited)**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Expenses</b>										
<b>Governmental activities:</b>										
General government	\$ 15,236,105	\$ 14,780,995	\$ 15,580,843	\$ 16,550,948	\$ 15,951,143	\$ 17,463,340	\$ 19,219,630	\$ 18,166,147	\$ 20,385,283	\$ 15,690,533
Public safety	40,649,428	39,396,533	40,307,361	43,882,972	45,158,518	46,375,914	46,868,877	47,984,733	58,996,948	40,110,094
Public works	19,889,391	24,374,228	37,787,092	33,619,237	38,305,144	40,196,459	49,591,083	53,143,075	62,633,254	64,673,932
Community and economic development	2,931,838	1,820,460	2,031,872	2,749,048	2,925,711	2,098,986	2,063,185	2,696,878	3,937,980	3,919,158
Culture and recreation	10,071,912	10,573,584	9,629,072	13,374,937	12,865,261	14,074,974	13,779,455	14,009,824	15,150,651	11,390,116
Other - Public Transportation	8,913,232	9,233,757	9,494,422	9,735,605	10,038,406	10,269,099	10,524,383	10,864,768	11,408,712	12,063,787
Debt service	5,134,805	4,953,237	5,037,626	4,691,976	4,837,529	3,340,791	3,527,743	3,272,391	3,583,704	3,120,035
<b>Total governmental activities expenses</b>	<b>102,826,711</b>	<b>105,132,794</b>	<b>119,868,288</b>	<b>124,604,723</b>	<b>130,081,712</b>	<b>133,819,563</b>	<b>145,574,356</b>	<b>150,137,816</b>	<b>176,096,532</b>	<b>150,967,655</b>
<b>Business-type activities:</b>										
Water	16,976,630	17,939,124	17,332,602	18,494,776	19,188,325	19,288,471	19,737,572	24,075,346	19,798,550	19,677,049
Sewer	14,569,815	15,024,567	15,201,859	16,842,294	17,880,966	18,621,741	19,382,437	21,258,970	23,155,043	24,059,586
Parking	2,708,673	2,537,775	2,434,730	2,144,727	2,048,444	1,871,468	1,831,512	1,789,366	1,754,222	1,736,718
Market	168,977	234,078	229,133	-	-	-	-	-	-	-
Golf courses	1,554,083	1,443,008	-	-	-	-	-	-	-	-
Airport	568,629	670,743	676,228	746,680	670,167	791,342	727,902	909,745	827,366	832,231
Stormwater	4,336,523	4,983,006	4,269,354	5,986,171	5,616,057	5,802,413	5,747,664	9,615,145	6,770,918	7,291,027
Solid Waste	11,563,289	14,336,494	12,848,175	12,986,803	18,301,294	15,624,601	14,890,852	17,748,336	17,001,298	12,821,555
<b>Total business-type activities expenses</b>	<b>52,446,619</b>	<b>57,168,795</b>	<b>52,992,081</b>	<b>57,201,451</b>	<b>63,705,253</b>	<b>62,000,036</b>	<b>62,317,939</b>	<b>75,396,908</b>	<b>69,307,397</b>	<b>66,418,166</b>
<b>Total primary government expenses</b>	<b>\$ 155,273,330</b>	<b>\$ 162,301,589</b>	<b>\$ 172,860,369</b>	<b>\$ 181,806,174</b>	<b>\$ 193,786,965</b>	<b>\$ 195,819,599</b>	<b>\$ 207,892,295</b>	<b>\$ 225,534,724</b>	<b>\$ 245,403,929</b>	<b>\$ 217,385,821</b>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
<b>Charges for services:</b>										
General government	\$ 7,371,102	\$ 8,557,284	\$ 8,751,710	\$ 9,296,146	\$ 8,691,577	\$ 8,200,188	\$ 9,796,913	\$ 9,052,049	\$ 13,783,296	\$ 6,107,653
Public safety	9,559,178	8,110,028	7,729,919	8,847,862	9,026,629	9,807,563	10,613,768	11,031,951	8,993,203	5,317,199
Public works	3,303,537	2,620,789	2,162,744	2,662,357	4,262,035	3,611,282	2,630,025	3,752,184	2,452,173	4,862,025
Community and economic development	35,269	-	293,533	657	-	-	-	-	-	-
Culture and Recreation	2,383,032	2,502,342	3,888,226	4,097,635	5,121,351	4,548,675	4,738,164	4,666,251	3,461,681	3,196,872
Other - Public Transportation	92,518	-	-	-	-	-	-	-	-	-
Interest on long-term debt	3,038,523	3,733,571	4,241,683	4,287,804	4,283,146	4,291,510	4,306,049	4,181,335	5,402,027	5,418,941
Operating grants and contributions	13,210,386	13,682,013	12,368,689	11,030,886	12,273,077	13,756,071	14,948,746	16,661,456	16,424,627	26,835,761
Capital grants and contributions	346,046	493,900	974,291	865,776	638,182	1,025,460	4,086,170	2,480,753	1,070,562	1,536
<b>Total governmental activities program revenues</b>	<b>39,339,591</b>	<b>39,699,927</b>	<b>40,410,796</b>	<b>41,089,123</b>	<b>44,295,997</b>	<b>45,240,749</b>	<b>51,119,835</b>	<b>51,825,979</b>	<b>51,587,569</b>	<b>51,739,987</b>
<b>Business-type activities:</b>										
<b>Charges for services:</b>										
Water	22,017,955	23,746,197	22,725,290	22,697,619	24,053,722	26,602,226	27,002,482	27,143,417	25,277,253	29,580,802
Sewer	21,103,955	21,456,653	22,639,231	22,137,470	23,926,479	27,363,541	28,329,519	32,549,393	31,984,321	32,394,186
Parking	2,877,149	2,884,220	2,860,469	2,820,269	2,732,541	2,657,169	2,036,188	1,994,288	1,271,600	550,100
Market	253,850	148,942	198,989	-	-	-	-	-	-	-
Golf courses	1,304,135	1,146,989	-	-	-	-	-	-	-	-
Airport	834,238	855,286	869,591	888,809	924,141	923,228	935,786	1,137,674	933,066	926,112
Stormwater	5,712,581	5,956,093	6,446,776	6,343,928	6,915,369	7,404,199	9,444,063	11,505,361	12,485,490	13,150,716
Solid Waste	3,450,410	2,942,230	3,329,167	2,875,575	2,965,288	4,164,508	4,035,824	3,920,945	3,714,281	3,637,240
Capital grants and contributions	1,256,394	4,925,869	1,963,610	4,645,758	600,945	359,981	54,384	118,425	-	95,519
<b>Total business-type activities program revenues</b>	<b>58,810,667</b>	<b>64,062,479</b>	<b>61,033,123</b>	<b>62,409,428</b>	<b>62,118,485</b>	<b>69,474,852</b>	<b>71,838,246</b>	<b>78,369,503</b>	<b>75,666,011</b>	<b>80,334,675</b>
<b>Total primary government program revenues</b>	<b>\$ 98,150,258</b>	<b>\$ 103,762,406</b>	<b>\$ 101,443,919</b>	<b>\$ 103,498,551</b>	<b>\$ 106,414,482</b>	<b>\$ 114,715,601</b>	<b>\$ 122,958,081</b>	<b>\$ 130,195,482</b>	<b>\$ 127,253,580</b>	<b>\$ 132,074,662</b>
<b>Net (Expense) Revenue</b>										
Governmental activities	\$ (63,487,120)	\$ (65,432,867)	\$ (79,457,492)	\$ (83,515,600)	\$ (85,785,715)	\$ (88,578,814)	\$ (94,454,521)	\$ (98,311,837)	\$ (124,508,963)	\$ (99,227,668)
Business-type activities	6,364,048	6,893,684	8,041,042	5,207,977	(1,586,768)	7,474,816	9,520,307	2,972,595	6,358,614	13,916,509
<b>Total primary government net expense</b>	<b>\$ (57,123,072)</b>	<b>\$ (58,539,183)</b>	<b>\$ (71,416,450)</b>	<b>\$ (78,307,623)</b>	<b>\$ (87,372,483)</b>	<b>\$ (81,103,998)</b>	<b>\$ (84,934,214)</b>	<b>\$ (95,339,242)</b>	<b>\$ (118,150,349)</b>	<b>\$ (85,311,159)</b>

**City of Ann Arbor**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**  
**(Unaudited)**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental activities:										
Taxes										
Property taxes, levied for general purposes	\$ 48,856,539	\$ 49,380,189	\$ 50,671,753	\$ 51,977,008	\$ 53,396,465	\$ 54,617,165	\$ 56,134,197	\$ 58,071,684	\$ 60,987,539	\$ 63,431,379
Property taxes, levied for designated purpose	15,958,495	16,753,667	17,236,996	17,626,382	18,145,558	18,501,675	19,233,238	22,078,216	23,034,375	24,312,199
Property taxes, levied for debt services	668,745	569,490	2,129	2,129	2,340	2,129	2,091	2,117	2,134	2,063
State-shared revenues and grants (unrestricted)	9,748,477	9,771,731	10,050,793	10,317,088	10,215,633	10,712,412	11,034,159	11,493,427	11,845,757	11,960,256
Investment income	2,567,568	(410,361)	1,621,594	1,262,302	1,558,594	10,347	655,430	5,269,825	6,303,600	151,705
Gain on sale of assets	-	-	-	-	-	-	-	-	-	903,655
Transfers	3,410,739	3,690,616	3,574,088	4,831,153	460,882	5,173,955	2,093,810	2,002,648	(1,405,575)	(1,115,702)
Other	2,428,146	145,399	5,235,131	150,905	320,426	500,138	162,745	351,982	-	1,497,936
<b>Total governmental activities</b>	<b>83,638,709</b>	<b>79,900,731</b>	<b>88,392,484</b>	<b>86,166,967</b>	<b>84,099,898</b>	<b>89,517,821</b>	<b>89,315,670</b>	<b>99,269,899</b>	<b>100,767,830</b>	<b>101,143,491</b>
Business-type activities:										
Taxes										
Property taxes, levied for general purposes	11,030,550	11,154,045	11,470,474	11,728,679	12,072,979	12,306,559	12,638,680	13,064,727	13,728,287	14,264,703
Investment income	1,188,581	(245,003)	1,241,705	1,293,959	1,774,739	(11,349)	472,977	4,361,262	5,037,480	181,798
Transfers	(2,428,146)	(3,690,616)	(3,574,088)	(4,831,153)	(460,884)	(5,173,955)	(2,093,810)	(2,002,648)	1,405,575	1,115,702
Other	484,311	(504,477)	(673,069)	67,250	59,648	98,767	35,500	13,750	-	452,062
<b>Total business-type activities</b>	<b>10,275,296</b>	<b>6,713,949</b>	<b>8,465,022</b>	<b>8,258,735</b>	<b>13,446,482</b>	<b>7,220,022</b>	<b>11,053,347</b>	<b>15,437,091</b>	<b>20,171,342</b>	<b>16,014,265</b>
<b>Total primary government</b>	<b>\$ 93,914,005</b>	<b>\$ 86,614,680</b>	<b>\$ 96,857,506</b>	<b>\$ 94,425,702</b>	<b>\$ 97,546,380</b>	<b>\$ 96,737,843</b>	<b>\$ 100,369,017</b>	<b>\$ 114,706,990</b>	<b>\$ 120,939,172</b>	<b>\$ 117,157,756</b>
<b>Change in Net Position</b>										
Governmental activities	\$ 20,151,589	\$ 14,467,864	\$ 8,934,992	\$ 2,651,367	\$ (1,685,817)	\$ 939,007	\$ (5,138,851)	\$ 958,062	\$ (23,741,133)	\$ 1,915,823
Business-type activities	16,639,344	13,607,633	16,506,064	13,466,712	11,859,714	14,694,838	20,573,654	18,409,686	26,529,956	29,930,774
<b>Total primary government</b>	<b>\$ 36,790,933</b>	<b>\$ 28,075,497</b>	<b>\$ 25,441,056</b>	<b>\$ 16,118,079</b>	<b>\$ 10,173,897</b>	<b>\$ 15,633,845</b>	<b>\$ 15,434,803</b>	<b>\$ 19,367,748</b>	<b>\$ 2,788,823</b>	<b>\$ 31,846,597</b>

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

**City of Ann Arbor**  
**Fund Balances - Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**  
**(Unaudited)**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>General Fund</b>										
Nonspendable	\$ 960,336	\$ 915,645	\$ 853,157	\$ 765,634	\$ 619,311	\$ 540,869	\$ 462,384	\$ 386,772	\$ 286,295	\$ 46,196
Committed	-	-	-	-	-	-	-	-	498,352	533,506
Assigned	243,308	810,595	7,446,598	4,482,510	9,185,273	6,414,602	7,714,673	5,537,411	7,292,712	9,888,296
Unassigned	14,093,650	14,392,859	14,279,454	17,235,156	15,330,765	16,243,676	11,143,139	19,713,016	19,554,234	21,604,204
<b>Total General Fund</b>	<b>\$ 15,297,294</b>	<b>\$ 16,119,099</b>	<b>\$ 22,579,209</b>	<b>\$ 22,483,300</b>	<b>\$ 25,135,349</b>	<b>\$ 23,199,147</b>	<b>\$ 19,320,196</b>	<b>\$ 25,637,199</b>	<b>\$ 27,631,593</b>	<b>\$ 32,072,202</b>
<b>All Other Governmental Funds</b>										
Nonspendable	\$ 1,985,800	\$ 1,984,000	\$ 1,984,000	\$ 1,984,000	\$ 1,984,000	\$ 1,984,000	\$ 1,984,000	\$ 1,984,000	\$ 1,984,000	\$ 2,027,000
Restricted	63,432,711	56,701,167	55,346,230	55,120,246	56,176,316	53,939,042	55,440,810	64,482,671	64,888,488	70,662,974
Committed	4,617,556	6,088,188	3,203,628	3,984,155	4,584,590	5,494,990	929,257	2,674,688	2,953,568	1,918,790
Assigned	2,285,397	2,346,846	2,699,330	2,642,775	5,832,928	6,327,002	3,709,223	16,674,824	10,258,267	6,835,506
Unassigned	-	-	-	-	-	-	-	-	(1,681,092)	(1,962,868)
<b>Total all other governmental funds</b>	<b>\$ 72,321,464</b>	<b>\$ 67,120,201</b>	<b>\$ 63,233,188</b>	<b>\$ 63,731,176</b>	<b>\$ 68,577,834</b>	<b>\$ 67,745,034</b>	<b>\$ 62,063,290</b>	<b>\$ 85,816,183</b>	<b>\$ 78,403,231</b>	<b>\$ 79,481,402</b>

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

**City of Ann Arbor**  
**Changes in Fund Balances - Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**  
**(Unaudited)**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Revenues</b>										
Taxes	\$ 65,483,779	\$ 66,692,158	\$67,910,079	\$69,605,308	\$71,544,363	\$73,118,985	\$75,369,504	\$80,152,017	\$84,024,048	\$87,745,640
Special Assessments/improvement charges	48,843	43,102	44,636	52,373	-	93,373	63,746	136,227	74,263	90,423
Licenses, fees & permits	6,279,934	6,537,092	6,683,485	7,619,826	7,371,840	7,710,797	8,927,341	8,678,516	7,617,172	7,898,206
Federal grants	1,567,185	3,366,834	1,953,212	1,033,789	890,919	1,166,724	1,127,905	588,922	741,582	5,753,515
State shared revenues and grants	21,367,804	19,916,609	20,428,435	20,792,519	21,858,259	22,633,985	25,024,215	27,075,412	27,806,745	29,662,421
Charges for services	13,721,017	12,050,841	13,732,847	14,034,309	15,515,836	14,770,842	16,437,936	17,632,847	15,418,166	12,661,629
Fines & penalties	4,606,580	4,483,090	4,483,484	4,601,589	4,596,544	4,704,380	4,283,940	4,611,776	3,770,147	3,125,206
Interest and penalties	828	11,189	800	211	2,604	-	-	-	-	-
Investment income	2,057,540	(305,700)	1,162,205	928,186	1,190,815	3,926	535,299	4,145,380	4,829,585	75,071
Rental	463,191	653,879	587,361	637,366	634,819	661,086	735,822	761,445	778,765	847,243
Contributions and donations	369,920	295,289	521,305	981,965	334,247	3,343,936	3,775,006	2,439,867	1,537,299	6,184,114
Intra-governmental sales	208,243	157,956	266,970	213,511	2,627,905	297,201	306,526	412,620	267,765	239,533
Miscellaneous	719,712	1,529,283	1,182,138	678,652	594,470	432,973	402,002	512,211	990,079	1,087,777
<b>Total Revenues</b>	<b>116,894,576</b>	<b>115,431,622</b>	<b>118,956,957</b>	<b>121,179,604</b>	<b>127,160,017</b>	<b>128,940,812</b>	<b>136,989,242</b>	<b>147,147,240</b>	<b>147,855,616</b>	<b>155,370,778</b>
<b>Expenditures</b>										
General government	15,034,085	14,659,352	14,372,873	14,501,593	14,257,197	15,153,388	17,140,624	16,845,714	17,063,537	18,101,639
Public Safety	43,139,586	42,347,919	43,123,100	45,217,288	47,189,457	48,503,006	48,947,304	51,918,701	52,532,154	51,387,902
Public Works	18,969,637	19,015,177	17,789,296	17,869,057	18,863,228	19,366,244	24,532,861	18,974,405	23,051,857	22,491,092
Community and economic development	3,677,716	1,918,460	2,118,053	2,808,976	3,007,207	2,169,450	2,146,752	2,879,621	3,615,970	3,164,360
Culture and recreation	9,996,650	10,142,639	11,360,700	12,567,890	12,072,443	13,197,781	13,172,050	13,091,727	14,387,053	12,612,966
Public transportation	8,913,232	9,233,757	9,494,422	9,735,605	10,038,406	10,269,099	10,524,383	10,864,768	11,697,544	12,063,787
Capital outlay	29,176,152	26,764,896	14,971,769	14,237,971	18,043,661	21,162,097	24,016,528	16,964,124	24,171,714	20,038,436
Debt service:										
Principal	3,320,000	4,055,000	7,550,000	4,150,000	4,148,000	4,793,000	5,189,000	5,393,000	6,213,000	6,694,000
Interest	5,117,493	5,045,229	5,072,356	4,920,544	4,080,504	3,448,031	3,558,867	2,430,211	3,747,600	3,205,397
Payment to Refunding Bond Escrow Agent	-	-	-	-	-	555,599	-	646,298	-	-
<b>Total expenditures</b>	<b>137,344,551</b>	<b>133,182,429</b>	<b>125,852,569</b>	<b>126,008,924</b>	<b>131,700,103</b>	<b>138,617,695</b>	<b>149,228,369</b>	<b>140,008,569</b>	<b>156,480,429</b>	<b>149,759,579</b>
Excess of revenues over (under) expenditures	(20,449,975)	(17,750,807)	(6,895,612)	(4,829,320)	(4,540,086)	(9,676,883)	(12,239,127)	7,138,671	(8,624,813)	5,611,199
<b>Other Financing Sources (Uses):</b>										
Transfers in	9,620,472	10,917,731	15,619,817	13,294,382	21,803,130	15,062,028	11,198,070	10,617,994	18,916,182	15,619,555
Transfers out	(6,519,432)	(6,803,026)	(11,131,060)	(7,679,086)	(9,467,278)	(8,186,997)	(8,546,388)	(7,850,752)	(15,709,927)	(15,835,775)
Sale of property, plant and equipment	2,809,085	30,563	4,979,951	3,598	16,350	32,850	26,750	36,500	-	-
Payment to refunded bond escrow agent	(2,714,429)	-	-	(16,486,836)	(18,439,571)	(24,509,365)	-	(39,206,297)	-	123,801
Issuance of debt	2,670,000	9,085,000	-	16,235,000	17,710,000	24,030,000	-	57,305,000	-	-
Bond premium (discount)	33,375	141,075	-	(135,652)	416,162	479,365	-	2,789,032	-	-
<b>Total other financing sources (uses)</b>	<b>5,899,071</b>	<b>13,371,343</b>	<b>9,468,708</b>	<b>5,231,406</b>	<b>12,038,793</b>	<b>6,907,881</b>	<b>2,678,432</b>	<b>23,691,477</b>	<b>3,206,255</b>	<b>(92,419)</b>
<b>Net change in fund balances</b>	<b>\$ (14,550,904)</b>	<b>\$ (4,379,464)</b>	<b>\$ 2,573,096</b>	<b>\$ 402,086</b>	<b>\$ 7,498,707</b>	<b>\$ (2,769,002)</b>	<b>\$ (9,560,695)</b>	<b>\$ 30,830,148</b>	<b>\$ (5,418,558)</b>	<b>\$ 5,518,780</b>
Debt service as a percentage of noncapital expenditures	8.7%	9.4%	12.0%	8.5%	8.0%	8.2%	7.8%	7.3%	8.1%	8.2%

## **Revenue Capacity**

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

**City of Ann Arbor  
Taxable Value of Property  
Last Ten Fiscal Years  
(Unaudited)**

Fiscal Year Ended June 30,	Real Property	Personal Property	Less: Tax-exempt Property (4)	Total Taxable Value (2)	Total Assessed Value (2)	True Cash Value (2)	Total Direct Tax Rate
2012	\$ 4,422,577,957	\$ 212,313,200		\$ 4,634,891,157	\$ 5,268,205,900	\$ 10,536,411,800	16.4660
2013	4,473,471,542	209,747,000		4,683,218,542	5,294,974,640	10,589,949,280	16.5720
2014	4,614,295,892	225,575,000		4,839,870,892	5,482,051,470	10,964,102,940	16.4501
2015	4,739,348,866	230,309,300		4,969,658,166	5,447,340,500	10,894,681,000	16.4501
2016	4,870,231,067	240,179,600		5,110,410,667	6,118,573,700	12,237,147,400	16.4436
2017	5,035,021,720	258,429,800		5,293,451,520	6,643,622,400	13,287,244,800	16.3003
2018	5,242,521,458	253,065,300		5,495,586,758	7,134,355,100	14,268,710,200	16.1390
2019	5,520,841,160	248,582,500		5,769,423,660	7,527,133,730	15,054,267,460	15.8885
2020	5,865,433,792	263,015,400		6,128,449,192	7,134,355,100	14,268,710,200	15.7131
2021	6,192,607,215	309,486,300		6,502,093,515	7,527,133,730	15,054,267,460	16.8164

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  
Direct and Overlapping Property Tax Rates  
(Per\$1,000 of Taxable Value)  
Last Ten Fiscal Years  
(Unaudited)**

	Fiscal Year	City of Ann Arbor Direct Rate							Overlapping Rates						Total
		General Operating	Refuse Collection	Transportation*	Employee Benefits	Debt Service	Parks	Major Street Repair	Total Direct Tax Rate	Ann Arbor Area Transportation Authority	Ann Arbor Public Schools**	Ann Arbor District Library	Washtenaw County	Washtenaw Community College	
Principal Residence Exemption (PRE)	2012	6.1682	2.4670	2.0560	2.0560	0.1496	1.5748	1.9944	16.4660	-	18.1329	1.5500	5.7518	3.6376	45.5383
Non-PRE	2012	6.1682	2.4670	2.0560	2.0560	0.1496	1.5748	1.9944	16.4660	-	31.4245	1.5500	5.7518	3.6376	58.8299
Principal Residence Exemption (PRE)	2013	6.1682	2.4670	2.0560	2.0560	0.1250	1.5748	2.1250	16.5720	-	18.1329	1.5500	5.7654	3.6376	45.6579
Non-PRE	2013	6.1682	2.4670	2.0560	2.0560	0.1250	1.5748	2.1250	16.5720	-	31.4245	1.5500	5.7654	3.6376	58.9495
Principal Residence Exemption (PRE)	2014	6.1682	2.4670	2.0560	2.0560	0.0000	1.5779	2.1250	16.4501	-	17.7937	1.5500	5.7801	3.4576	45.0315
Non-PRE	2014	6.1682	2.4670	2.0560	2.0560	0.0000	1.5779	2.1250	16.4501	-	31.4245	1.5500	5.7801	3.4576	58.6623
Principal Residence Exemption (PRE)	2015	6.1682	2.4670	2.0560	2.0560	0.0000	1.5779	2.1250	16.4501	0.7000	17.9172	1.5500	6.2838	3.4576	46.3587
Non-PRE	2015	6.1682	2.4670	2.0560	2.0560	0.0000	1.5779	2.1250	16.4501	0.7000	31.4245	1.5500	6.2838	3.4576	59.8660
Principal Residence Exemption (PRE)	2016	6.1657	2.4660	2.0552	2.0552	0.0000	1.5773	2.1242	16.4436	0.7000	17.7692	1.6500	6.3058	3.4576	46.3262
Non-PRE	2016	6.1657	2.4660	2.0552	2.0552	0.0000	1.5773	2.1242	16.4436	0.7000	31.3913	1.6500	6.3058	3.4576	59.9483
Principal Residence Exemption (PRE)	2017	6.1120	2.4445	2.0373	2.0373	0.0000	1.5635	2.1057	16.3003	0.6943	17.4740	1.9000	6.2432	3.4360	46.0478
Non-PRE	2017	6.1120	2.4445	2.0373	2.0373	0.0000	1.5635	2.1057	16.3003	0.6943	30.9674	1.9000	6.2432	3.4360	59.5412
Principal Residence Exemption (PRE)	2018	6.0343	2.4134	2.0114	2.0114	0.0000	1.5435	2.1250	16.1390	0.6860	20.7173	1.8913	6.2122	3.4267	49.0725
Non-PRE	2018	6.0343	2.4134	2.0114	2.0114	0.0000	1.5435	2.1250	16.1390	0.6860	33.9566	1.8913	6.2122	3.4267	62.3118
Principal Residence Exemption (PRE)	2019	5.9407	2.3759	1.9802	1.9802	0.0000	1.5195	2.0920	15.8885	0.6773	20.4255	1.8663	7.1532	3.3978	49.4086
Non-PRE	2019	5.9407	2.3759	1.9802	1.9802	0.0000	1.5195	2.0920	15.8885	0.6773	34.2813	1.8663	7.1532	3.3978	63.2644
Principal Residence Exemption (PRE)	2020	5.8884	2.3549	1.9627	1.9627	0.0000	1.5463	1.9981	15.7131	0.6936	20.1954	1.8519	7.1093	3.3763	48.9396
Non-PRE	2020	5.8884	2.3549	1.9627	1.9627	0.0000	1.5463	1.9981	15.7131	0.6936	34.2267	1.8519	7.1093	3.3763	62.9709
Principal Residence Exemption (PRE)	2021	5.8359	2.3339	1.9452	1.9452	0.0000	1.5324	2.0289	15.6215	0.6880	21.8689	1.8365	7.0962	3.3538	50.4649
Non-PRE	2021	5.8359	2.3339	1.9452	1.9452	0.0000	1.5324	2.0289	15.6215	0.6880	36.1903	1.8365	7.0962	3.3538	64.7863

\* Represents millage collected for Ann Arbor Transportation Authority.

\*\* Includes Washtenaw Intermediate School Ann Arbor District millage of 5.3285 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 18mills is included for School Operating Tax.

On Principal Residence properties, 3.9687 mills are levied for Hold Harmless mills in lieu of School Operating Tax.

Source: City of Ann Arbor Financial Services, Assessing Unit

**City of Ann Arbor  
Principal Property Tax Payers  
Current Year and Nine Years ago  
(Unaudited)**

Taxpayer	Type of Business	2021			2012		
		Taxable Value	Rank	Percentage of Total City Taxable Value	Taxable Value	Rank	Percentage of Total City Taxable Value
DTE Electric Company	Utility	\$ 66,372,915	1	1.02%			
GEDR Landmark LLC 1300 S University	Apartments	45,366,900	2	0.70%			
Briarwood Shopping Complex	Shopping Center	43,244,035	3	0.67%	37,734,900	1	0.81%
BVK HSRE Ann Arbor, LLC	Apartments	42,795,962	4	0.66%			
Briemor (formerly AMCAP) Arborland LLC	Shopping Center	40,673,198	5	0.63%	29,269,499	2	0.63%
CPI Foundry, LLC	Apartments	38,656,700	6	0.59%			
CAN IV Packard Square, LLC	Apartments	28,659,700	7	0.44%			
CCSHP Ann Arbor Two, LLC (Six11)	Apartments	27,736,100	8	0.43%			
CCSHP Ann Arbor I, LLC (The Yard)	Apartments	27,212,780	9	0.42%			
Orion North Star, LLC (Winwood)	Apartments	25,543,782	10	0.39%			
Ann Arbor Campus Housing, LLC	Apartments				27,033,600	3	0.58%
Detroit Edison	Utility				26,923,599	4	0.58%
HUB Eisenhower Property (Transwestern)	Office Building				26,528,500	5	0.57%
THC Ann Arbor WP LLC	Apartments				19,707,700	6	0.43%
McKinley Associates	Apartments & Office				19,091,464	7	0.41%
THC Ann Arbor LV LLC	Apartments				16,752,700	8	0.36%
Sterling - 4 Eleven Lofts	Apartments & Retail				15,320,100	9	0.33%
Michigan Consolidated Gas Co.	Utility				15,297,200	10	0.33%
<b>Total</b>		<b>\$ 386,262,072</b>		<b>5.94%</b>	<b>\$ 233,659,262</b>		<b>5.04%</b>

Source: City of Ann Arbor Financial Services, Assessing Unit

**City of Ann Arbor  
Property Tax Levies and Collections  
Last Ten Fiscal Years  
(Unaudited)**

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			Amount	Percentage of Levy
2012	\$ 75,840,849	\$ 74,102,021	97.71%	\$ 1,651,831	\$ 55,121	\$ 75,808,973	99.96%
2013	77,169,289	76,009,075	98.50%	1,055,355	63,350	77,127,780	99.95%
2014	79,385,502	78,341,354	98.68%	925,652	61,101	79,328,107	99.93%
2015	81,742,181	80,666,319	98.68%	819,344	206,946	81,692,609	99.94%
2016	83,995,895	83,115,705	98.95%	733,314	72,910	83,921,929	99.91%
2017	86,216,588	85,305,863	98.94%	753,004	43,685	86,102,553	99.87%
2018	88,485,078	87,698,238	99.11%	670,466	23,305	88,392,008	99.89%
2019	91,688,677	90,786,330	99.02%	772,637	18,151	91,577,118	99.88%
2020	96,323,717	95,370,692	99.01%	774,399	410	96,145,501	99.81%
2021	100,950,080	99,844,706	98.91%	957,920	35,152	100,837,778	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 Treasurer for collection the following March 1st. The County pays all 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 exclude administrative fees and interest.

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

## **Debt Capacity**

These schedules contain 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.

**City of Ann Arbor**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
*(dollars in thousands, except per capita)*  
**(Unaudited)**

Fiscal Year	Governmental Activities			Business-Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Special Assessment Bonds	Installment Purchase Agreement	General Obligation Bonds	Lease Contract Payable	[1] Revenue Bonds	Other Long-term Debt			
2012	\$ 118,053	\$ 220	\$ 3,500	\$ 19,190	\$ -	\$ 102,180	\$ 1,470	\$ 244,613	1.61%	\$ 2,147
2013	122,752	140	4,060	16,965	86	106,572	35,981	286,556	1.84%	2,515
2014	119,725	60	-	14,550	192	128,643	9,932	273,102	1.58%	2,397
2015	115,624	35	-	12,140	106	159,195	13,827	300,927	1.63%	2,641
2016	111,919	15	-	9,855	63	177,852	14,721	314,425	1.63%	2,760
2017	108,284	-	-	7,623	21	181,546	16,187	313,661	1.51%	2,753
2018	103,060	-	-	5,689	-	180,204	15,778	304,731	1.38%	2,675
2019	119,183	-	-	3,761	-	168,805	15,232	306,981	1.39%	2,694
2020	112,790	-	-	2,533	-	160,418	14,474	290,215	1.32%	2,547
2021	107,188	-	-	728	-	148,630	13,770	270,316	1.21%	2,183

Note: For fiscal years 2020 & 2021 percent of personal income, the divisor used was for 2019 since 2020 & 2021 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.

**City of Ann Arbor**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**  
*(dollars in thousands, except per capita)*  
**(Unaudited)**

Fiscal Year	General Bonded Debt Outstanding				Net General Bonded Debt	Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Less: Restricted Resources	Less: Self-supported Portion				
2012	\$ 137,243	\$ 1,318	\$ 230	\$ 135,695	2.96%	\$ 1,191	
2013	139,717	1,243	150	138,324	2.98%	1,214	
2014	134,275	1,142	60	133,073	2.77%	1,168	
2015	127,764	1,123	35	126,606	2.57%	1,111	
2016	121,774	1,087	15	120,672	2.38%	1,059	
2017	115,907	1,071	-	114,836	2.19%	1,008	
2018	108,748	477	-	108,271	1.98%	950	
2019	122,944	629	-	122,315	2.13%	1,074	
2020	115,323	554	-	114,769	1.88%	1,007	
2021	107,916	516	-	107,400	1.66%	867	

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

**City of Ann Arbor**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2021**  
**(dollars in thousands)**  
**(Unaudited)**

Government Unit	Net Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
<b>DIRECT DEBT</b>			
General obligation bonds	\$ 107,188	100.00%	\$ 107,188
City direct debt	<u>\$ 107,188</u>		<u>\$ 107,188</u>
<b>OVERLAPPING DEBT</b>			
Ann Arbor School District	\$ 241,330	64.56%	\$ 155,803
Washtenaw Intermediate School District	42,315	35.52%	15,030
Washtenaw Community College	6,520	35.99%	2,347
Washtenaw County at Large	35,562	35.19%	12,514
Overlapping debt	<u>\$ 325,727</u>		<u>185,694</u>
Total direct & overlapping debt			<u>\$ 292,882</u>

**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

**City of Ann Arbor  
Legal Debt Margin Information  
Last Ten Fiscal Years  
(Unaudited)**

**Legal Debt Margin Calculation for Fiscal Year 2021**

Assessed value of real and personal property	\$ 8,747,314,800
Debt limit (10% of assessed value)	874,731,480
Debt applicable to limit:	
Net direct debt	107,188,000
Less: Special Assessment bonds (general obligation portion)	-
Total net debt applicable to limit	<u>107,188,000</u>
Legal debt margin	<u>\$ 767,543,480</u>

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Debt limit	\$ 526,820,590	\$ 529,497,464	\$ 548,205,147	\$ 544,734,050	\$ 611,857,370	\$ 664,362,240	\$ 752,713,373	\$ 752,713,373	821,785,285	874,731,480
Total net debt applicable to limit	121,015,000	127,272,000	119,588,000	115,624,000	111,919,000	108,284,000	112,790,000	112,790,000	112,790,000	107,188,000
Legal debt margin	<u>\$ 405,805,590</u>	<u>\$ 402,225,464</u>	<u>\$ 428,617,147</u>	<u>\$ 429,110,050</u>	<u>\$ 499,938,370</u>	<u>\$ 556,078,240</u>	<u>\$ 639,923,373</u>	<u>\$ 639,923,373</u>	<u>\$ 639,923,373</u>	<u>\$ 767,543,480</u>
Total net debt applicable to the limit as a percentage of debt limit	22.97%	24.04%	21.81%	21.23%	18.29%	16.30%	14.98%	14.98%	13.72%	12.25%

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

**City of Ann Arbor  
Pledged-revenue Coverage  
Last Ten Fiscal Years  
(Unaudited)**

Fiscal Year	Operating Revenue (1)	Operating Expenses (2)	Net Revenue Available For Debt Service	Debt Service			Coverage
				Principal	Interest	Total	
Water Supply System:							
2012	\$ 22,301,008	\$ 12,562,435	\$ 9,738,573	\$ 4,584,250	\$ 1,669,928	\$ 6,254,178	1.6
2013	23,688,291	12,850,445	10,837,846	3,123,721	1,106,529	4,230,250	2.6
2014	23,018,750	12,839,911	10,178,839	2,695,000	1,137,321	3,832,321	2.7
2015	22,948,029	13,933,617	9,014,412	2,410,000	1,262,901	3,672,901	2.5
2016	24,338,898	14,787,495	9,551,403	3,400,000	1,257,924	4,657,924	2.1
2017	26,610,731	14,584,734	12,025,997	3,905,001	764,316	4,669,317	2.6
2018	27,138,806	15,164,072	11,974,734	3,155,000	770,420	3,925,420	3.1
2019	28,343,557	19,493,471	8,850,086	3,250,000	754,316	4,004,316	2.2
2020	26,544,979	15,147,801	11,397,178	3,310,000	728,050	4,038,050	2.8
2021	29,349,646	14,155,039	15,194,607	3,546,584	610,667	4,157,251	3.7
Sewage Disposal System:							
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
2014	23,200,088	10,713,654	12,486,434	2,305,000	1,416,666	3,721,666	3.4
2015	22,878,298	11,484,606	11,393,692	2,225,000	2,658,665	4,883,665	2.3
2016	25,025,055	12,431,395	12,593,660	2,995,000	3,145,865	6,140,865	2.1
2017	27,336,885	12,213,885	15,123,000	4,427,831	2,779,118	7,206,949	2.1
2018	28,515,463	12,512,815	16,002,648	6,358,045	3,105,990	9,464,035	1.7
2019	34,230,942	14,380,749	19,850,193	8,075,000	3,014,702	11,089,702	1.8
2020	33,971,553	13,050,573	20,920,980	7,965,000	2,850,467	10,815,467	1.9
2021	32,589,166	13,830,154	18,759,012	8,355,000	2,471,751	10,826,751	1.7

Notes:

(1) Includes interest income. Revenue pledged is covered by Charges for services.

(2) Excludes depreciation expense.

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

## **Demographics 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.

**City of Ann Arbor**  
**Demographic and Economic Statistics**  
**Last Ten Calendar Years**  
**(Unaudited)**

<u>Year</u>	<u>Population (1)</u>	<u>Personal income (2)</u>	<u>Per Capita Personal Income (2)</u>	<u>Median Age (1)</u>	<u>Education Level in Years of Schooling (1)</u>	<u>School Enrollment (3)</u>	<u>Unemployment Rate % (4)</u>
2012	113,932	\$ 15,161,590	\$ 43,202	27.8	16.5	16,544	8.6
2013	113,934	15,560,767	43,927	27.8	16.5	16,545	6.8
2014	113,934	17,260,080	48,365	27.8	16.5	16,588	5.7
2015	113,934	18,446,608	51,400	27.8	16.5	16,901	4.2
2016	113,934	19,261,779	52,814	27.8	16.5	16,815	3.5
2017	113,934	20,715,000	56,348	27.8	16.5	17,435	2.9
2018	113,934	22,021,358	59,363	27.8	16.5	17,669	3.6
2019	113,934	22,365,853	60,843	27.8	16.5	17,950	3.5
2020	113,934	N/A	N/A	27.8	16.5	17,898	10.7
2021	123,851	N/A	N/A	27.8	16.5	17,451	4.7

Sources:

- (1) U. S. Census Bureau
- (2) Bureau of Economic Analysis, Ann Arbor Metropolitan Statistical Area, MAIN04 Personal Income and Employment Summary  
<http://www.bea.gov/>  
 \*Note: 2020 & 2021 data has not been released at this time.
- (3) Ann Arbor Public School's Enrollment Office, MI School Data, Our Schools -At A Glance  
<http://www.a2schools.org/site/Default.aspx?PageID=6908>
- (4) Michigan Employment Security Commission statistics for Washtenaw County as of June 2021  
[http://stats.bls.gov/eag/eag.mi\\_annarbor\\_msa.htm](http://stats.bls.gov/eag/eag.mi_annarbor_msa.htm)

**City of Ann Arbor  
Principal Employers  
Current Year and Nine Years ago  
(Unaudited)**

Employers	2021			2012		
	Employees	Rank	Percentage of Total Top City Employers	Employees	Rank	Percentage of Total Top City Employers
University of Michigan	35,446	1	76.52%	27,003	1	63.38%
Ann Arbor Public Schools	2,607	2	5.63%	3,578	3	8.40%
Integrated Health Associates, Inc.	1,592	3	3.44%	532	10	1.25%
Washtenaw County	1,322	4	2.85%	1,339	5	3.14%
Thompson-Reuters	1,155	5	2.49%	1,785	4	4.19%
Terumo Cardiovascular Group	1,100	6	2.37%			
Domino's Pizza	1,000	7	2.17%	550	9	1.29%
City of Ann Arbor	700	8	1.51%	710	7	1.67%
IBM Watson Health	700	9	1.51%			
Zingerman's Family Businesses	700	10	1.51%			
Trinity Health System (formerly St. Joseph's Health System)				5,304	2	12.45%
Veterans Administration Medical Center				1,230	6	2.89%
Washtenaw Community College				576	8	1.34%
<b>Total</b>	<b>46,322</b>		<b>100.00%</b>	<b>42,607</b>		<b>100.00%</b>

Source: Ann Arbor Spark, January 15, 2021: Top Regional Employers  
<https://annarborusa.org/news/top-regional-employers/>

**City of Ann Arbor**  
**Full-time Equivalent Government Employees by Function/Program**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Function/Program	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>General government</b>										
Financial Services	45	48	61	61	61	60	61	61	61	63
Community Services	34	32	33.73	57	59	63	65	67	71	73
Parks & Recreation	20	20	24	24	24	24	23	37	38	38
City Administrator Services	30	31	34	34	34	34	37	63	65	70
Mayor & Council	1	1	1	1	1	1	1	1	2	2
<b>Police</b>										
Officers	118	118	119	122	122	122	122	124	128	130
Civilians	46	28	27	27	27	27	27	26	26	26
<b>Fire</b>										
Firefighters & Officers	81	81	85	86	86	86	86	84	84	84
Civilians	1	1	1	1	1	1	1	3	3	3
<b>Public Services</b>										
Project Management	13	13	12	12	16	16	17	30	30	32
Water	26	26	26	26	26	26	27	27	27	27
Wastewater Treatment	35	35	35	35	35	35	35	36	36	36
Field Operations	126	124	120	120	117	117	117	90	90	90
Other	74	74	61	61	59	62	63	36	40	40
15th District Court	36	34	34	34	34	34	35	35	35	35
Retirement System	4	4	4	4	4	4	4	4	4	4
Downtown Development Authority	4	4	4	4	4	4	6	6	6	6
City Attorney	13	12	12	12	12	13	13	13	13	14
<b>Per Budget Book</b>	<b>706</b>	<b>686</b>	<b>694</b>	<b>721</b>	<b>722</b>	<b>729</b>	<b>740</b>	<b>743</b>	<b>759</b>	<b>773</b>

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

## **Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

**City of Ann Arbor**  
**Operating Indicators by Function/Program**  
**Current Year and Nine Years ago**  
**(Unaudited)**

Function/Program	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Police</b>										
Physical arrests	2,610	2,395	1,462	1,461	1,542	1,289	1,467	1,678	1,178	998
Parking violations	95,990	87,898	92,184	108,759	118,041	117,221	102,981	99,079	69,605	51,289
Traffic violations	10,638	14,676	14,053	12,205	12,548	11,022	9,515	8,748	7,889	3,354
<b>Fire</b>										
Emergency responses	5,843	6,180	6,646	6,572	6,947	7,234	7,214	8,504	8,293	7,870
Fire extinguished	431	418	283	220	259	205	206	260	258	303
Inspections (1st inspections)	1,962	1,769	1,164	1,218	1,339	1,182	1,257	1,140	767	981
<b>Refuse Collection</b>										
Refuse collected (tons/day)	71.25	72.30	72.84	72.87	72.52	73.21	151.22	140.69	135.03	133.12
Recyclables collected (tons/day)	37.10	38.13	39.54	40.17	40.31	40.27	36.32	35.89	34.36	32.99
<b>Other Public works</b>										
Street resurfacing and reconstruction (miles)	6.20	6.60	5.29	6.13	5.905	3.91	3.71	7.35	7.2	5.92
Capital Preventative Maintenance (miles) (a)	-	-	-	2.12	7.696	55.387	42.444	1.69	21.85	52.61
Potholes repaired (tons)	392.78	359.35	636.5	570.92	482.32	397.60	648.43	733.88	596.00	428.00
<b>Parks and Recreation</b>										
Athletic field permits issued	1,032	956	929	866	733	692	987	629	456	141
Community center admissions	11,500	11,500	12,000	12,000	12,500	19,750	19,750	21,524	23,950	24,700
<b>Water</b>										
Connections	28,333	28,376	28,387	28,418	28,452	28,496	28,565	28,592	28,674	28,765
Water main breaks	72	102	120	91	65	73	66	106	59	80
Average daily consumption (millions of gallons)	14.600	14.870	14.091	13.576	13.824	13.902	14.080	13.580	12.836	12.526
Peak daily consumption (millions of gallons)	27.115	28.100	23.120	19.174	20.131	21.262	21.717	22.820	18.668	20.216
<b>Wastewater</b>										
Average daily sewage treatment (millions of gallons)	18.100	16.700	17.758	16.999	16.810	17.900	18.300	18.095	18.190	15.690

Source: Various services areas within City of Ann Arbor

(a) This includes crack sealing and thin mill and fill.

**City of Ann Arbor**  
**Capital Asset Statistics by Function/Program**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Function/Program	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Police</b>										
Station	1	1	1	1	1	1	1	1	1	1
Zone Offices	2	2	2	2	2	1	1	1	1	1
Patrol units	36	36	37	35	35	36	35	35	35	35
Fire Stations	5	5	5	5	5	5	5	5	5	5
<b>Refuse Collection</b>										
Collection Trucks	26	27	27	27	26	26	27	28	28	19
<b>Other Public works</b>										
Streets (miles)	295.13	296.7	296.83	296.83	296.83	296.83	297.65	297.65	298	298
Streetlights	7,139	7,194	7,194	7,497	7,562	7,567	7,572	7,592	7,721	7,811
Traffic signals	158	158	158	159	159	159	159	159	159	159
<b>Parks and Recreation</b>										
Acreage	2,045	2,095	2,074	2,074	2,110	2,110	2,110	2,187	2,195	2,195
Playgrounds	77	77	77	77	79	79	80	80	80	80
Baseball/softball diamonds	34	34	34	34	34	34	34	34	34	34
Soccer/football fields	24	24	24	24	24	24	24	24	24	24
Community centers	2	2	2	2	2	2	2	2	2	2
<b>Water</b>										
Water mains (miles)	464	501.0	489.5	488	455	456	459	461	461	462
Fire hydrants	2,960	3,711	3,733	3,741	3,178	3,239	3,887	3,947	3,370	3,398
Storage Capacity (millions of gallons)	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0
<b>Wastewater</b>										
Sanitary sewers (miles)	363.7	369.0	362	362	362	362	364	367	375	365
Storm sewers (miles)	322.4	264	264	266	294	294	328	298	290	290
Treatment capacity (millions of gallons)	48.0	48.0	48.0	48.0	48.0	48.0	48.0	48.0	48.0	48.0

Source: Various services areas within City of Ann Arbor



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December 15, 2021

To the Honorable Mayor and Members of City Council  
City of Ann Arbor  
301 E. Huron St.  
Ann Arbor, MI 48104

We have audited the 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 (the City) as of and for the year ended June 30, 2021. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit.

Our communication includes the following:

- I. Auditors' Communication of Significant Matters with Those Charged with Governance
- II. Matters for Management's Consideration

Matters for management's consideration are not required to be communicated but we believe are valuable for management.

We discussed these matters with various personnel in the City during the audit and with management. We would also be pleased to meet with you to discuss these matters at your convenience.

This information is intended solely for the information and use of the City Council and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

*Yeo & Yeo, P.C.*

Ann Arbor, Michigan

## Appendix I

### Auditors' Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated June 1, 2021. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Matters

##### Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in the footnotes of the financial statements. The City has adopted the following Governmental Accounting Standards Board Statements effective July 1, 2020:

- Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, (1) increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.
- Statement No. 98, *The Annual Comprehensive Financial Report* establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness.

We noted no transactions entered into by the City during the year for which there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.
- Net pension liability or asset, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.

- Incurred but not reported health benefits. Management’s estimate is derived by using historical claims and information provided by the City’s third party administrator.
- Net OPEB liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.
- Compensated absences. Management’s estimate of accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- The landfill liability is based on information provided by a third party consultant and discounted to net present value using the current Treasury note rate.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

### Accounting Standards

The Governmental Accounting Standards Board has released additional Statements. Details regarding these Statements are described in Note 1 of the financial statements.

### Cybersecurity Posture

Cybersecurity posture, an overall measure of cybersecurity strength, is more prevalent than ever as organizations continue to face cybersecurity risks. Billions of emails are sent every day, some of which contain attachments with malicious files or malicious embedded links aimed at negatively impacting unsuspecting organizations. Not only can a successful attack cost thousands of dollars and put a strain on IT resources while remediation efforts are underway, but sensitive information may be breached. Additionally, cyber insurance coverage may be difficult or costly to obtain without adequate safeguards in place within your organization.

Risk assessment is a first step in mitigating cybersecurity risks and improving your organization’s overall cybersecurity posture. The National Institute of Standards and Technology published *Framework for Improving Critical Infrastructure Cybersecurity*, which “enables organizations, regardless of size, degree of cybersecurity risk, or cybersecurity sophistication, to apply the principles and best practices of risk management to improving the security and resilience of critical infrastructure.” The framework is designed to cover five areas including identification, protection, detection, responsiveness and recovery. The publication can be found at [www.nist.gov](http://www.nist.gov). Once you have performed a risk assessment, it’s time to take action. A few simple solutions that are recommended to prevent cyber-attacks include:

- **Document your program** – Identify specific roles and responsibilities as well as adopting security policies and procedures for your organization to follow, is generally a good practice to have guidelines to follow in the event of an attack. Annually, risks should be reassessed, and the program should be modified to address any identified risks.
- **Offsite back up location** – Frequent data back ups are a good safeguard; but if your entire network is compromised, restoring a back up saved to the network, becomes problematic. Routinely backing up data and storing offsite, allows for your organization to get back up and running as quickly as possible, if your network is attacked.
- **Require routine password changes** – Frequently, people have a bad habit of using the same password for multiple applications. Inevitably, at some point that password will likely be compromised in one of those applications. Requiring users to change their password routinely, reduces the risk of your system

being accessed with a compromised password. Requiring a complex password to be of a certain length and contain a mixture of character types, reduces your risk even further.

- **Utilizing multifactor authentication (MFA)** – knowing that people may use the same password to access multiple applications, this extra security layer makes it more difficult for attackers to gain access to your system. Microsoft claims that MFA can block over 99.9 percent of account compromise attacks.
- **Provide cybersecurity training** – Security awareness training provides a human firewall to protect your system. Training sessions and automated simulated attacks are utilized to help train people on how to spot phishing email attacks. Yeo & Yeo is able to provide security training to your employees.

Placing significant emphasis on evaluating your organization’s cybersecurity posture, and channeling sufficient resources towards proper risk assessment, implementation, and education will reduce the likelihood of a cybersecurity threat and help lessen the impact of a breach.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial and communicate them to the appropriate level of management. Management has corrected all such misstatements.

The following material misstatement was detected as a result of our audit procedures and corrected by management:

- Bond principal and interest payments of \$1,295,000 and \$164,938, respectively, were posted to the Parking System Fund erroneously. These payments have been adjusted and posted to the General Debt Service Fund.

There were no known uncorrected misstatements that were more than trivial.

### **Disagreements with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

### **Management’s Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the City’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

## **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

## **Other Reports**

Other information that is required to be reported to you is included in the: Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance For Each Major Federal Program; Independent Auditors' Report on Internal Control Over Compliance; Independent Auditors' Report on Schedule of Expenditures of Federal Awards Required by the Uniform Grant Guidance; and the Schedule of Findings and Questioned Costs. Please read all information included in those reports to ensure you are aware of relevant information.

## **Report on Required Supplementary Information**

We applied certain limited procedures to management's discussion and analysis and the remaining required supplementary information (RSI) as described in the table of contents of the financial statements that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

## **Report on Other Supplementary Information**

We were engaged to report on other supplementary information as described in the table of contents of the financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

## **Annual Comprehensive Financial Report**

The City's audited financial statements are included in their annual comprehensive financial report. Our responsibility for the other information contained in the comprehensive annual financial report does not extend beyond the financial information identified in our audit report. We do not have an obligation to perform any procedures to corroborate the other information contained in the introductory section and statistical section. However, we read the other information and considered whether such information, or the manner of its presentation, was materially inconsistent with information, or the manner of its presentation, appearing in the financial statements. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, was materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

## **Appendix II Matters for Management's Consideration**

In planning and performing our audit of the financial statements of the City of Ann Arbor as of and for the year ended June 30, 2021, we considered the City of Ann Arbor's internal control over financial reporting (internal control) as a basis for designing audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

However, during our audit we became aware of the following matter for management's consideration that is an opportunity for improving compliance with laws and regulations. This letter does not affect our report dated December 15, 2021, on the financial statements of the City of Ann Arbor. Our comment and recommendation is:

### **Deficit Fund Balance and Adoption of Deficit Budgets**

Governments are required to maintain positive fund balance and cannot adopt a budget that results in a deficit fund balance. The final amended budget for the Alternative Transportation Fund resulted in an estimated fund deficit of \$113,819. As of June 30, 2021, the Alternative Transportation Fund had a deficit fund balance of \$14,380. The fund has traditionally received transfers that would cover any operating deficit during a given year. During the current year, the transfers were not enough to cover the deficit.

We recommend the City develop a deficit elimination plan and submit it to the State of Michigan as soon as possible and refrain from adopting a budget leading to a deficit fund balance.

**City of Ann Arbor**

**Single Audit**

**June 30, 2021**



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# **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

## **Independent Auditors' Report**

Honorable Mayor and Members of City Council  
City of Ann Arbor  
Ann Arbor, MI

We have audited, in accordance with the 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, the 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, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Ann Arbor's basic financial statements, and have issued our report thereon dated December 15, 2021.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Ann Arbor's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Ann Arbor's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Ann Arbor's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001, that we consider to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Ann Arbor's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

## **The City of Ann Arbor's Response to the Finding and Corrective Action Plan**

The City of Ann Arbor's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The City of Ann Arbor's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Yeo & Yeo, P.C.*

Ann Arbor, MI  
December 15, 2021



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## **Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

### **Independent Auditors' Report**

Honorable Major and Members of City Council  
City of Ann Arbor  
Ann Arbor, MI

#### **Report on Compliance for Each Major Federal Program**

We have audited the City of Ann Arbor's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Ann Arbor's major federal programs for the year ended June 30, 2021. The City of Ann Arbor's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Our report includes a reference to other auditors who audited the financial statements of the Ann Arbor Housing Commission, as described in our report on the City of Ann Arbor's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

The City of Ann Arbor's basic financial statements include the operations of the Ann Arbor Housing Commission, which received \$19,235,083 in federal awards, which is not included in the schedule of expenditures of federal awards during the year ended June 30, 2021. Our audit, described below, did not include the operations of the Ann Arbor Housing Commission because the Ann Arbor Housing Commission engaged other auditors to perform an audit of compliance.

#### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the City of Ann Arbor's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Ann Arbor's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Ann Arbor's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the City of Ann Arbor complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

### **Report on Internal Control over Compliance**

Management of the City of Ann Arbor is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Ann Arbor's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Ann Arbor's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the 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, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Ann Arbor's basic financial statements. We issued our report thereon dated December 15, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying

accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Yeo & Yeo, P.C.*

Ann Arbor, MI  
December 15, 2021

**City of Ann Arbor**  
**Schedule of Expenditures of Federal Awards**  
**For the Year ended June 30, 2021**

	Federal Assistance Listing Number	Federal or Pass - Through Grant Number	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>			
Agricultural Conservation Easement Program	10.931	555D211801Q95	\$ 213,750
<b><u>U.S. Department of Justice</u></b>			
Domestic Violence Supplemental Grant	16.590	2016-WE-AX-0031	12,891
<b><u>U.S. Department of Transportation</u></b>			
Domestic Violence Supplemental Grant	20.106	B-26-0005-2116	26,519
<b><u>U.S. Department of Treasury</u></b>			
COVID-19 - Public Safety and Public Health Payroll Reimbursement Program (PSPHPR)	21.019	N/A	3,077,338
COVID-19 - First Responders Hazard Pay Premiums Program (FRHPPP)	21.019	N/A	205,000
COVID-19 - FAA CARES ACT	21.019	3-26-SBGP-117-2020	69,000
COVID-19 - Coronavirus Relief Local Government Grants Program (CRLGG)	21.019	N/A	452,430
<b>Total U.S. Department of Treasury</b>			<b>3,803,768</b>
<b><u>Executive Office of the President</u></b>			
Passed through MSP, Washtenaw County:			
High Intensity Drug Trafficking Areas Program	95.001	N/A	3,988
<b><u>U.S. Department of Homeland Security</u></b>			
Passed through the Michigan State Police, Emergency Management Division:			
2020 Emergency Management Performance Grant	97.042	EMC-2020-EP-00005	44,609
Hazard Mitigation-Allen Creek	97.039	P4195.16	2,300,440
<b>Total U.S. Department of Homeland Security</b>			<b>2,345,049</b>
<b>Total Federal Expenditures of Federal Awards</b>			<b>\$ 6,405,965</b>

**City of Ann Arbor**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**June 30, 2021**

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**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Ann Arbor under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of City of Ann Arbor, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Ann Arbor

The City's reporting entity is defined in Note 1 of the City's annual comprehensive financial report. The City's financial statements include the operations of the Ann Arbor Housing Commission, a discretely-presented component unit, which received federal awards that are not included in the Schedule for the year ended June 30, 2021, as this entity was separately audited.

**Note 2 - Summary of Significant Accounting Policies**

**Expenditures**

Expenditures reported on the Schedule are reported on the modified accrual or accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in the Uniform Guidance, OMB Circular A-87 *Cost Principles for State, Local and Indian Tribal Governments*, where certain types of expenditures are not allowable or are limited as to reimbursement.

**Indirect Cost Rate**

The City of Ann Arbor has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 3 - Other Federal Revenue**

The City is an indirect beneficiary of federal funds that are expended directly by the Michigan Department of Transportation. These expenditures (which totaled \$2,183,834 for the year ended June 30, 2021) are included in the single audit for the State of Michigan.

**Note 4 - Reconciliation to the Financial Statements**

Federal grants per governmental fund statements	\$ 5,753,515
Airport Fund grant included in capital contributions on the enterprise fund statements	95,519
Change in deferred inflows of resources related to federal grants	<u>556,931</u>
Total expenditures of federal awards	<u>\$ 6,405,965</u>

**Note 5 - Subrecipients**

No amounts were provided to subrecipients.

**Note 6 - Personal Protective Equipment (Unaudited)**

Personal protective equipment that was originally purchased with federal assistance with a fair market value of \$1,000 was donated to the City.

**City of Ann Arbor**  
**Summary Schedule of Prior Audit Findings**  
**June 30, 2021**

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**Section I – Summary of Auditors’ Results**

*Financial Statements*

Type of report the auditor issued on whether the financial statements were prepared in accordance with Generally Accepted Accounting Principles: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?                      X   yes           no
- Significant deficiency(ies) identified                       yes      X   none reported

Noncompliance material to financial statements noted?                           yes      X   no

*Federal Awards*

Internal control over major federal programs:

- Material weakness(es) identified?                           yes      X   no
- Significant deficiency(ies) identified                       yes      X   none reported

Type of auditors’ report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?                           yes      X   no

Identification of major federal programs:

<i>Assistance Listing Number(s)</i>	<i>Name of Federal Program or Cluster</i>
21.019	Coronavirus Relief Fund

Dollar threshold used to distinguish between type A and type B programs:                    \$ 750,000

Auditee qualified as low-risk auditee?                           yes      X   no

**City of Ann Arbor**  
**Summary Schedule of Prior Audit Findings**  
**June 30, 2021**

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**Section II – Government Auditing Standards Findings**

**2021-001 – Material Weakness – Audit Adjustments**

**Specific requirement:** Management is responsible for reporting reliable financial data in accordance with Generally Accepted Accounting Principles.

**Condition:** A material journal entry was proposed by the auditors to properly account for a debt service payment that was posted to the Parking System Fund rather than the General Debt Service Fund in the amount of \$1,459,938. This misstatement was not detected by the City’s internal control over financial reporting in a timely manner. The entry proposed by the auditors was considered quantitatively material to the Parking System Fund.

**Cause:** The incorrect fund was selected when the transaction was processed.

**Effect:** Had the journal entry not been recorded, the financial statements would have been materially misstated for the Parking System Fund.

**Recommendation:** We recommend the City establish a process to ensure all debt payments are made out of the appropriate fund.

**Views of responsible officials:** Management has considered, agreed with, and posted the journal entries.

**Corrective action plan:** See attached.

**Section III – Federal Award Findings**

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2021.

**Section IV – Prior Audit Findings**

**Government Auditing Standards Findings**

**2020-001 – Material Weakness – Audit Adjustments**

**Criteria:** Material journal entries were not detected by the City’s internal control over financial reporting, partly due to delayed payments by other governments, which historically was received within 60 days of year end.

**Status:** Corrected.

**Federal Award Findings**

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2020.



## CITY OF ANN ARBOR, MICHIGAN

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December 15, 2021

Yeo & Yeo, CPAs  
1450 Eisenhower Pl.  
Ann Arbor, MI 48108

RE: Audit June 30, 2021

Please note the following corrective action plan relating to the material weakness in the City's audit as of June 30, 2021:

### 2021-001 – Material Weakness – Audit Adjustments

The corrective action plan is to add a quarterly debt reconciliation process to our procedures. The Accountant II has been notified of the weakness and has been provided additional training to ensure accuracy going forward.

The Accountant II will perform the quarterly reconciliation for approval by the Accounting Manager. The plan is effective as of today's date, December 15, 2021.

The Accounting Services Manger will be responsible to ensure that this item is reviewed for future audits and will be completed 60 days following year end for all future years.

Thank you for your attention to this matter.

Very Truly Yours,

Marti Praschan, Chief Financial Officer  
City of Ann Arbor