

CITY OF ANN ARBOR, MICHIGAN

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE YEAR ENDED JUNE 30, 2020

City of Ann Arbor

Comprehensive Annual Financial Report

County of Washtenaw

State of Michigan

Fiscal Year Ended June 30, 2020



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 2, 2020

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

The Comprehensive Annual Financial Report (CAFR) of the City of Ann Arbor for the year-end June 30, 2020, 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 comprehensive annual financial report of the City of Ann Arbor for the fiscal year ended June 30, 2020.

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, 2020. 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. 2020 recognitions include:

- 2020 Top 100 Best Places to Live (No. 2), Livability.
- Best Small Cities in the U.S. (No. 10), Resonance Consultancy.
- Certificate of Achievement for Excellence in Financial Reporting, Government Finance Officers Association.
- Best Places to Be a Teacher (No. 24), 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 113,932 residents in Ann Arbor, representing 33% of the population base in Washtenaw County. The median household income of our citizens is \$63,956.

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 10.75% as of June 2020 (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 2021 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

This program will replace 26,650 water meters and meter transmission units (“MTUs”) 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. The project’s budget is \$7.6 million.

WTP Interim UV Disinfection

In June 2017, the Michigan Department of Environment, Great Lakes and Energy (EGLE), formerly MDEQ, notified the City of Ann Arbor (City) that their drinking water supply would require additional protection to comply with the EPA Long-term 2 Enhanced Surface Water Treatment Rule (LT2) drinking-water regulations. A study was performed to evaluate alternatives for compliance with the LT2 drinking water regulations, which resulted in the recommendation for implementation of ultraviolet (UV) light disinfection. The goal of this project is to comply with the EGLE June 2020 deadline for additional Cryptosporidium protection. With the addition of UV disinfection, the City must demonstrate removal, or inactivation, of Cryptosporidium to comply with the LT2 drinking water regulations. The budget for this project is \$3.1 million.

SCADA Modernization

The Project will replace over 20-year old legacy programmable logic controllers (PLC’s) and SCADA computer systems with new, modern components capable of additional functionality and integration with other water plant software packages and equipment. Production of critical components of the PLCs is discontinued and they are not supported any more. The Project will improve the overall reliability of plant control functions, add more data logging and aggregation, integrate the SCADA system with other plant software applications, and comply with industry standard security protocols. The budget for this project is \$4.1 million.

Geddes Recreational Dam

Geddes Dam was constructed in 1920 on the Huron River and is operated and maintained by the City’s Water Treatment Services Unit. The Geddes Dam provides the Gallup impoundment and the layout of Gallup Park is predicated on the dam. Each year, approximately 30% of Livery business, or roughly \$300,000 is recognized through “pond paddles” – boating activity in an impoundment area. The scope of the project includes replacement of the spillway gates in their entirety to result in a long service life.

The cost of construction was funded by Parks Maintenance and Capital Improvements Millage Fund in the amount of \$1,234,165.90 and Parks Memorial and Contributions Fund in the amount of \$66,751 for a total construction fund budget of \$1,300,916.90. The project meets multiple sustainability goals, including safe community and active living and learning.

Station #6 Gender Neutral Facilities

Fire Station #6 was constructed at a time when the fire service was made up of predominantly male fire fighters. As more women have joined the fire service, it is important to ensure that the City’s fire station facilities reflect these changes in the gender make-up of the fire services. The project involves the renovation of the existing restroom and shower facilities into two unisex restrooms with individual shower facilities in each restroom and conversion of an open dorm-style sleeping area into three individual sleeping areas. The project also includes renovation of a half restroom for ADA compliance, renovations to the locker room facilities and the upgrade of interior and exterior lighting to new LED fixtures.

The Cost of the construction was funded by the General Capital Fund Budget in the amount of \$239,167 and by the General Fund Fire Department in the amount of \$15,033 for a total budget of \$254,200.

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, 2019. This was the thirtieth 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 2020. 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,

A handwritten signature in blue ink that reads "Tom Crawford". The signature is fluid and cursive, with the first name "Tom" being more prominent.

Tom Crawford,
City Administrator

A handwritten signature in blue ink that reads "Matt Horning". The signature is fluid and cursive, with the first name "Matt" being more prominent.

Matt Horning,
Chief Financial Officer

City of Ann Arbor
List of Elected and Appointed Officials
June 30, 2020

Christopher Taylor – Mayor

City Council

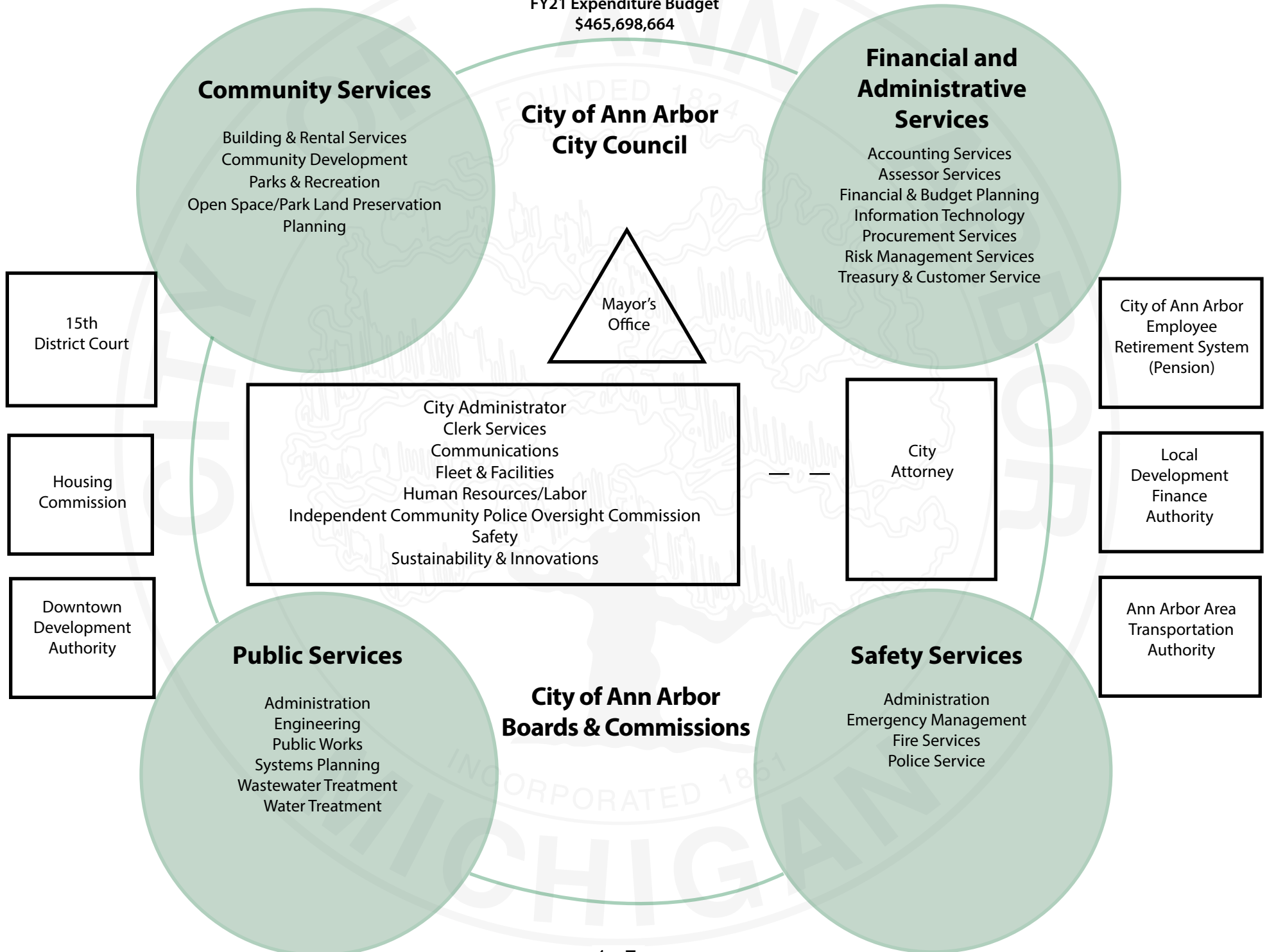
Julie Grand
Jane Lumm
Zachary Ackerman
Jack Eaton
Chip Smith
Anne Bannister
Kathy Griswold
Ali Ramlawi
Jeff Hayner
Elizabeth Nelson

Other Officers and Officials

Tom Crawford – City Administrator
Matt Horning – Chief Financial Officer
Karleen Kudej – Accounting Services Manager
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, 2019

Christopher P. Morrell

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, 2020, 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 component unit, which statements reflect total assets and net position constituting 11.31 percent and 6.74 percent of the total assets and total net position of the discretely presented component units at June 30, 2020, respectively, and total revenues constituting 35.11 percent of the total revenues of the discretely presented component units for the year then ended. 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, 2020, 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.

Adoption of New Accounting Standard

As described in Note 1 to the financial statements, during the year ended June 30, 2020, the City adopted GASB Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

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 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. In our opinion, 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, which are the responsibility of management, 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 2, 2020 on our consideration of the City of Ann Arbor's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Ann Arbor's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Ann Arbor, MI
December 2, 2020

City of Ann Arbor
Management's Discussion and Analysis
June 30, 2020

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, 2020. 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 \$1,004,516,070 at the close of the most recent fiscal year.
 - \$904,735,952 is the net investment in capital assets;
 - \$105,260,051 is restricted for specific purposes, such as capital projects;
 - (\$5,479,933) is unrestricted. This balance is comprised of (\$81,833,606) in governmental activities and \$76,353,673 in business-type activities.
 - The City's total net position increased by \$2,788,811 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 \$15,772,678, (new issues less retirements), during the current fiscal year due to the normally scheduled retirement of debt.
 - The City's deferred outflow of resources increased \$12,017,959, while the deferred inflow of resources increased \$16,224,386 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 \$106,034,824, decreasing \$5,418,558 during the fiscal year.
 - Of the above fund balance amount, \$17,873,142 is unassigned and may be used to meet the government's ongoing obligations to citizens and creditors, \$17,550,977 assigned and may be used subject to the purpose of the fund in which they are located and the remaining amount of \$70,610,703 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 (\$27,631,593) and the Street, Bridge & Sidewalk Millage Fund (\$7,550,159) account for 33.2% 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 \$1,994,394. The General fund unassigned fund balance decreased from \$19,713,016 in FY2019 to \$19,554,234 in FY2020. The assigned fund balance increased by \$1,755,301. At the end of the current fiscal year, unassigned general fund balance was 17.8% of the total general fund expenditures.

City of Ann Arbor
Management's Discussion and Analysis
June 30, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE STATEMENTS

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

- The Statement of Net Position is the difference between assets and 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, 2020

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 sanitary sewer 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.

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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, sanitary sewer 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 CAFR. 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 4-68 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 6-38 of this report.

City of Ann Arbor
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FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The government-wide financial analysis focuses on the net assets and changes in net position of the City's governmental and business-type activities. As noted earlier, net assets 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 \$1,004,516,070 at June 30, 2020 compared \$1,001,727,259 at June 30, 2019.

City of Ann Arbor
Net Assets
Comparative Schedule - June 30, 2020 and 2019

	Governmental Activities		Business-type Activities		Total	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Current and other assets	\$ 159,694,807	\$ 157,464,362	\$ 174,103,470	\$ 161,822,777	\$ 333,798,277	\$ 319,287,139
Capital assets	763,774,071	781,033,231	426,146,759	419,701,588	1,189,920,830	1,200,734,819
Total assets	923,468,878	938,497,593	600,250,229	581,524,365	1,523,719,107	1,520,021,958
Deferred outflow of resources	31,170,392	21,109,020	9,980,703	8,024,114	41,151,095	29,133,134
Long-term liabilities	129,472,727	135,015,139	180,025,682	190,235,457	309,498,409	325,250,596
Pension and OPEB	147,843,644	141,708,562	47,360,363	46,780,992	195,204,007	188,489,554
Other liabilities	19,729,445	14,428,856	17,579,033	17,139,987	37,308,478	31,568,843
Total liabilities	297,045,816	291,152,557	244,965,078	254,156,436	542,010,894	545,308,993
Deferred inflow of resources	14,314,436	1,433,905	4,028,802	684,947	18,343,238	2,118,852
Net assets:						
Net investment in capital assets	653,605,138	664,619,342	251,130,814	234,555,667	904,735,952	899,175,009
Restricted	71,507,486	66,538,909	33,752,565	33,863,408	105,260,051	100,402,317
Unrestricted	(81,833,606)	(64,138,100)	76,353,673	66,288,021	(5,479,933)	2,149,921
Total net assets	\$643,279,018	\$667,020,151	\$361,237,052	\$334,707,096	1,004,516,070	\$1,001,727,247

By far, the largest portion of the City's net assets 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, 2020, \$105,260,051, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets is (\$5,479,933).

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Long-term liabilities decreased as a result of normally scheduled retirement of debt. Pension and OPEB liabilities have increased from \$188,489,554 in fiscal year 2019 to \$195,204,007 in 2020. Other liabilities have increased in the Governmental Activities due to an increase in accounts payable due to increased activity for the Allen Creek Railroad Berm, while Other liabilities in Business-type Activities remained relatively flat.

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.

City of Ann Arbor
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City of Ann Arbor
Changes in Net Assets
Comparative Schedule - Years Ended June 30, 2020 and 2019

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenue:						
Program revenue:						
Charges for services	\$ 34,092,380	\$ 32,683,770	\$ 75,666,011	\$ 78,251,078	\$ 109,758,391	\$ 110,934,848
Operating contributions and grants	16,424,627	16,661,456			16,424,627	16,661,456
Capital contributions and grants	1,070,562	2,480,753	-	118,425	1,070,562	2,599,178
General revenue:						
Property taxes	84,024,048	80,152,017	13,728,287	13,064,727	97,752,335	93,216,744
State shared revenues and grants	11,845,757	11,493,427			11,845,757	11,493,427
Investment income	6,303,600	5,269,825	5,037,480	4,361,262	11,341,080	9,631,087
Other	-	351,982	-	13,750	-	365,732
Total revenue	153,760,974	149,093,230	94,431,778	95,809,242	248,192,752	244,902,472
Expenses:						
Governmental activities:						
General government	20,385,283	18,166,147			20,385,283	18,166,147
Public safety	58,996,948	47,984,733			58,996,948	47,984,733
Public works	62,633,254	53,143,075			62,633,254	53,143,075
Community and economic development	3,937,980	2,696,878			3,937,980	2,696,878
Culture and recreation	15,150,651	14,009,824			15,150,651	14,009,824
Other - Public Transportation	11,408,712	10,864,768			11,408,712	10,864,768
Debt service	3,583,704	3,272,391			3,583,704	3,272,391
Business-type activities:						
Water			19,798,550	24,075,346	19,798,550	24,075,346
Sewer			23,155,043	21,258,970	23,155,043	21,258,970
Parking			1,754,222	1,789,366	1,754,222	1,789,366
Airport			827,366	909,745	827,366	909,745
Stormwater			6,770,918	9,615,145	6,770,918	9,615,145
Solid waste			17,001,298	17,748,336	17,001,298	17,748,336
Total expenses	176,096,532	150,137,816	69,307,397	75,396,908	245,403,929	225,534,724
Increase (decrease) in net assets before transfers	(22,335,558)	(1,044,586)	25,124,381	20,412,334	2,788,823	19,367,748
Transfers	(1,405,575)	2,002,648	1,405,575	(2,002,648)	-	-
Increase (decrease) in net assets	(23,741,133)	958,062	26,529,956	18,409,686	2,788,823	19,367,748
Net assets: beginning of year, previously stated	667,020,151	666,062,089	334,707,096	316,297,410	1,001,727,247	982,359,499
Net assets: end of year	\$ 643,279,018	\$ 667,020,151	\$ 361,237,052	\$ 334,707,096	\$ 1,004,516,070	\$ 1,001,727,247

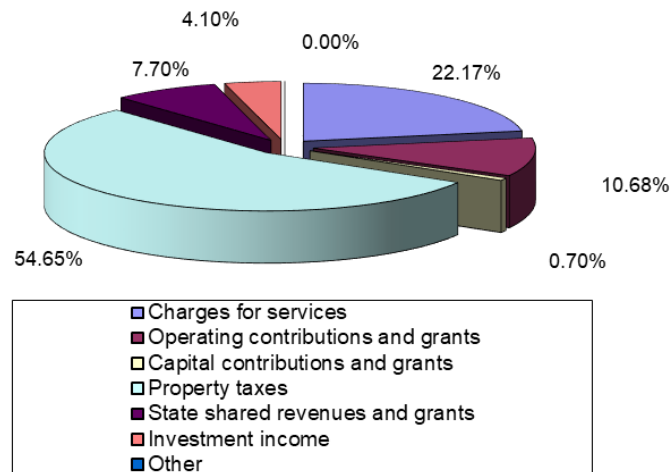
City of Ann Arbor Management's Discussion and Analysis June 30, 2020

The City's net position increased by \$2,788,823 during the current fiscal year and \$19,367,748 in the prior fiscal year.

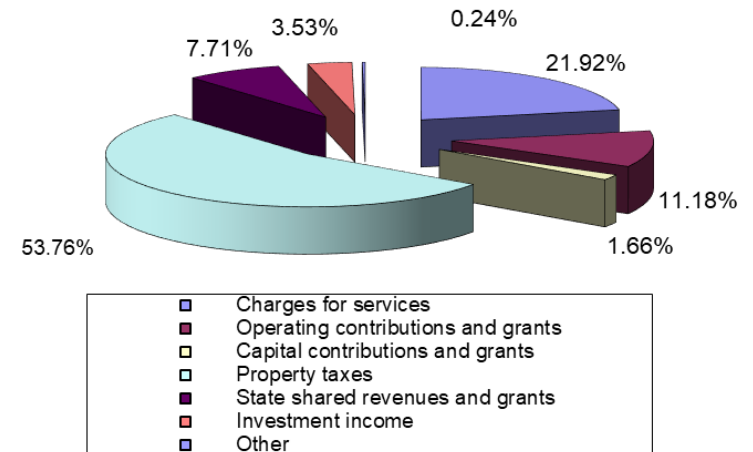
Governmental activities decreased the City's net position by \$23,741,133. During fiscal year 2019, governmental activities increased by \$958,062. Key revenue elements are as follows:

- In FY 2020 Property taxes increased 4.8% due to a combination of Consumer Price Index and new construction. Compared to an increase of 6.4% in fiscal year 2019 that was due to the addition of the tax revenue from the County Mental Health Millage, which accounted for 2.5% of the increase.
- Investment income increased from \$5,269,825 in fiscal year 2019 to \$6,303,600 in fiscal year 2020 due to a favorable change in market value. Last year, investment income increased by \$4,614,395. 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 56.9% in FY 20 due to a decrease in County/Other Governmental reimbursements for Street Millage as compared to a decrease 39.3% in fiscal year 2019. The FY20 decrease is related to a delay in reimbursement due to COVID-19.

2020 Governmental Activities - Revenues by Source



2019 Governmental Activities - Revenues by Source

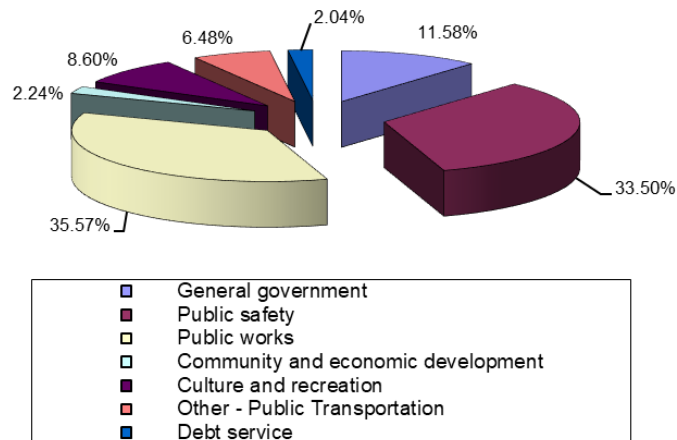


**City of Ann Arbor
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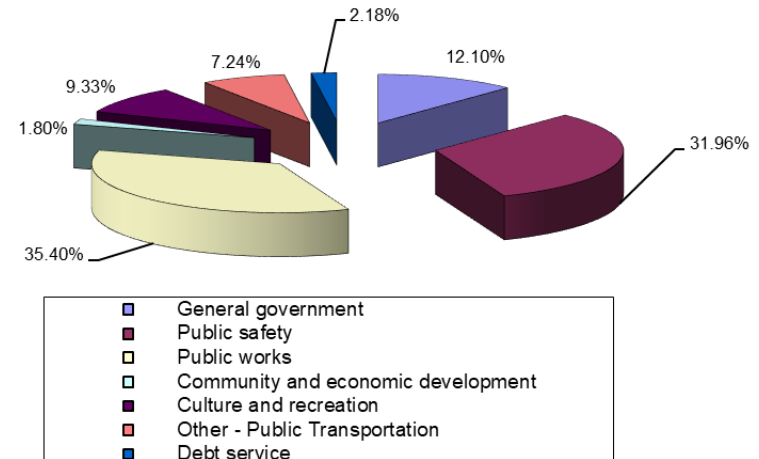
Expenses for governmental activities increased \$25,958,716 from 2019 to 2020. Key elements are as follows:

- General government expenses increased \$2.2 million due to an increase in pension and OPEB liability.
- Public Safety expenses increased \$11 million due to an increase in pension and OPEB liability.
- Public Works expenses increased by \$9.5 million due to an increase in contracted services for street capital maintenance, including surface treatment and an increase in depreciation expense for street infrastructure.
- Community and Economic Development increased by 46% due to an increase in contributions for the Community Mental Health Service Provision & the increase in pension & OPEB liability.

2020 Governmental Activities - Expenses by Function



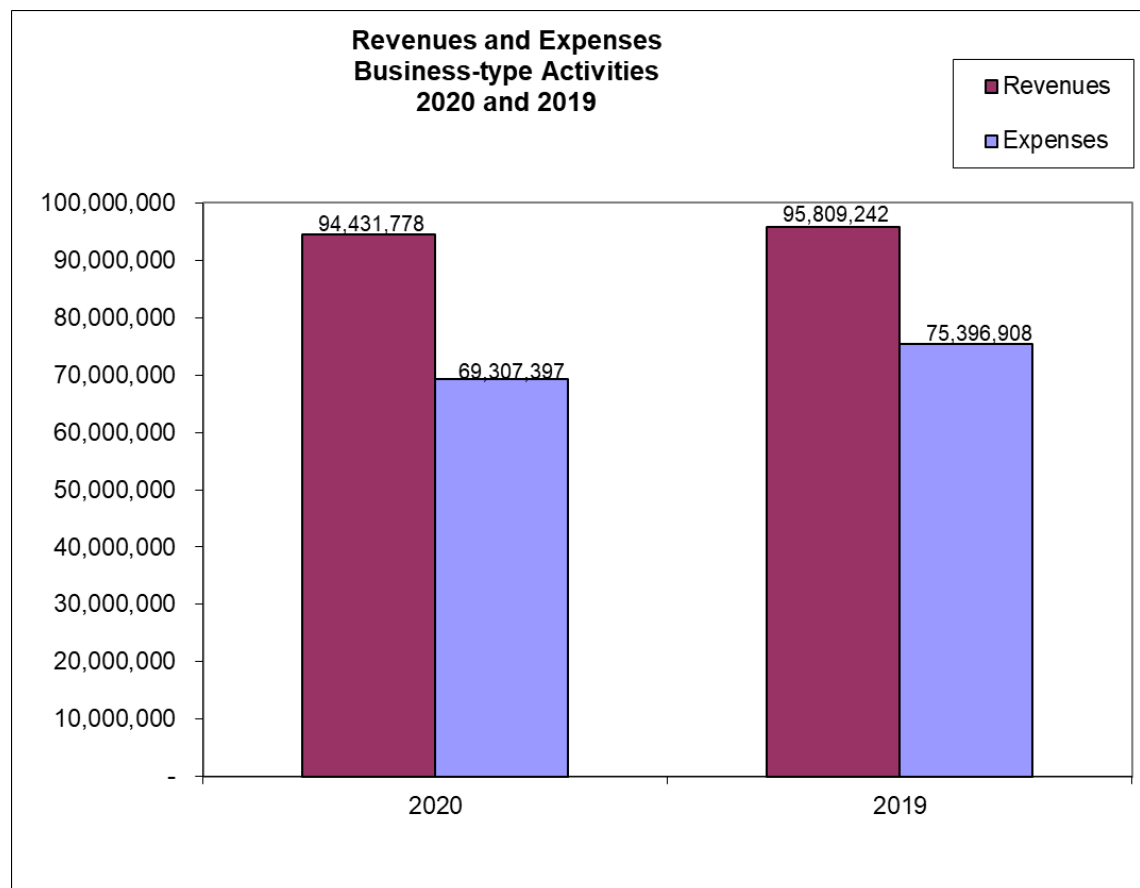
2019 Governmental Activities - Expenses by Function



**City of Ann Arbor
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Business-type activities. Business-type activities increased the City's net assets by \$26,529,956 for fiscal year 2020 and by \$18,409,686 for fiscal year 2019, accounting for 100% and 95% of the total growth in the government's net assets for the current year and prior year, respectively. Key elements of this increase are as follows:

- Revenues decreased by \$1,377,464, or 1.4%, in fiscal year 2020. This is a result of COVID-19 which created a decreased utility consumption in the non-residential sector. In the prior year, the revenues had increased 4%.
- Overall, expenses decreased 8% in fiscal year 2020. This is compared to an increase of 21% in fiscal year 2019. The FY20 decrease is related to a decrease in the change in accrued pension liability in the utility funds.



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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 \$106,034,824 at June 30, 2020 versus \$111,453,382 at June 30, 2019, a decrease of \$5,418,558. Of the total fund balance amount, \$17,873,142 at June 30, 2020 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, 2018, \$19,713,016 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 \$19,554,234 at June 30, 2020. At June 30, 2019, the unrestricted, unassigned fund balance was \$19,713,016. Total fund balance was \$27,631,593 and \$25,637,199 at June 30, 2020 and 2019, 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 17.8% at June 30, 2020 of total General Fund expenditures. Unassigned fund balance was 18.7% at June 30, 2019 of total General Fund expenditures. The fund balance of the City's General Fund increased by \$1,994,394 during the current fiscal year in comparison to an increase of \$6,317,003 during the prior fiscal year. For fiscal year 2020, the increase is primarily attributed to an increase in equity in pooled cash and investments from a favorable market. For fiscal year 2019, the increase is attributable to issuance of debt for the land purchase at 350 South Fifth Avenue property.

The Street, Bridge & Sidewalk Millage fund balance increased by \$1,475,363 in fiscal year 2020 due to a favorable investment market compared to an increase of \$620,763 in fiscal year 2019.

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, sanitary, stormwater sewer, parking system, solid waste, and airport, at the end of the year amounted to \$68,777,284. Water, sanitary, stormwater sewer, airport, and solid waste all had increases in net assets for the year, totaling \$25,042,383. Parking had a decrease in net assets of (\$407,515). Other factors concerning the finances of these funds have been addressed in the discussion of the City's business-type activities.

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General Fund Budgetary Highlights

Differences between the original and final budgets for expenditures resulted in a 3.61% increase in fiscal year 2020 compared to a 2.82% increase in fiscal year 2019. The actual General Fund revenues and other financing sources were over expenditures and other financing uses by \$1,994,394. This is also \$1.9 million under final budget. The increase in the final budget from the original for fiscal year 2020 is attributed to various planned use of fund balance adjustments, a few of which relate to the COVID-19 shelter response, transportation plan updates, purchase of property at 1146 S Maple, 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 Chargess 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 durin the COVID-19 crisis). Also affected was metered parking revenue from the DDA and fire inspection. Fines and Forfeits were also under budget for FY20, 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 pension and VEBA contributions per a Council resolution. Additionally, expenses related to the fire department were under budget due to a reduction in overtime hours & their share of IT expenses. 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, 2020 was \$1,189,920,781 compared to \$1,200,734,819 at June 30, 2019 (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 -.90% compared to a decrease of -1.40% in fiscal year 2019. Major capital asset events during the fiscal year 2020 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 \$15,149,467 for road and other improvements. Accumulated depreciation increased from \$604,311,705 in fiscal year 2019 to \$670,954,096 in fiscal year 2020. 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)

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 67,597,550	\$ 66,378,495	\$ 7,461,349	\$ 7,461,349	\$ 75,058,899	\$ 73,839,844
Construction in progress	18,206,168	9,505,130	28,590,051	21,381,529	46,796,219	30,886,659
Buildings	166,400,455	166,400,455	190,563,827	190,563,827	356,964,282	356,964,282
Improvements other than buildings	34,855,018	30,721,720	393,529,950	379,371,570	428,384,968	410,093,290
Machinery and equipment	14,369,555	13,606,133	27,568,417	27,394,504	41,937,972	41,000,637
Vehicles	27,981,108	23,659,852	1,530,201	1,530,201	29,511,309	25,190,053
Drain Benefit			3,662,286	3,662,284	3,662,286	3,662,284
Intangible assets	1,173,590	1,173,590			1,173,590	1,173,590
Infrastructure	877,385,352	862,235,885			877,385,352	862,235,885
Less: accumulated depreciation	(444,194,772)	(392,648,029)	(226,759,324)	(211,663,676)	(670,954,096)	(604,311,705)
Total capital assets net of depreciation	\$ 763,774,024	\$ 781,033,231	\$ 426,146,757	\$ 419,701,588	\$ 1,189,920,781	\$ 1,200,734,819

City of Ann Arbor
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Long-term debt: At the end of the current fiscal year, the City had total bonded debt outstanding of \$147,654,000. Of that amount, \$106,529,000 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 \$15,772,678 or 4.9% 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	
	2020	2019	2020	2019	2020	2019
General Obligation Bonds	\$ 104,049,000	\$ 110,262,000	\$ 2,480,000	\$ 3,670,000	\$ 106,529,000	\$ 113,932,000
Notes from direct borrowings and direct placements	5,350,000	5,350,000			5,350,000	5,350,000
Revenue Bonds			41,125,000	46,435,000	41,125,000	46,435,000
Revolving Loans			\$118,649,652	\$121,641,461	118,649,652	121,641,461
Drain Notes			14,474,385	15,244,156	14,474,385	15,244,156
Capital Leases						
Deferred amounts:						
For issuance premiums	3,501,388	3,688,367	696,250	818,850	4,197,638	4,507,217
For issuance discounts	(110,627)	(117,103)	-	-	(110,627)	(117,103)
Compensated absences	14,124,459	13,293,859	2,600,395	2,425,990	16,724,854	15,719,849
Total outstanding debt	\$ 126,914,220	\$ 132,477,123	\$ 180,025,682	\$ 190,235,457	\$ 306,939,902	\$ 322,712,580

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 \$821,785,285, which is significantly in excess of the City's outstanding general obligation debt. Additional information on the City's long-term debt is located in Note 9 of this report.

City of Ann Arbor
Management's Discussion and Analysis
June 30, 2020

Economic Factors and Next Year's Budget and Rates

The following factors were considered in preparing the City's budget for fiscal year 2021:

- Property tax revenues are budgeted to increase 4.3% in fiscal year 2021.
- Average salary costs are budgeted to increase 3.3% in fiscal year 2021.
- Healthcare costs are projected to increase 6.6% in fiscal year 2021.
- Pension contributions are projected to increase 9.1% in fiscal year 2021.

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 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, 2020

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 293,135	\$ 188,431	\$ 481,566	\$ 17,088,787
Equity in pooled cash and investments	140,637,640	128,957,744	269,595,384	4,957,634
Investments	12,433,021	13,767,942	26,200,963	8,008,801
Receivables				
Taxes, net	515,711	-	515,711	-
Accounts, net	4,218,590	14,385,958	18,604,548	4,229,060
Special assessments	414,230	1,193	415,423	-
Improvement charges	67,036	516,276	583,312	-
Accrued interest and other	10,650	-	10,650	-
Due from other units of government	4,815,547	4,907,313	9,722,860	-
Internal balances	(7,242,587)	7,242,587	-	-
Inventories	1,162,786	593,636	1,756,422	-
Prepaid items	2,369,095	3,542,392	5,911,487	604,177
Capital assets not being depreciated	97,630,219	36,051,400	133,681,619	-
Capital assets, net of accumulated depreciation	666,143,805	390,095,357	1,056,239,162	57,548
Total assets	<u>923,468,878</u>	<u>600,250,229</u>	<u>1,523,719,107</u>	<u>34,946,007</u>
Deferred Outflows of Resources				
Deferred charges on refunding	2,620,875	2,409,344	5,030,219	-
Deferred amount relating to net pension liability	10,342,749	3,200,118	13,542,867	23,562
Deferred amount relating to net OPEB liability	18,206,768	4,371,241	22,578,009	-
Total deferred outflows of resources	<u>31,170,392</u>	<u>9,980,703</u>	<u>41,151,095</u>	<u>23,562</u>

See Accompanying Notes to the Financial Statements

City of Ann Arbor
Statement of Net Position
June 30, 2020

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Units
Liabilities				
Accounts payable	\$ 10,086,369	\$ 8,345,193	\$ 18,431,562	\$ 4,194,038
Accrued and other liabilities	2,863,050	1,560,244	4,423,294	67,621
Deposits	3,752,069	145,332	3,897,401	-
Due to other units of government	2,289,368	-	2,289,368	181,278
Unearned revenue	738,589	-	738,589	1,026,835
Noncurrent liabilities				
Due within one year				
Estimated claims payable due within one year	484,775	-	484,775	-
Debt due within one year	11,288,965	14,102,174	25,391,139	169,400
Due in more than one year				
Estimated claims payable due in more than one year	2,073,732	7,528,264	9,601,996	-
Debt due in more than one year	115,625,255	165,923,508	281,548,763	659,008
Net pension liability	70,206,629	29,268,128	99,474,757	173,225
Net OPEB liability	77,637,015	18,092,235	95,729,250	-
Total liabilities	297,045,816	244,965,078	542,010,894	6,471,405
Deferred Inflows of Resources				
Deferred amount relating to net pension liability	722,863	550,656	1,273,519	2,223
Deferred amount relating to net OPEB liability	13,591,573	3,478,146	17,069,719	-
Total deferred inflows of resources	14,314,436	4,028,802	18,343,238	2,223
Net Position				
Net investment in capital assets	653,605,138	251,130,814	904,735,952	57,548
Restricted for				
Debt service	-	12,880,915	12,880,915	-
Endowment (non-expendable)	1,984,000	-	1,984,000	-
Equipment replacement	-	20,690,659	20,690,659	-
Landfill	-	180,991	180,991	-
Highways and streets	36,037,593	-	36,037,593	-
Culture and recreation	19,367,475	-	19,367,475	-
Other purposes	14,118,418	-	14,118,418	553,787
Unrestricted (deficit)	(81,833,606)	76,353,673	(5,479,933)	27,884,606
Total net position	\$ 643,279,018	\$ 361,237,052	\$ 1,004,516,070	\$ 28,495,941

See Accompanying Notes to the Financial Statements

City of Ann Arbor
Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 20,385,283	\$ 13,783,296	\$ 660,423	\$ -	\$ (5,941,564)	\$ -	\$ (5,941,564)	\$ -
Public safety	58,996,948	8,993,203	2,060,490	-	(47,943,255)	-	(47,943,255)	-
Public works	62,633,254	2,452,173	12,399,032	457,872	(47,324,177)	-	(47,324,177)	-
Public transportation	11,408,712	-	-	-	(11,408,712)	-	(11,408,712)	-
Community and economic development	3,937,980	-	906,543	-	(3,031,437)	-	(3,031,437)	-
Recreation and culture	15,150,651	3,461,681	398,139	612,690	(10,678,141)	-	(10,678,141)	-
Interest and fiscal charges on long-term debt	3,583,704	5,402,027	-	-	1,818,323	-	1,818,323	-
Total governmental activities	176,096,532	34,092,380	16,424,627	1,070,562	(124,508,963)	-	(124,508,963)	-
Business-type activities								
Water	19,798,550	25,277,253	-	-	-	5,478,703	5,478,703	-
Sewer	23,155,043	31,984,321	-	-	-	8,829,278	8,829,278	-
Parking	1,754,222	1,271,600	-	-	-	(482,622)	(482,622)	-
Airport	827,366	933,066	-	-	-	105,700	105,700	-
Stormwater	6,770,918	12,485,490	-	-	-	5,714,572	5,714,572	-
Solid waste	17,001,298	3,714,281	-	-	-	(13,287,017)	(13,287,017)	-
Total business-type activities	69,307,397	75,666,011	-	-	-	6,358,614	6,358,614	-
Total primary government	\$ 245,403,929	\$ 109,758,391	\$ 16,424,627	\$ 1,070,562	(124,508,963)	6,358,614	(118,150,349)	-
Component units								
Housing Commission	\$ 20,025,035	\$ 2,291	\$ 17,120,893	\$ 91,678				(2,810,173)
SmartZone LDFA	3,850,086	-	-	-				(3,850,086)
Downtown Development Authority	29,753,339	19,533,127	-	-				(10,220,212)
Total Component units	\$ 53,628,460	\$ 19,535,418	\$ 17,120,893	\$ 91,678				(16,880,471)
General revenues								
Property taxes					84,024,048	13,728,287	97,752,335	11,434,493
State-shared revenue					11,845,757	-	11,845,757	-
Unrestricted investment earnings					6,303,600	5,037,480	11,341,080	659,796
Miscellaneous					-	-	-	7,746,720
Transfers					(1,405,575)	1,405,575	-	-
Total general revenues and transfers					100,767,830	20,171,342	120,939,172	19,841,009
Change in net position					(23,741,133)	26,529,956	2,788,823	2,960,538
Net position - beginning of year					667,020,151	334,707,096	1,001,727,247	25,535,403
Net position - end of year					\$ 643,279,018	\$ 361,237,052	\$ 1,004,516,070	\$ 28,495,941

See Accompanying Notes to the Financial Statements

City of Ann Arbor
Governmental Funds
Balance Sheet
June 30, 2020

	General	Special Revenue Fund Street, Bridge, and Sidewalk Repair Millage Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 260,715	\$ -	\$ 32,122	\$ 292,837
Equity in pooled cash and investments	31,509,811	11,514,429	62,478,892	105,503,132
Investments	-	-	12,433,021	12,433,021
Receivables				
Taxes, net	439,241	71,978	4,492	515,711
Accounts, net	886,081	2,346,282	751,866	3,984,229
Special assessments	2,774	217,845	193,611	414,230
Accrued interest and other	-	-	10,650	10,650
Improvement charges	-	67,036	-	67,036
Due from other units of government	790,841	-	4,024,706	4,815,547
Due from other funds	244,115	-	-	244,115
Inventories	39,389	-	-	39,389
Prepaid items	3,700	-	-	3,700
Advances to other funds	243,206	-	-	243,206
 Total assets	 <u>\$ 34,419,873</u>	 <u>\$ 14,217,570</u>	 <u>\$ 79,929,360</u>	 <u>\$ 128,566,803</u>

See Accompanying Notes to the Financial Statements

**City of Ann Arbor
Governmental Funds
Balance Sheet
June 30, 2020**

	General	Special Revenue Fund Street, Bridge, and Sidewalk Repair Millage Fund	Nonmajor Governmental Funds	Total Governmental Funds
Liabilities				
Accounts payable	\$ 1,485,763	\$ 3,145,364	\$ 4,236,012	\$ 8,867,139
Accrued and other liabilities	1,940,993	35,107	240,700	2,216,800
Due to other funds	-	-	153,519	153,519
Deposits payable	3,008,161	59,098	-	3,067,259
Due to other units of government	342,811	5,778	1,940,779	2,289,368
Unearned revenue	-	738,589	-	738,589
Total liabilities	<u>6,777,728</u>	<u>3,983,936</u>	<u>6,571,010</u>	<u>17,332,674</u>
Deferred Inflows of Resources				
Unavailable revenue	<u>10,552</u>	<u>2,683,475</u>	<u>2,505,278</u>	<u>5,199,305</u>
Fund Balances				
Non-spendable	286,295	-	1,984,000	2,270,295
Restricted for				
Road maintenance and repairs	-	7,550,159	25,803,959	33,354,118
Culture and recreation	-	-	19,367,475	19,367,475
Law enforcement	-	-	286,246	286,246
Other special revenue funds	-	-	11,326,894	11,326,894
Debt service	-	-	553,755	553,755
Capital projects	-	-	-	-
Committed	498,352	-	2,953,568	3,451,920
Assigned	7,292,712	-	10,258,267	17,550,979
Unassigned (deficit)	<u>19,554,234</u>	<u>-</u>	<u>(1,681,092)</u>	<u>17,873,142</u>
Total fund balances	<u>27,631,593</u>	<u>7,550,159</u>	<u>70,853,072</u>	<u>106,034,824</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 34,419,873</u>	<u>\$ 14,217,570</u>	<u>\$ 79,929,360</u>	<u>\$ 128,566,803</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, 2020

Total fund balances for governmental funds	\$ 106,034,824
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.	665,519,675
Capital assets not being depreciated used in governmental activities are not financial resources and therefore are not reported in the funds.	85,713,713
Certain receivables are not available to pay for current period expenditures and therefore are deferred in the funds.	5,199,305
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(645,360)
Compensated absences	(14,124,459)
Deferred inflows of resources resulting from net pension liability	(722,863)
Deferred outflow of resources resulting from net pension liability	10,342,749
Deferred inflows of resources resulting from net OPEB liability	(13,591,573)
Deferred outflow of resources resulting from net OPEB liability	18,206,768
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	(109,399,000)
Unamortized bond discounts/premiums	(3,390,761)
Unamortized deferred loss on refunding	2,620,875
Net pension liability	(70,206,629)
Net OPEB liability	(77,637,015)
Internal service funds are included as part of governmental activities.	<u>39,358,769</u>
Net position of governmental activities	<u><u>\$ 643,279,018</u></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, 2020

		Special Revenue Fund		
	General	Street, Bridge, and Sidewalk Repair Millage Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 60,987,539	\$ 11,672,374	\$ 11,364,135	\$ 84,024,048
Special assessments/improvement charges	-	74,263	-	74,263
Licenses and permits	1,784,805	-	5,832,367	7,617,172
Federal grants	-	102,282	639,300	741,582
State-shared revenue	14,353,955	-	13,452,790	27,806,745
Local contributions	-	504,373	1,032,926	1,537,299
Charges for services	8,688,407	237,725	6,492,034	15,418,166
Fines and forfeitures	3,561,662	-	208,485	3,770,147
Interest income	1,756,504	411,439	2,661,642	4,829,585
Rental income	778,765	-	-	778,765
Other revenue	788,003	78,273	391,568	1,257,844
Total revenues	92,699,640	13,080,729	42,075,247	147,855,616

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, 2020

		Special Revenue Fund		
	General	Street, Bridge, and Sidewalk Repair Millage Fund	Nonmajor Governmental Funds	Total Governmental Funds
Expenditures				
Current				
General government	\$ 14,736,527	\$ -	\$ 2,327,010	\$ 17,063,537
Public safety	47,555,685	-	4,976,469	52,532,154
Public works	4,675,018	6,729,241	11,647,598	23,051,857
Public transportation	11,408,712	-	288,832	11,697,544
Community and economic development	3,161,517	-	454,453	3,615,970
Recreation and culture	8,442,055	-	5,944,998	14,387,053
Capital outlay	277,629	9,566,391	14,327,694	24,171,714
Debt service				
Principal retirement	-	-	6,213,000	6,213,000
Interest and fiscal charges	-	-	3,747,600	3,747,600
	<u>90,257,143</u>	<u>16,295,632</u>	<u>49,927,654</u>	<u>156,480,429</u>
 Excess (deficiency) of revenues over expenditures	 <u>2,442,497</u>	 <u>(3,214,903)</u>	 <u>(7,852,407)</u>	 <u>(8,624,813)</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, 2020

		Special Revenue Fund		
	General	Street, Bridge, and Sidewalk Repair Millage Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other financing sources (uses)				
Transfers in	\$ 3,894,165	\$ 6,512,347	\$ 8,509,670	\$ 18,916,182
Transfers out	<u>(4,342,268)</u>	<u>(1,822,081)</u>	<u>(9,545,578)</u>	<u>(15,709,927)</u>
Total other financing sources and uses	<u>(448,103)</u>	<u>4,690,266</u>	<u>(1,035,908)</u>	<u>3,206,255</u>
Net change in fund balance	1,994,394	1,475,363	(8,888,315)	(5,418,558)
Fund balance - beginning of year	<u>25,637,199</u>	<u>6,074,796</u>	<u>79,741,387</u>	<u>111,453,382</u>
Fund balance - end of year	<u><u>\$ 27,631,593</u></u>	<u><u>\$ 7,550,159</u></u>	<u><u>\$ 70,853,072</u></u>	<u><u>\$ 106,034,824</u></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, 2020

Net change in fund balances - total governmental funds \$ (5,418,558)

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	(52,609,860)
Capital outlay	33,315,730
Sale of capital assets (net book value)	(39,336)

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	4,327,703
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Expenses are recorded when incurred in the statement of activities.

Accrued interest	131,933
Compensated absences	(830,600)

The statement of net position reports the net pension liability, net OPEB liability and deferred outflows of resources and deferred inflows related to the net pension liability 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	(14,777,929)
Net change in the deferred inflows and outflows of resources related to the net pension liability	6,706,941
Net change in net OPEB liability	8,642,847
Net change in the deferred inflows and outflows of resources related to the net OPEB liability	(9,377,600)

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	6,213,000
Amortization of premiums, discounts and similar items	32,003

Internal service funds are also included as governmental activities	<u>(57,407)</u>
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Change in net position of governmental activities **\$ (23,741,133)**

See Accompanying Notes to the Financial Statements

City of Ann Arbor
Proprietary Funds
Statement of Net Position
June 30, 2020

	Enterprise Funds							Internal Service Funds
	Water Supply System	Sewage Disposal System	Parking System	Airport	Stormwater Sewer System	Solid Waste	Total	
Assets								
Current assets								
Cash and cash equivalents	\$ 450	\$ -	\$ -	\$ 30	\$ -	\$ 187,951	\$ 188,431	\$ 298
Equity in pooled cash and investments	33,897,934	47,844,831	1,986,621	1,743,348	17,794,184	25,690,826	128,957,744	35,134,508
Investments	3,036,051	10,731,891	-	-	-	-	13,767,942	-
Receivables								
Accounts, net	4,959,473	5,857,135	-	70,054	2,686,335	812,961	14,385,958	234,361
Special assessments, current	510	683	-	-	-	-	1,193	-
Improvement charges	12,459	27,002	-	-	1,977	-	41,438	-
Due from other units of government	227,244	20,727	500	-	460,651	-	709,122	-
Inventories	533,829	59,807	-	-	-	-	593,636	1,123,397
Prepaid items	-	3,387,359	-	-	155,033	-	3,542,392	2,365,395
Total current assets	42,667,950	67,929,435	1,987,121	1,813,432	21,098,180	26,691,738	162,187,856	38,857,959
Noncurrent assets								
Improvement charges	154,484	262,786	-	-	57,568	-	474,838	-
Due from other units of government	4,198,191	-	-	-	-	-	4,198,191	-
Capital assets not being depreciated	19,428,809	6,820,759	3,934,897	708,927	2,750,172	2,407,836	36,051,400	11,916,506
Capital assets, net of accumulated depreciation	112,139,243	223,290,698	25,903,059	1,162,705	18,505,015	9,094,637	390,095,357	624,130
Total noncurrent assets	135,920,727	230,374,243	29,837,956	1,871,632	21,312,755	11,502,473	430,819,786	12,540,636
Total assets	178,588,677	298,303,678	31,825,077	3,685,064	42,410,935	38,194,211	593,007,642	51,398,595
Deferred Outflows of Resources								
Deferred amount on refunding	780,032	1,533,524	95,788	-	-	-	2,409,344	-
Deferred amount relating to net pension liability	1,203,773	972,583	-	-	523,504	500,258	3,200,118	-
Deferred amount relating to net OPEB liability	1,654,768	1,536,696	-	-	435,251	744,526	4,371,241	-
Total deferred outflows of resources	3,638,573	4,042,803	95,788	-	958,755	1,244,784	9,980,703	-

See Accompanying Notes to the Financial Statements

City of Ann Arbor
Proprietary Funds
Statement of Net Position
June 30, 2020

	Enterprise Funds							
	Water Supply System	Sewage Disposal System	Parking System	Airport	Stormwater Sewer System	Solid Waste	Total	Internal Service Funds
Liabilities								
Current liabilities								
Accounts payable	\$ 4,221,144	\$ 1,120,492	\$ -	\$ 28,168	\$ 1,372,970	\$ 1,602,419	\$ 8,345,193	\$ 1,219,230
Accrued and other liabilities	169,987	123,223	-	-	48,878	67,458	409,546	890
Due to other funds	-	-	-	90,596	-	-	90,596	-
Accrued interest payable	227,871	856,458	16,533	1,138	48,698	-	1,150,698	-
Deposits	111,748	-	-	-	33,584	-	145,332	684,810
Bonds payable, current	2,382,356	3,119,710	510,399	-	-	-	6,012,465	-
Other debt, current	1,133,253	5,105,000	-	-	939,619	-	7,177,872	-
Estimated claims payable, current	-	-	-	-	-	-	-	484,775
Compensated absences, current	375,123	282,161	-	-	139,634	114,919	911,837	-
Total current liabilities	8,621,482	10,607,044	526,932	119,902	2,583,383	1,784,796	24,243,539	2,389,705
Noncurrent liabilities								
Bonds payable, net	29,978,294	118,698,935	2,022,957	-	13,534,764	-	164,234,950	-
Estimated claims payable, net	-	-	-	-	-	7,528,264	7,528,264	2,073,732
Compensated absences, net	729,537	440,518	-	-	222,234	296,269	1,688,558	-
Advances from other funds	-	-	-	243,206	-	-	243,206	-
Net pension liability	10,893,151	8,791,383	-	-	4,887,051	4,696,543	29,268,128	-
Net OPEB liability	7,014,789	6,626,056	-	-	1,087,323	3,364,067	18,092,235	-
Total noncurrent liabilities	48,615,771	134,556,892	2,022,957	243,206	19,731,372	15,885,143	221,055,341	2,073,732
Total liabilities	57,237,253	145,163,936	2,549,889	363,108	22,314,755	17,669,939	245,298,880	4,463,437
Deferred Inflows of Resources								
Deferred amount relating to net pension liability	202,070	162,840	-	-	94,393	91,353	550,656	-
Deferred amount relating to net OPEB liability	1,251,586	1,118,402	-	-	626,647	481,511	3,478,146	-
Total deferred inflows of resources	1,453,656	1,281,242	-	-	721,040	572,864	4,028,802	-

See Accompanying Notes to the Financial Statements

City of Ann Arbor
Proprietary Funds
Statement of Net Position
June 30, 2020

	Enterprise Funds							Internal Service Funds
	Water Supply System	Sewage Disposal System	Parking System	Airport	Stormwater Sewer System	Solid Waste	Total	
Net Position								
Net investment in capital assets	\$ 98,854,181	\$ 104,721,336	\$ 27,400,388	\$ 1,871,632	\$ 6,780,804	\$ 11,502,473	\$ 251,130,814	\$ 12,540,636
Restricted for								
Debt service	2,516,716	10,364,199	-	-	-	-	12,880,915	-
Equipment replacement	12,369,561	8,321,098	-	-	-	-	20,690,659	-
Landfill	-	-	-	-	-	180,991	180,991	-
Unrestricted	9,795,883	32,494,670	1,970,588	1,450,324	13,553,091	9,512,728	68,777,284	34,394,522
Total net position	<u>\$ 123,536,341</u>	<u>\$ 155,901,303</u>	<u>\$ 29,370,976</u>	<u>\$ 3,321,956</u>	<u>\$ 20,333,895</u>	<u>\$ 21,196,192</u>	353,660,663	<u>\$ 46,935,158</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							7,576,389	
Net position of business-type activities							<u>\$ 361,237,052</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, 2020

	Enterprise Funds							Internal
	Water Supply System	Sewage Disposal System	Parking System	Airport	Stormwater Sewer System	Solid Waste	Total	Service Funds
Operating revenue								
Charges for services	\$ 25,277,253	\$ 31,984,321	\$ 1,271,600	\$ 933,066	\$ 12,485,490	\$ 3,714,281	\$ 75,666,011	\$ 52,672,960
Operating expenses								
Personnel services	8,122,968	6,873,602	-	300,161	2,989,757	3,556,193	21,842,681	8,726,606
Municipal service charge	438,360	629,100	-	31,908	251,616	445,452	1,796,436	1,628,988
Information technology charge	904,853	347,524	-	10,692	244,296	180,262	1,687,627	1,041,547
Other operating costs	5,681,636	5,200,348	-	425,554	2,662,520	12,920,842	26,890,900	34,277,726
Depreciation	4,279,786	7,464,127	1,687,837	71,963	749,193	842,740	15,095,646	2,414,131
Total operating expenses	19,427,603	20,514,701	1,687,837	840,278	6,897,382	17,945,489	67,313,290	48,088,998
Operating income (loss)	5,849,650	11,469,620	(416,237)	92,788	5,588,108	(14,231,208)	8,352,721	4,583,962
Nonoperating revenue (expenses)								
Property taxes	2,941	-	-	-	-	13,725,346	13,728,287	-
Interest income	1,267,744	1,987,232	75,107	65,939	639,202	1,002,256	5,037,480	1,366,677
Interest expense	(697,985)	(2,917,695)	(66,385)	(16,034)	(191,097)	-	(3,889,196)	-
Total nonoperating revenues (expenses)	572,700	(930,463)	8,722	49,905	448,105	14,727,602	14,876,571	1,366,677
Income (loss) before contributions and transfers	6,422,350	10,539,157	(407,515)	142,693	6,036,213	496,394	23,229,292	5,950,639
Capital contributions	-	-	-	-	-	-	-	498,873
Transfers in	6,524,547	1,030,892	-	17,746	476,170	162,738	8,212,093	328,585
Transfers out	(1,814,823)	(2,016,564)	-	(8,664)	(2,480,737)	(485,730)	(6,806,518)	(4,940,415)
Change in net position	11,132,074	9,553,485	(407,515)	151,775	4,031,646	173,402	24,634,867	1,837,682
Net position - beginning of year	112,404,267	146,347,818	29,778,491	3,170,181	16,302,249	21,022,790	329,025,796	45,097,476
Net position - end 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
Change in net position - total enterprise funds							\$ 24,634,867	
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								1,895,089
Change in net position of business-type activities							\$ 26,529,956	

See Accompanying Notes to the Financial Statements

City of Ann Arbor
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2020

	Enterprise Funds							Internal
	Water Supply System	Sewage Disposal System	Parking System	Airport	Stormwater Sewer System	Solid Waste	Total	Service Funds
Cash flows from operating activities								
Receipts from customers	\$ 24,817,327	\$ 32,072,652	\$ 1,274,700	\$ 930,250	\$ 11,810,747	\$ 3,748,273	\$ 74,653,949	\$ -
Payments to suppliers	(4,987,957)	(4,148,440)	-	(338,841)	(1,112,935)	(8,555,610)	(19,143,783)	(36,157,520)
Payments to employees	(7,409,619)	(6,241,735)	-	(300,161)	(2,676,713)	(3,222,192)	(19,850,420)	(8,726,606)
Receipts (payments) for interfund services used	(3,177,614)	(2,502,787)	-	(159,103)	(1,431,567)	(3,505,206)	(10,776,277)	52,589,637
Net cash provided (used) by operating activities	9,242,137	19,179,690	1,274,700	132,145	6,589,532	(11,534,735)	24,883,469	7,705,511
Cash flows from noncapital financing activities								
Transfer from other funds	6,524,547	1,030,892	-	17,746	476,170	162,738	8,212,093	328,585
Transfers to other funds	(1,814,823)	(2,016,564)	-	(8,664)	(2,480,737)	(485,730)	(6,806,518)	(4,940,415)
Repayment of advances from other funds	-	-	-	(87,001)	-	-	(87,001)	-
Property taxes	2,941	-	-	-	-	13,725,346	13,728,287	-
Net cash provided (used) by noncapital financing activities	4,712,665	(985,672)	-	(77,919)	(2,004,567)	13,402,354	15,046,861	(4,611,830)
Cash flows from capital and related financing activities								
Proceeds from sale of bonds and notes	3,008,191	-	-	-	139,080	-	3,147,271	-
Capital contributions	-	-	-	-	-	-	-	498,873
Purchases/construction of capital assets	(16,080,828)	(3,397,714)	-	-	(1,557,197)	(505,077)	(21,540,816)	(5,713,098)
Principal and interest paid on long-term debt	(3,961,659)	(10,903,775)	(1,271,600)	(16,330)	(1,101,832)	-	(17,255,196)	-
Proceeds from sale of capital assets	-	-	-	-	-	-	-	1,224,708
Net cash used by capital and related financing activities	(17,034,296)	(14,301,489)	(1,271,600)	(16,330)	(2,519,949)	(505,077)	(35,648,741)	(3,989,517)

See Accompanying Notes to the Financial Statements

City of Ann Arbor
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2020

	Enterprise Funds							
	Water Supply System	Sewage Disposal System	Parking System	Airport	Stormwater Sewer System	Solid Waste	Total	Internal Service Funds
Cash flows from investing activities								
Proceeds from sales and maturities of investments	\$ 2,986,792	\$ 10,557,770	\$ -	\$ -	\$ -	\$ -	\$ 13,544,562	\$ -
Purchases of investments	(3,036,050)	(10,731,891)	-	-	-	-	(13,767,941)	-
Interest received	1,267,744	1,987,232	75,107	65,939	639,202	1,002,256	5,037,480	1,366,677
Net cash provided by investing activities	1,218,486	1,813,111	75,107	65,939	639,202	1,002,256	4,814,101	1,366,677
Net change in cash and cash equivalents	(1,861,008)	5,705,640	78,207	103,835	2,704,218	2,364,798	9,095,690	470,841
Cash and cash equivalents - beginning of year	35,759,392	42,139,191	1,908,414	1,639,543	15,089,966	23,513,979	120,050,485	34,663,965
Cash and cash equivalents - end 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
Reconciliation of operating income (loss) to net cash provided (used) by operating activities								
Operating income (loss)	\$ 5,849,650	\$ 11,469,620	\$ (416,237)	\$ 92,788	\$ 5,588,108	\$ (14,231,208)	\$ 8,352,721	\$ 4,583,962
Adjustments to reconcile operating income to net cash from operating activities								
Depreciation and amortization expense	4,279,786	7,464,127	1,687,837	71,963	749,193	842,740	15,095,646	2,414,131
Changes in assets and liabilities								
Receivables (net)	(174,899)	109,058	3,600	(2,816)	(214,092)	33,992	(245,157)	(83,323)
Due from other units of government	(285,027)	(20,727)	(500)	-	(460,651)	-	(766,905)	-
Inventories	(102,021)	(4,953)	-	-	-	-	(106,974)	(91,101)
Prepaid items	-	(13,743)	-	-	153,245	-	139,502	780,501
Accounts payable	(1,013,096)	(455,559)	-	(29,790)	456,644	598,210	(443,591)	(235,337)
Accrued and other liabilities	41,432	33,891	-	-	9,023	21,075	105,421	257
Deposits	-	-	-	-	4,041	-	4,041	315,930
Estimated claims payable	-	-	-	-	-	887,530	887,530	20,491
Customer deposits payable	(25,605)	-	-	-	-	-	(25,605)	-
Net pension liability	588,561	476,788	-	-	236,460	222,509	1,524,318	-
Net OPEB liability	67,693	60,489	-	-	33,893	26,043	188,118	-
Compensated absences	15,663	60,699	-	-	33,668	64,374	174,404	-
Net cash provided (used) by operating activities	\$ 9,242,137	\$ 19,179,690	\$ 1,274,700	\$ 132,145	\$ 6,589,532	\$ (11,534,735)	\$ 24,883,469	\$ 7,705,511
Reconciliation to the statement of net position								
Cash and cash equivalents	\$ 450	\$ -	\$ -	\$ 30	\$ -	\$ 187,951	\$ 188,431	\$ 298
Equity in pooled cash and investments	33,897,934	47,844,831	1,986,621	1,743,348	17,794,184	25,690,826	128,957,744	35,134,508
Cash and cash equivalents per cash flows	\$ 33,898,384	\$ 47,844,831	\$ 1,986,621	\$ 1,743,378	\$ 17,794,184	\$ 25,878,777	\$ 129,146,175	\$ 35,134,806

See Accompanying Notes to the Financial Statements

City of Ann Arbor
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2020

	Private-purpose Trust Fund	Pension and Employee Benefit Trust Funds	Custodial Funds
Assets			
Cash	\$ -	\$ -	\$ 9,769
Equity in pooled cash and investments	2,839	5,358,172	33,772
Investments, at fair value:			
Equities	-	425,124,310	-
Fixed income	-	188,146,691	-
Other	687,514	92,988,540	-
Receivables			
Accrued interest and other	-	564,433	-
Due from other units of government	-	-	24,165
Due from other funds	-	71,696	-
Capital assets, net	-	335,810	-
Total assets	<u>690,353</u>	<u>712,589,652</u>	<u>67,706</u>
Deferred Outflows of Resources			
Deferred amount related to net pension liability	-	76,593	-
Deferred amount related to net OPEB liability	-	81,290	-
Total deferred outflows of resources	<u>-</u>	<u>157,883</u>	<u>-</u>
Liabilities			
Accounts payable	-	3,540,617	-
Mortgage payable, due in one year	-	32,637	-
Mortgage payable, due in more than one year	-	69,747	-
Net pension liability	-	655,027	-
Net OPEB liability	-	488,184	-
Due to other governments	-	-	67,706
Total liabilities	<u>-</u>	<u>4,786,212</u>	<u>67,706</u>
Deferred Inflows of Resources			
Deferred amount on net pension liability	-	11,200	-
Deferred amount related to net OPEB liability	-	5,122	-
Total deferred inflows of resources	<u>-</u>	<u>16,322</u>	<u>-</u>
Net Position			
Restricted for police and fire relief	690,353	-	-
Restricted for pensions and other post employment benefits	-	707,945,001	-
Total net position	<u>\$ 690,353</u>	<u>\$ 707,945,001</u>	<u>\$ -</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, 2020

	Private-purpose Trust Fund	Pension and Other Employee Benefit Trust Funds	Custodial Funds
Additions			
Investment income:			
From investing activities:			
Appreciation in fair value of investments	\$ -	\$ 25,720,744	\$ -
Interest and dividends	11,258	4,948,609	-
Total investment income	11,258	30,669,353	-
Investment management fees	-	(771,430)	-
Net investment income from investing activities	11,258	29,897,923	-
From securities lending activities:			
Gross earnings	-	11,644	-
Borrower rebates received (paid)	-	(7,198)	-
Securities lending fees	-	(1,323)	-
Net investment income from securities and lending activities	-	3,123	-
Total net investment income	11,258	29,901,046	-
Contributions:			
Employer	-	26,853,429	-
Plan member	-	3,439,428	-
Total contributions	-	30,292,857	-
Property tax collections for other governments	-	-	253,989,103
Total additions	11,258	60,193,903	253,989,103
Deductions			
Benefits	-	49,846,476	-
Refunds of contributions	-	1,233,082	-
Administrative expenses	-	927,209	-
Payments of property tax to other governments	-	-	253,989,103
Total deductions	-	52,006,767	253,989,103
Change in net position	11,258	8,187,136	-
Net position - beginning of year	679,095	699,757,865	-
Net position - end of year	\$ 690,353	\$ 707,945,001	\$ -

See Accompanying Notes to the Financial Statements

City of Ann Arbor
Discretely Presented Component Units
Combining Statement of Net Position
June 30, 2020

	Housing Commission	SmartZone Local Development Finance Authority	Downtown Development Authority	Total
Assets				
Cash	\$ 3,307,401	\$ -	\$ 13,781,386	\$ 17,088,787
Equity in pooled cash and investments	-	4,957,634	-	4,957,634
Investments, at fair value	-	-	8,008,801	8,008,801
Receivables	516,661	522,250	3,190,149	4,229,060
Other assets	50,390	-	553,787	604,177
Capital assets being depreciated, net	57,548	-	-	57,548
Total assets	3,932,000	5,479,884	25,534,123	34,946,007
Deferred Outflows of Resources				
Deferred amount relating to net pension liability	23,562	-	-	23,562
Liabilities				
Accounts payable	660,468	711,509	2,822,061	4,194,038
Accrued and other liabilities	49,695	-	17,926	67,621
Due to other units of government	-	-	181,278	181,278
Unearned revenue	504,585	522,250	-	1,026,835
Debt due within one year	56,753	-	112,647	169,400
Debt due in more than one year	589,089	-	69,919	659,008
Net pension liability	173,225	-	-	173,225
Total liabilities	2,033,815	1,233,759	3,203,831	6,471,405
Deferred Inflows of Resources				
Deferred amount relating to net pension liability	2,223	-	-	2,223
Net Position				
Net investment in capital assets	57,548	-	-	57,548
Restricted	-	-	553,787	553,787
Unrestricted	1,861,976	4,246,125	21,776,505	27,884,606
Total net position	<u>\$ 1,919,524</u>	<u>\$ 4,246,125</u>	<u>\$ 22,330,292</u>	<u>\$ 28,495,941</u>

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, 2020

	Housing Commission	SmartZone Local Development Finance Authority	Downtown Development Authority	Total
Expenses				
Housing and economic development	\$ 20,025,035	\$ 3,850,086	\$ 29,753,339	\$ 53,628,460
Program revenues				
Charges for services	2,291	-	19,533,127	19,535,418
Operating grants and contributions	17,120,893	-	-	17,120,893
Capital grants and contributions	91,678	-	-	91,678
Total program revenue	17,214,862	-	19,533,127	36,747,989
Net program expense	(2,810,173)	(3,850,086)	(10,220,212)	(16,880,471)
General revenues				
Property taxes	-	4,417,262	7,017,231	11,434,493
Interest income	2,183	180,966	476,647	659,796
Other income	2,652,959	19,533	5,074,228	7,746,720
Total general revenues	2,655,142	4,617,761	12,568,106	19,841,009
Change in net position	(155,031)	767,675	2,347,894	2,960,538
Net position - beginning of year	2,074,555	3,478,450	19,982,398	25,535,403
Net position - end of year	\$ 1,919,524	\$ 4,246,125	\$ 22,330,292	\$ 28,495,941

See Accompanying Notes to the Financial Statements

City of Ann Arbor
Notes to the Financial Statements
June 30, 2020

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 \$3.9 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 \$6.7 million for debt service payments. The DDA paid \$.1 million to the City for insurance and network access. The City transferred \$.2 million 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.

City of Ann Arbor
Notes to the Financial Statements
June 30, 2020

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 \$35,343 as of June 30, 2020.

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

City of Ann Arbor
Notes to the Financial Statements
June 30, 2020

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 government 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 government 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.

City of Ann Arbor
Notes to the Financial Statements
June 30, 2020

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 charges 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 statutes 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.

City of Ann Arbor
Notes to the Financial Statements
June 30, 2020

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 \$899,927.

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, 2019 as controlled by the Headlee Amendment, Act 415 and City Charter, was 5.8884 mills raising \$36.1 million. Other tax rates and amounts raised were as follows: employee benefits (1.9627) raising \$12 million, refuse collection (2.3549) raising \$14.3 million, Ann Arbor Transportation Authority (1.9802) raising \$11.4 million, street & sidewalk repair (1.9981) raising \$12.3 million, parks maintenance and repair (1.0903) raising \$6.7 million, and open space and parkland preservation Millage (0.4560) raising \$2.8 million. Real and personal property located in the City as of December 31, 2018 was assessed and equalized at \$7,917,477,749, 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 2019

taxable value on May 28, 2019, was \$6,152,634,000. 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 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st 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 reports 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 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, 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 reports deferred inflows of resources for changes in assumptions and experience differences relating to the net pension and OPEB liabilities which are deferred and amortized over the expected remaining services lives of the employees and retirees in the plan.

Fund Equity – 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.

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

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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 \$867,525 are included in assigned fund balance of the General Fund, \$11,088,353 in restricted fund balance of the Major and Local Street Funds and Street, Bridge and Sidewalk Millage Fund, and \$10,278,700 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. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial

reporting purposes and how those activities should be reported. The focus of the criteria includes the following: (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria.

Statement No. 92, *Omnibus 2020* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following: (1) The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports (2) Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan. (3) The applicability of Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits. (4) The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements. (5) Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition. (6) Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers. (7) Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. (8) Terminology used to refer to derivative instruments.

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Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic and provides postponement of effective dates for certain GASB Statements. This statement was effective upon issuance in May of 2020.

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 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

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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 exchange-like transaction. 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, 2020, the City did not incur any expenditures in excess of the amounts appropriated at the legal level of budgetary control.

Fund Deficits

The City has an accumulated fund balance deficit in the Major Grants Fund in the amount of \$1,681,092 as of June 30, 2020. This was caused by delayed receipt of grant funding and is completely covered by deferred inflows of resources.

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	\$ 293,135	\$ 140,637,640	\$ 12,433,021	\$ 153,363,796
Business-type activities	188,431	128,957,744	13,767,942	142,914,117
Total	481,566	269,595,384	26,200,963	296,277,913
Fiduciary funds	9,769	5,394,783	706,947,055	712,351,607
Component units	17,088,787	4,957,634	8,008,801	30,055,222
Total	<u>\$ 17,580,122</u>	<u>\$ 279,947,801</u>	<u>\$ 741,156,819</u>	<u>\$ 1,038,684,742</u>

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The breakdown between deposits and investments is as follows:

Deposits and investments

Bank deposits	\$ 17,455,737
Certificates of deposit due within one year	1,771,377
Investments in securities, mutual funds, and similar vehicles:	
City investment pool	278,291,854
Nonmajor governmental funds	12,433,021
Enterprise funds	13,767,942
Employees' Retirement System	513,368,161
Retiree Health Care Trust Fund	192,891,380
Downtown Development Authority	8,008,801
Police & Fire Relief Trust	687,514
Cash on hand	<u>8,955</u>
Total	<u>\$ 1,038,684,742</u>

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

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	\$ 1,374,580	\$ 44,911,792	\$ 315,891	\$ 44,595,901
Downtown Development Authority	3,293,905	3,260,932	250,000	3,010,932
Housing Commission	<u>3,307,401</u>	<u>3,314,976</u>	<u>1,000,000</u>	<u>2,314,976</u>
Totals	<u>\$ 7,975,886</u>	<u>\$ 51,487,700</u>	<u>\$ 1,565,891</u>	<u>\$ 49,921,809</u>

The uninsured bank balance of \$44,595,901 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 \$1,162,438 as of year-end. In addition, the Downtown Development Authority had \$1,007,430 in certificates of deposit, of which \$757,430 was uninsured.

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.

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Investments – City Investment Pool

The following is a summary of the City's investments as of June 30, 2020:

U.S. treasuries	\$ 131,143,846
U.S. agencies	129,256,733
MI Class	43,465,674
Accrued interest	<u>1,311,377</u>
Total investments	<u>\$ 305,177,630</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, 2020, 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

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, 2020, 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, 2020, 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	7.95%
U.S. agencies	Federal Farm Credit Bank	15.85%
U.S. agencies	Federal Home Loan Mortgage	7.75%
U.S. agencies	Federal Home Loan Bank	18.09%

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

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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, 2020, maturities of the City’s debt securities were as follows:

Investment Type	Fair Value	Investments in Maturities (fair value by years)		
		<1	1-5	6-10
U.S. treasuries	\$ 131,143,846	\$ 56,228,452	\$ 74,915,394	\$ -
U.S. agencies	<u>129,256,732</u>	<u>30,214,807</u>	<u>99,041,925</u>	<u>-</u>
	<u>\$ 260,400,578</u>	<u>\$ 86,443,259</u>	<u>\$ 173,957,319</u>	<u>\$ -</u>

Of the above balances, \$30,000,000 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, 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 only recurring fair value measurements as of June 30, 2020 were related to its investments in U.S. treasuries, U.S agencies and money market cash funds. These investments are valued using quoted market pricing of the underlying securities (Level 1 inputs).

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

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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.

The adopted asset allocation policy as of June 30, 2020 is as follows:

Asset Class	Target Allocation	Allocation Range
Equities		
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>
Fixed income		
Investment grade bonds	12%	8% - 24%
TIPS	2%	0% - 10%
High yield bonds	3%	1% - 5%
Bank loans	2%	0% - 4%
Emerging market debts	2%	0% - 4%
	<u>21%</u>	<u>9% - 47%</u>
Other investments		
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.

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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, 2020: (investments at fair value, as determined by quoted market price).

	Domestic	Foreign	Total	On Loan
Equities				
Common stock	\$ 103,331,413	\$ 683,567	\$ 104,014,980	\$ 155,496
Common stock funds	88,257,150	98,758,595	187,015,745	-
Private equity	22,769,688	-	22,769,688	-
Mutual funds - equity	903,410	393,895	1,297,305	-
Total equities	<u>215,261,661</u>	<u>99,836,057</u>	<u>315,097,718</u>	<u>155,496</u>
Fixed income				
Corporate bonds	40,010,519	3,130,803	43,141,322	-
Corporate bond funds	38,180,691	-	38,180,691	-
Bank loan participation	9,853,330	-	9,853,330	-
Private credit	10,795,686	-	10,795,686	-
Index linked government bonds	17,202,592	-	17,202,592	-
Mutual funds - fixed income	219,310	12,140,635	12,359,945	-
Total fixed income	<u>116,262,128</u>	<u>15,271,438</u>	<u>131,533,566</u>	<u>-</u>
Other investments				
Real estate	45,868,984	-	45,868,984	-
Hedge funds	6,150,267	4,085,875	10,236,142	-
Short-term investment fund	8,832	10,515,411	10,524,243	-
Mutual funds - other	107,508	-	107,508	-
Total other investments	<u>52,135,591</u>	<u>14,601,286</u>	<u>66,736,877</u>	<u>-</u>
Total investments	<u>\$ 383,659,380</u>	<u>\$ 129,708,781</u>	<u>\$ 513,368,161</u>	<u>\$ 155,496</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 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, 2020:

	2020
Corporate bonds	\$ 43,141,322
Corporate bond funds	38,180,691
Bank loan participation	9,853,330
Private credit	10,795,686
Index linked government bonds	17,202,592
Mutual funds - fixed income	<u>12,359,945</u>
	<u>\$ 131,533,566</u>

The System's investments in corporate bond funds and hedge funds are not rated; also, the other fixed income securities at June 30, 2020 were essentially in "funds" and therefore not rated, with the exception of corporate bonds.

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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, 2020, 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, 2020 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, 2020, the annual money-weighted rate of return on plan investments, net of investment expenses, was 4.45 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.

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, 2020, the total collateral received from borrowers had a fair value of \$159,302, 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

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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.

The System had the following recurring fair value measurements as of June 30, 2020:

	Level 1	Level 2	Level 3	Total
Equities				
Common stock	\$ 104,014,980	\$ -	\$ -	\$ 104,014,980
Common stock funds	29,383,847	157,631,898	-	187,015,745
Private equity	-	6,437,529	16,332,159	22,769,688
Mutual funds - equity	1,297,305	-	-	1,297,305
Total equities	134,696,132	164,069,427	16,332,159	315,097,718
Fixed income				
Corporate bonds	-	40,010,519	3,130,803	43,141,322
Corporate bond funds	-	33,116,936	5,063,755	38,180,691
Bank loan participation	-	-	9,853,330	9,853,330
Private credit	-	-	10,795,686	10,795,686
Index linked government bonds	-	17,202,592	-	17,202,592
Mutual funds - fixed income	12,359,945	-	-	12,359,945
Total fixed income	12,359,945	90,330,047	28,843,574	131,533,566
Other investments				
Real estate	-	-	45,868,984	45,868,984
Hedge funds	-	-	10,236,142	10,236,142
Short-term investment fund	10,524,243	-	-	10,524,243
Mutual funds - other	107,508	-	-	107,508
Total other investments	10,631,751	-	56,105,126	66,736,877
Total investments	\$ 157,687,828	\$ 254,399,474	\$ 101,280,859	\$ 513,368,161

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.

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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.

The Association's investments are held by an independent trust company. Following is a summary of the Association's investments as of June 30, 2020:

	Domestic	Foreign	Total	On Loan
Equities				
Common stock	\$ 40,994,260	\$ 243,052	\$ 41,237,312	\$ 161,035
Common stock funds	32,463,358	33,103,923	65,567,281	-
Private equity	3,221,999	-	3,221,999	-
Total equities	76,679,617	33,346,975	110,026,592	161,035
Fixed income				
Corporate bond funds	4,915,993	-	4,915,993	-
Funds - corporate bonds	32,374,939	-	32,374,939	-
Bank loans	5,610,975	-	5,610,975	-
Private credit	2,825,809	-	2,825,809	-
Mutual funds	-	3,514,614	3,514,614	-
Index linked government bonds	7,370,795	-	7,370,795	-
Total fixed income	53,098,511	3,514,614	56,613,125	-
Other investments				
Real estate	18,280,855	-	18,280,855	-
Short-term investment fund	-	7,970,808	7,970,808	-
Total other investments	18,280,855	7,970,808	26,251,663	-
Total investments	\$ 148,058,983	\$ 44,832,397	\$ 192,891,380	\$ 161,035

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:

	2020
Corporate bond funds	\$ 4,915,993
Funds - corporate bonds	32,374,939
Bank loan participation	5,610,975
Index linked government bonds	2,825,809
Private credit	7,370,795
Mutual funds	3,514,614
	<u>\$ 56,613,125</u>

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the Association's investment in a single issuer. The Association's investment policy requires that no more

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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.

Inasmuch as all of the debt or fixed income securities as of June 30, 2020, 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, 2020, the total collateral received from borrowers had a fair value of \$163,961, 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

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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.

The Association had the following recurring fair value measurements as of June 30, 2020:

	Level 1	Level 2	Level 3	Total
Equities				
Common stock	\$ 41,284,706	\$ -	\$ -	\$ 41,284,706
Common stock funds	7,598,777	57,921,110	-	65,519,887
Private equity	-	-	3,221,999	3,221,999
Total equities	48,883,483	57,921,110	3,221,999	110,026,592
Fixed income				
Corporate bonds	-	32,325,869	-	32,325,869
Funds - corporate bonds	-	4,165,063	800,000	4,965,063
Bank loans	-	-	5,610,975	5,610,975
Private credit	-	-	2,825,809	2,825,809
Mutual funds	3,514,614	-	-	3,514,614
Index linked government bonds	-	7,370,795	-	7,370,795
Total fixed income	3,514,614	43,861,727	9,236,784	56,613,125
Other investments				
Real estate	5,953,686	-	12,327,169	18,280,855
Short-term investment fund	7,970,808	-	-	7,970,808
Total other investments	13,924,494	-	12,327,169	26,251,663
Total investments	\$ 66,322,591	\$ 101,782,837	\$ 24,785,952	\$ 192,891,380

Investments – DDA Component Unit

Custodial Credit Risk – Deposits – As of June 30, 2020, the carrying amounts of the DDA's deposits and cash on hand were \$3,294,105 and the bank balance was \$3,260,932 of which \$3,010,932 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.

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Custodial Credit Risk – Investments – Following is a summary of the DDA's investments as of June 30, 2020:

U.S. government agencies	\$ 8,008,801
Money market accounts	9,479,851
Certificates of deposit	<u>1,007,430</u>
Total investments	<u>\$ 18,496,082</u>

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

Credit Risk – State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The DDA does not have an investment policy that sets specific limits in excess of state law on investment credit risk. As of June 30, 2020, 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 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, 2020, 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	<u>\$ 8,008,801</u>	<u>\$ 7,505,529</u>	<u>\$ 503,272</u>

Fair Value – The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Authority's only recurring fair value measurements as of June 30, 2020 were related to its investments in government agency funds. These investments are valued using quoted market pricing of the underlying securities (Level 1 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.

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Note 4 - Receivables

Receivables as of year-end for the governmental and business-type activities, of which \$346,506 and \$4,673,028 respectively, are not expected to be collected within one year, are as follows:

	Governmental Activities	Business-type Activities
Taxes, net	\$ 515,711	\$ -
Accounts, net	4,218,590	14,385,958
Special assessments	414,230	1,193
Improvement charges	67,036	516,276
Accrued interest and other	10,650	-
Due from other governments	<u>4,815,547</u>	<u>4,907,313</u>
	<u>\$ 10,041,764</u>	<u>\$ 19,810,740</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
Governmental activities				
Capital assets not being depreciated				
Land	\$ 66,378,495	\$ 1,219,055	\$ -	\$ 67,597,550
Construction-in-progress	9,505,130	12,848,506	4,147,468	18,206,168
Total capital assets not being depreciated	75,883,625	14,067,561	4,147,468	85,803,718
Capital assets being depreciated				
Land improvements	30,721,720	4,133,298	-	34,855,018
Intangible assets	1,173,590	-	-	1,173,590
Infrastructure	862,235,885	18,666,050	3,516,583	877,385,352
Buildings, additions and improvements	166,400,455	-	-	166,400,455
Machinery and equipment	13,606,133	763,422	-	14,369,555
Vehicles	23,659,851	4,321,257	-	27,981,108
Total capital assets being depreciated	1,097,797,634	27,884,027	3,516,583	1,122,165,078
Less accumulated depreciation for				
Land improvements	11,589,930	1,236,659	-	12,826,589
Intangible assets	1,173,590	-	-	1,173,590
Infrastructure	317,031,308	46,921,404	3,477,247	360,475,465
Buildings, additions and improvements	37,475,821	4,086,788	-	41,562,609
Machinery and equipment	10,274,735	775,930	-	11,050,665
Vehicles	15,102,644	2,003,210	-	17,105,854
Total accumulated depreciation	392,648,028	55,023,991	3,477,247	444,194,772
Net capital assets being depreciated	705,149,606	(27,139,964)	39,336	677,970,306
Governmental activities capital assets, net	\$ 781,033,231	\$ (13,072,403)	\$ 4,186,804	\$ 763,774,024

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	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 7,461,349	\$ -	\$ -	\$ 7,461,349
Construction-in-progress	21,381,529	21,366,902	14,158,380	28,590,051
Total capital assets not being depreciated	28,842,878	21,366,902	14,158,380	36,051,400
Capital assets being depreciated				
Land improvements	383,033,856	14,158,380	-	397,192,236
Buildings, additions and improvements	190,563,827	-	-	190,563,827
Machinery and equipment	27,394,504	173,913	-	27,568,417
Vehicles	1,530,201	-	-	1,530,201
Total capital assets being depreciated	602,522,388	14,332,293	-	616,854,681
Less accumulated depreciation for				
Land improvements	100,659,595	9,565,238	-	110,224,833
Buildings, additions and improvements	85,403,049	4,761,954	-	90,165,003
Machinery and equipment	24,170,431	676,975	-	24,847,406
Vehicles	1,430,603	91,479	-	1,522,082
Total accumulated depreciation	211,663,678	15,095,646	-	226,759,324
Net capital assets being depreciated	390,858,710	(763,353)	-	390,095,357
Business-type capital assets, net	<u>\$ 419,701,588</u>	<u>\$ 20,603,549</u>	<u>\$ 14,158,380</u>	<u>\$ 426,146,757</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>
Component Units				
Capital assets not being depreciated				
Construction-in-progress	\$ 92,000	\$ -	\$ 92,000	\$ -
Capital assets being depreciated				
Buildings, additions and improvements	10,193	-	-	10,193
Machinery and equipment	<u>242,199</u>	<u>-</u>	<u>-</u>	<u>242,199</u>
Total capital assets being depreciated	<u>252,392</u>	<u>-</u>	<u>-</u>	<u>252,392</u>
Less accumulated depreciation for				
Buildings, additions and improvements	1,359	680	-	2,039
Machinery and equipment	<u>184,846</u>	<u>7,959</u>	<u>-</u>	<u>192,805</u>
Total accumulated depreciation	<u>186,205</u>	<u>8,639</u>	<u>-</u>	<u>194,844</u>
Net capital assets being depreciated	<u>66,187</u>	<u>(8,639)</u>	<u>-</u>	<u>57,548</u>
Component unit capital assets, net	<u>\$ 158,187</u>	<u>\$ (8,639)</u>	<u>\$ 92,000</u>	<u>\$ 57,548</u>

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

Governmental activities

General government	\$ 468,184
Public safety	91,114
Public works	50,709,768
Recreation and culture	<u>1,340,794</u>
Subtotal	52,609,860

Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets

2,414,131

Total governmental activities

55,023,991

Business-type activities

Water	4,279,786
Sewer	7,464,127
Parking	1,687,837
Airport	71,963
Stormwater	749,193
Solid waste	<u>842,740</u>

Total business-type activities

15,095,646

Total primary government

\$ 70,119,637

Component Units

Housing Commission	<u>\$ 8,639</u>
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Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due from/to other funds		
General Fund	Airport Fund	\$ 90,596
General Fund	Nonmajor Funds	<u>153,519</u>
		<u>\$ 244,115</u>

Advances due to/from other funds

General Fund	Airport Fund	<u>\$ 243,206</u>
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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.

City of Ann Arbor
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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	Internal Service Funds	Airport Fund	Solid Waste Fund	
Transfer Out										
General Fund	\$ -	\$ 1,025,771	\$ 119,404	\$ -	\$ -	\$ 3,197,093	\$ -	\$ -	\$ -	\$ 4,342,268
Street, Bridge, and Sidewalk Repair Millage Fund	-	-	1,520,534	-	301,547	-	-	-	-	1,822,081
Water Supply System Fund	561,924	341,361	-	673,576	61,762	176,200	-	-	-	1,814,823
Sewer Disposal System Fund	-	-	2,010,096	-	3,775	2,693	-	-	-	2,016,564
Airport Fund	-	-	8,664	-	-	-	-	-	-	8,664
Stormwater System Fund	84,996	311,701	1,411,794	-	-	672,246	-	-	-	2,480,737
Solid Waste Fund	-	-	266,318	-	-	219,412	-	-	-	485,730
Nonmajor Funds	1,006,724	4,690,597	703,684	59,709	2,668	3,082,196	-	-	-	9,545,578
Internal Service Funds	2,240,521	142,917	484,053	297,607	106,418	1,159,830	328,585	17,746	162,738	4,940,415
Total	\$ 3,894,165	\$ 6,512,347	\$ 6,524,547	\$ 1,030,892	\$ 476,170	\$ 8,509,670	\$ 328,585	\$ 17,746	\$ 162,738	\$ 27,456,860

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

City of Ann Arbor
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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 2020 was \$266,127. The following is a table of future minimum noncancelable lease payments by the City:

<u>Year ending June 30,</u>	
2021	\$ 203,882
2022	206,586
2023	196,586
2024	<u>55,802</u>
	<u>\$ 662,856</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 2020 was \$1,547,628. The total revenue includes \$677,836 for cell towers, \$40,729 for office space, \$635,204 for airport hangers, and \$193,859 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>	
2021	\$ 1,190,288
2022	851,142
2023	741,988
2024	684,307
2025	508,228
2026-2030	1,247,542
2031-2035	750,578
2036	<u>16,980</u>
	<u>\$ 5,991,053</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.

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Landfill – The City owns and maintains a closed landfill in full compliance with Michigan Department of Environmental Quality (MDEQ) requirements. The City had received approval for an onsite and (interim) offsite Remedial Action Plan (RAP) that has been implemented. This implementation included a slurry wall almost two miles in length enclosing most of the landfill. As part of these requirements, the City has posted a \$1,000,000 letter of credit to ensure compliance with the landfill cleanup regulations. The City is working on a final RAP and evaluating the feasibility of treating the collected landfill groundwater prior to discharge to the sanitary sewer. Treating the water onsite with discharge to surface or groundwater may reduce annual operating costs because of reduced payments for discharge to the sanitary system. Capital costs associated with the landfill cleanup 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 \$7,528,264. 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.

City of Ann Arbor
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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 and claims and judgement. Compensated absences are liquidated with various funds from of the City. Claims and judgements are typically liquidated with funds from the Insurance Fund.

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
Governmental activities									
Bonds and notes payable									
General obligation bonds									
2012 transportation fund	\$ 2,670,000	2023	2.0 - 2.4%	\$255,000 - \$270,000	\$ 1,040,000	\$ -	\$ 250,000	\$ 790,000	\$ 255,000
2013 1st and Washington (series A)	4,480,000	2032	1.75 - 3.0%	\$220,000 - \$305,000	3,325,000	-	215,000	3,110,000	220,000
2013 1st and Washington (series B)	4,045,000	2032	2.0 - 3.75%	\$195,000 - \$280,000	2,960,000	-	190,000	2,770,000	195,000
2013 clean energy	560,000	2024	4.34%	\$54,000	267,000	-	53,000	214,000	54,000
2015 open space preservation refunding	16,235,000	2034	2.0 - 3.375%	\$790,000 - \$1,140,000	14,015,000	-	775,000	13,240,000	790,000
2015 maintenance facility refunding	17,710,000	2029	2.0 - 3.0%	\$1,295,000 - \$1,575,000	14,050,000	-	1,270,000	12,780,000	1,295,000
2017 court and police refunding	24,030,000	2035	3 - 3.25%	\$1,160,000 - \$1,760,000	22,650,000	-	1,130,000	21,520,000	1,160,000
2019-A capital improvement bonds	14,780,000	2033	3 - 4%	\$900,000 - \$1,255,000	14,780,000	-	765,000	14,015,000	900,000
2019 capital improvement refunding bonds	37,175,000	2035	2.25 - 4%	\$1,825,000 - \$3,100,000	37,175,000	-	1,565,000	35,610,000	1,825,000
Total general obligation bonds					110,262,000	-	6,213,000	104,049,000	6,694,000
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					3,688,367	-	186,979	3,501,388	209,518
For issuance discounts					(117,103)	-	(6,476)	(110,627)	(6,601)
Total bonds payable					119,183,264	-	6,393,503	112,789,761	6,896,917
Compensated absences					13,293,859	5,222,648	4,392,048	14,124,459	4,392,048
 Total governmental activities					 \$ 132,477,123	 \$ 5,222,648	 \$ 10,785,551	 \$ 126,914,220	 \$ 11,288,965

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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
Business-type activities									
Bonds and notes payable									
General obligation bonds									
2012 parking - refunding	\$ 2,230,000	2022	2.0%	\$240,000 - \$250,000	\$ 725,000	\$ -	\$ 235,000	\$ 490,000	\$ 240,000
2015 parking - refunding	6,335,000	2020	2.0 - 3.0%	\$0	700,000	-	700,000	-	-
2016 parking - refunding	2,790,000	2027	2.0%	\$260,000 - \$305,000	2,245,000	-	255,000	1,990,000	260,000
Total general obligation bonds					3,670,000	-	1,190,000	2,480,000	500,000
Revenue bonds									
2012 water - refunding	10,450,000	2024	2.0 - 2.5%	\$675,000 - \$680,000	3,395,000	-	680,000	2,715,000	675,000
2016 water - refunding	16,285,000	2027	2.0 - 2.5%	\$1,670,000 - \$1,830,000	13,970,000	-	1,615,000	12,355,000	1,670,000
2013 sewer - refunding	17,985,000	2025	3.25 - 4.75%	\$1,695,000 - \$1,890,000	10,585,000	-	1,675,000	8,910,000	1,695,000
2016 sewer - refunding	19,280,000	2031	2.0 - 2.5%	\$1,375,000 - \$1,725,000	18,485,000	-	1,340,000	17,145,000	1,375,000
Total revenue bonds					46,435,000	-	5,310,000	41,125,000	5,415,000
Revolving loans									
DWRF 7319-01	4,575,000	2031	2.50%	\$225,000 - \$285,000	3,010,000	-	220,000	2,790,000	225,000
DWRF 7146-01	557,950	2024	2.125%	\$30,000 - \$32,950	152,950	-	30,000	122,950	30,000
DWRF 7325-01	624,750	2030	2.50%	\$30,000 - \$38,271	368,271	-	30,000	338,271	30,000
DWRF 7333-01	5,614,250	2032	2.50%	\$230,000 - \$305,602	3,410,602	-	225,000	3,185,602	230,000
DWRF 7362-01	8,864,396	2034	2.50%	\$395,000 - \$542,720	6,887,720	-	385,000	6,502,720	395,000
DWRF 7375-01	3,025,000	2035	2.00%	\$130,000 - \$168,099	2,346,522	-	125,000	2,221,522	130,000
DWRF 7472-01, Series 2020	3,008,191	2040	2.00%	\$123,867 - \$181,376	-	3,008,191	-	3,008,191	123,867
2004 SWQIF 3002-01	874,672	2024	1.625%	\$50,000 - \$50,000	249,672	-	50,000	199,672	50,000
2005 SWQIF 3002-02	879,382	2025	1.625%	\$50,000 - \$50,000	294,382	-	45,000	249,382	50,000
2006 SWQIF 3002-03	889,903	2026	1.625%	\$50,000 - \$50,000	344,903	-	45,000	299,903	50,000
2007 SWQIF 3002-04	964,976	2027	1.625%	\$50,000 - \$55,000	419,976	-	50,000	369,976	50,000
2008 SWQIF 3002-05	900,000	2028	2.50%	\$50,000 - \$55,000	460,000	-	45,000	415,000	50,000
2009 SWQIF 3010-01	1,310,000	2029	2.50%	\$65,000 - \$80,000	730,000	-	65,000	665,000	65,000
2010 SWQIF 3010-02	1,320,000	2030	2.50%	\$65,000 - \$80,000	805,000	-	65,000	740,000	65,000
2012 SWQIF 3010-03	1,365,000	2032	2.50%	\$65,000 - \$84,760	959,760	-	65,000	894,760	65,000
2013 SWQIF 3010-04	891,703	2033	2.50%	\$40,000 - \$56,703	641,703	-	35,000	606,703	40,000
2012 CWRF 5441-01	34,407,832	2036	2.50%	\$1,485,000 - \$2,150,000	30,265,000	-	1,450,000	28,815,000	1,485,000
2013 CWRF 5441-02	73,305,000	2038	2.00%	\$3,135,000 - \$4,405,000	70,295,000	-	3,070,000	67,225,000	3,135,000
Total revolving loans					121,641,461	3,008,191	6,000,000	118,649,652	6,268,867

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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
Business-type activities continued									
Drain notes									
2006 Mallets Creek project	\$ 1,613,905	2028	1.625%	\$83,029 - \$95,652	\$ 787,564	\$ -	\$ 83,031	\$ 704,533	\$ 83,029
2009 Allen Creek Pioneer High School project	2,522,126	2031	2.5%	\$125,000 - \$156,126	1,651,126	-	120,000	1,531,126	125,000
2010 Stadium Blvd phase I 5337-01	165,000	2029	2.5%	\$10,000	100,000	-	10,000	90,000	10,000
2010 Stadium Blvd phase II 5337-02	916,204	2032	2.5%	\$43,245 - \$57,660	639,066	-	43,245	595,821	43,245
2010 Allen Creek West Park project 5434-01	994,635	2031	2.5%	\$48,050 - \$62,465	653,480	-	48,050	605,430	48,050
2010 Allen Creek Sylvan Ave project 5435-01	405,000	2030	2.5%	\$20,000 - \$25,000	250,000	-	20,000	230,000	20,000
2011 Swift Run cistern 5471-01	26,362	2032	2.5%	\$1,000 - \$2,862	19,862	-	1,000	18,862	1,000
2011 County Farm streambank 5469-01	349,699	2032	2.5%	\$15,000 - \$27,199	242,199	-	15,000	227,199	15,000
2011 Mallets Creek E Stadium Bridge project 5505-01	162,209	2033	2.5%	\$5,000 - \$12,209	122,209	-	5,000	117,209	5,000
2011 Mallets Creek Burns Park project 5464-01	1,052,556	2032	2.5%	\$51,574 - \$65,622	722,010	-	51,574	670,436	51,574
2011 Traver Creek cistern 5472-01	182,434	2032	2.5%	\$8,822 - \$17,019	127,294	-	8,822	118,472	8,822
2011 Allen Creek cistern I 5470-01	140,746	2032	2.5%	\$5,000 - \$10,746	105,746	-	5,000	100,746	5,000
2011 Allen Creek cistern II 5470-02	31,261	2032	2.5%	\$1,000 - \$2,761	24,761	-	1,000	23,761	1,000
2012 Leslie Park project 5516-01	648,479	2033	2.5%	\$31,651 - \$44,855	487,963	-	27,129	460,834	31,651
2012 Allen Creek Willard Street project 5511-01	123,819	2032	2.5%	\$5,000 - \$11,319	86,319	-	5,000	81,319	5,000
2012 SRF tree planting 5504-01	167,467	2033	2.5%	\$5,000 - \$14,967	134,967	-	5,000	129,967	5,000
2013 Huron River infrastructure I 5504-03	215,795	2034	2.5%	\$10,000 - \$18,295	168,295	-	10,000	158,295	10,000
2013 Huron River infrastructure II 5504-02	278,379	2035	2.0%	\$15,000 - \$18,379	238,379	-	10,000	228,379	15,000
2013 Allen Creek Miller Ave 5436-01	805,723	2034	2.0%	\$35,000 - \$51,373	631,373	-	35,000	596,373	35,000
2013 Allen Creek Madison Ave 5437-01	890,130	2034	2.0%	\$40,000 - \$50,466	680,466	-	40,000	640,466	40,000
2013 Allen Creek Fourth Ave I 5510-01	175,163	2033	2.0%	\$10,000 - \$10,163	140,163	-	10,000	130,163	10,000
2013 Allen Creek Forest Ave 5512-01	211,099	2034	2.0%	\$10,000 - \$16,099	161,099	-	10,000	151,099	10,000
2014 Allen Creek West Park Fairgrounds	2,430,000	2034	2.0 - 3.5%	\$105,000 - \$170,000	1,970,000	-	100,000	1,870,000	105,000
2014 Mallets Creek Stone School 5475-01	2,025,000	2035	2.5%	\$90,000 - \$123,322	1,674,423	-	85,000	1,589,423	90,000
2014 Mallets Creek Springwater 5508-01	332,447	2035	2.5%	\$15,000 - \$22,602	272,602	-	15,000	257,602	15,000
2015 Huron River Green Infrastructure (HRGI) - Tree Planting 5504-04	188,503	2036	2.5%	\$10,000 - \$13,503	168,503	-	5,000	163,503	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
Business-type activities continued									
Drain notes (continued)									
2015 HRGI Geddes 5594-01	\$ 1,015,000	2037	2.5%	\$45,000 - \$60,502	\$ 935,000	\$ -	\$ 40,000	\$ 895,000	\$ 45,000
2016 Allen Creek 5509-01	867,872	2037	2.5%	\$35,000- \$52,872	797,872	-	35,000	762,872	35,000
2016 Mallets Creek Drain 5508-02	689,553	2037	2.5%	\$30,000 - \$44,553	634,553	-	30,000	604,553	30,000
2016 HRGI Tree Planting 5504-05	205,801	2037	2.5%	\$10,000 - \$15,801	185,801	-	10,000	175,801	10,000
2017 HRGI 5504-06	292,220	2037	2.5%	\$9,552 - \$19,134	282,220	-	10,000	272,220	9,552
2017 HRGI 5504-07	148,841	2039	2%	\$11,697 - \$15,595	148,841	139,080	15,000	272,921	11,697
Total drain notes					15,244,156	139,080	908,851	14,474,385	939,620
Total bonds and notes payable					186,990,617	3,147,271	13,408,851	176,729,037	13,123,487
Deferred amounts									
For issuance premiums					818,850	-	122,600	696,250	66,850
Total bonds payable					187,809,467	3,147,271	13,531,451	177,425,287	13,190,337
Compensated absences					2,425,990	1,086,242	911,837	2,600,395	911,837
Total business-type activities					\$ 190,235,457	\$ 4,233,513	\$ 14,443,288	\$ 180,025,682	\$ 14,102,174
Component units									
Downtown Development Authority									
Compensated absences					\$ 226,008	\$ 61,235	\$ 104,677	\$ 182,566	\$ 112,647
Ann Arbor Housing Commission									
Compensated absences					61,705	106,707	67,742	100,670	56,753
Total component units					\$ 287,713	\$ 167,942	\$ 172,419	\$ 283,236	\$ 169,400
					Beginning Balance	Additions	Reductions	Ending Balance	
Deferred amount on refunding - governmental activities					\$ (2,769,375)	\$ -	\$ (148,500)	\$ (2,620,875)	
Deferred amount on refunding - business-type activities					(2,663,545)	-	(254,201)	(2,409,344)	
Total					\$ (5,432,920)	\$ -	\$ (402,701)	\$ (5,030,219)	

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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
2021	\$ 6,694,000	\$ 3,158,955	\$ -	\$ 147,126
2022	6,868,000	2,933,560	-	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
2026-2030	37,595,000	8,894,918	2,425,000	426,390
2031-2035	31,680,000	3,170,510	1,620,000	89,917
	<u>\$ 104,049,000</u>	<u>\$ 26,064,332</u>	<u>\$ 5,350,000</u>	<u>\$ 1,216,599</u>
Year Ending June 30,	Business-type Activities			
	Principal	Interest		
2021	\$ 13,123,487	\$ 3,731,895		
2022	13,413,686	3,450,691		
2023	13,438,491	3,144,518		
2024	13,733,983	2,833,776		
2025	13,294,697	2,518,499		
2026-2030	53,021,675	8,919,805		
2031-2035	40,269,532	3,540,076		
2036-2040	16,433,486	310,777		
	<u>\$ 176,729,037</u>	<u>\$ 28,450,037</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, 2020 was \$36,920,000.

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 \$37,171,835. Principal and interest paid for the current year was \$4,038,675. Total customer net revenues, including interest income and excluding depreciation was \$11,397,180.

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 \$148,280,190. Principal and interest paid for the current year was \$9,175,467. Total customer net revenues, including interest income and excluding depreciation was \$20,920,979.

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

City of Ann Arbor
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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 \$1,337,826 at June 30, 2020 and is included in estimated claims payable. The total estimated claims payable of \$2,558,507 is reflected in the Risk Fund at June 30, 2020. A liability for claims must be reported if information prior to the issuance of the financial statements indicates it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claim liability amount for the last two years are summarized below:

	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Year End
2019	\$ 2,653,179	\$ 20,756,767	\$ 20,871,930	\$ 2,538,016
2020	2,538,016	21,849,753	21,829,262	2,558,507

Total Claims

Claims	\$ 2,558,507
Landfill claims payable	<u>7,528,264</u>

Total claims	<u>\$ 10,086,771</u>
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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 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, 2019, the date of the latest actuarial valuation, System membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	1,081
Inactive employees entitled to, but not yet receiving benefits	149
Active employees	<u>711</u>
	<u>1,941</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

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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 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. The City is required to contribute at an actuarially determined rate; the rate for 2020 was 23.2% to 36.6% 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.

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Net pension liability – The total pension liability was determined by an actuarial valuation as of June 30, 2019 (and rolled forward to June 30, 2020), 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	7.0%, 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, 2020 (see the discussion of the System's investment allocation policy) are summarized in the following table:

Asset Class	Target Allocation	Allocation Range	Long-term Expected Real Rate of Return
Equities			
Domestic equities	36%	25% - 42%	4.8%
Developed foreign equities	14%	9% - 17%	5.3%
Emerging markets equities	7%	0% - 10%	6.5%
Private equities	5%	0% - 7%	6.8%
	<u>62%</u>	<u>34% - 76%</u>	
Fixed income			
Investment grade bonds	12%	8% - 24%	0.4%
TIPS	2%	0% - 10%	0.3%
High yield bonds	3%	1% - 5%	2.6%
Bank loans	2%	0% - 4%	3.5%
Emerging market debts	2%	0% - 4%	2.2%
	<u>21%</u>	<u>9% - 47%</u>	
Other investments			
Real estate	9%	2% - 12%	4.9%
Natural resources	3%	0% - 5%	5.7%
Infrastructure	3%	0% - 5%	6.5%
Hedge funds	2%	1% - 5%	2.3%
Cash	0%	0% - 5%	-0.2%
	<u>17%</u>	<u>3% - 32%</u>	
	<u>100%</u>		

Discount rate – The discount rate used to measure the total pension liability was 7.0 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

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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 – The components of the change in the net pension liability are summarized as follows:

Total Pension Liability	
Service cost	\$ 9,922,176
Interest on the total pension liability	40,637,790
Experience differences	5,221,388
Assumption changes	1,248,573
Benefit payments and refunds	<u>(39,605,298)</u>
Net change in total pension liability	17,424,629
Total pension liability - beginning	<u>595,381,415</u>
Total pension liability - ending (a)	<u><u>\$ 612,806,044</u></u>
Plan Fiduciary Net Position	
Employer contributions	\$ 14,124,165
Employee contributions	3,164,729
Pension plan net investment income	23,143,999
Benefit payments and refunds	(39,605,298)
Pension plan administrative expense	(689,228)
Other	<u>(360,337)</u>
Net change in plan fiduciary net position	(221,970)
Plan fiduciary net position - beginning	<u>512,898,230</u>
Plan fiduciary net position - ending (b)	<u><u>512,676,260</u></u>
Net pension liability (a-b)	<u><u>\$ 100,129,784</u></u>
Plan fiduciary net position as a percentage of total pension liability	83.66%
Covered payroll	\$ 57,970,915
Net pension liability as a percentage of covered payroll	172.72%
Primary government	\$ 99,474,757
Fiduciary funds	<u>655,027</u>
Total	<u><u>\$ 100,129,784</u></u>

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the employer, calculated using the discount rate of 7.0%, as well as what the

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employer's net pension liability would be using a discount rate that is 1% point lower (6%) or 1% higher (8%) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net pension liability	\$ 167,184,104	\$ 100,129,784	\$ 43,617,517

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, 2020, the employer recognized pension expense of \$23,724,181. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total</u>
Differences in experience	\$ 5,253,404	\$ (1,284,719)	\$ 3,968,685
Differences in assumptions	898,598	-	898,598
Deficit investment returns	<u>7,467,458</u>	<u>-</u>	<u>7,467,458</u>
Total	<u>\$ 13,619,460</u>	<u>\$ (1,284,719)</u>	<u>\$ 12,334,741</u>
Statement of Net Position	\$ 13,542,867	\$ (1,273,519)	\$ 12,269,348
Statement of Fiduciary Net Position	<u>76,593</u>	<u>(11,200)</u>	<u>65,393</u>
	<u>\$ 13,619,460</u>	<u>\$ (1,284,719)</u>	<u>\$ 12,334,741</u>

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

<u>Year ended,</u>	
2021	\$ 1,120,394
2022	4,631,387
2023	4,197,267
2024	<u>2,385,693</u>
	<u>\$ 12,334,741</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 6% of the employee's wages 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 (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 employees contributed \$247,699 towards the defined benefit component, and for the defined contributed plan, the City contributed \$461,081 and the employees contributed \$274,305 for the year ended June 30, 2020. The total pension liability, net plan position, and net pension liability of the defined benefit component are included in above.

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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, 2019, the date of the latest actuarial valuation, the plan membership consisted of the following:

	2019
Retirees and surviving spouses currently covered	1,052
Vested active participants	711
	<hr/>
Total membership	<u>1,763</u>

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.

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 comprehensive annual 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

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requirements, with an additional amount to prefund benefits as determined annually by the actuary. For fiscal year ended June 30, 2020, the City contributed approximately \$12,240,000 to the plan, including \$12,130,000 for current premiums and an additional \$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, 2020 are summarized below along with the Boards adopted asset allocation policy:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equities		
Domestic equities	36.0%	4.8%
Developed foreign equities	14.0%	5.3%
Emerging markets equities	7.0%	6.5%
Private equities	5.0%	6.8%
Fixed income		
Investment grade bonds	12.0%	0.4%
TIPS	2.0%	0.3%
High yield bonds	3.0%	2.6%
Bank loans	2.0%	3.5%
Emerging market debts	2.0%	2.2%
Other investments		
Real estate	9.0%	4.9%
Natural resources	3.0%	5.7%
Infrastructure	3.0%	6.5%

Rate of return – For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was

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3.52%. 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, 2020 were as follows:

Total OPEB liability	\$	289,866,913
Plan fiduciary net position		<u>193,649,479</u>
Net OPEB liability	\$	<u>96,217,434</u>

Plan fiduciary net position as a percentage of the total OPEB liability is 66.81%.

Actuarial assumptions – The total OPEB liability was determined by an actuarial valuation as of June 30, 2019 (and rolled forward to June 30, 2020), using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	3.50%
Salary increases	3.5%, average, including inflation
Investment rate of return	7%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Medical/Rx Pre-65: Initial trend of 8.25% decreasing 0.25% per year to an ultimate trend rate of 4.50%. Medical/Rx Post-65: Initial trend of 6.25% decreasing 0.25% per year to an ultimate trend rate of 4.50%.

Mortality rates were based on the RP-2000 Combined Table projected to 2007 set forward 2 years for males and set back 3 years for females.

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 7.0%. 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.

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

Total OPEB Liability

Service cost	\$ 2,169,920
Interest on the total OPEB liability	20,212,994
Experience differences	8,453,222
Changes in assumptions	(22,907,010)
Benefit payments and refunds	<u>(11,468,614)</u>
Net change in total OPEB liability	(3,539,488)
Total OPEB liability - beginning	<u>293,406,401</u>
Total OPEB liability - ending (a)	<u><u>\$ 289,866,913</u></u>
Plan Fiduciary Net Position	
Employer contributions	\$ 12,241,536
OPEB plan net investment income	6,722,726
Benefit payments and refunds	(11,468,614)
OPEB plan administrative expense	<u>(177,731)</u>
Net change in plan fiduciary net position	7,317,917
Plan fiduciary net position - beginning	<u>186,331,562</u>
Plan fiduciary net position - ending (b)	<u><u>193,649,479</u></u>
Net OPEB liability (a-b)	<u><u>\$ 96,217,434</u></u>
Plan fiduciary net position as a percentage of total OPEB liability	66.81%
Covered payroll	\$ 57,970,915
Net OPEB liability as a percentage of covered payroll	165.98%
Primary government	\$ 95,729,250
Fiduciary funds	<u>488,184</u>
Total	<u><u>\$ 96,217,434</u></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 (6.0%) or 1% higher (8.0%) than the current discount rate.

	1% Decrease 6%	Discount Rate 7%	1% Increase 8%
Net OPEB liability	\$ 130,763,088	\$ 96,217,434	\$ 67,525,159

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:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Net OPEB liability	\$ 64,934,685	\$ 96,217,434	\$ 133,804,474

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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, 2020, the City recognized OPEB expense of \$13,165,028. 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	\$ 17,414,393	\$ -	\$ 17,414,393
Differences in assumptions	-	(17,074,841)	(17,074,841)
Deficit investment returns	5,244,906	-	5,244,906
Total	<u>\$ 22,659,299</u>	<u>\$ (17,074,841)</u>	<u>\$ 5,584,458</u>
Statement of Net Position	\$ 22,578,009	\$ (17,069,719)	\$ 5,508,290
Statement of Fiduciary Net Position	81,290	(5,122)	76,168
	<u>\$ 22,659,299</u>	<u>\$ (17,074,841)</u>	<u>\$ 5,584,458</u>

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

Year ended,	
2021	\$ 3,668,424
2022	2,734,125
2023	(2,086,355)
2024	<u>1,268,264</u>
	<u>\$ 5,584,458</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, 2020 was \$2,265,215. 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. \$281,215 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, 2020, the City had \$22,36,412 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.

Note 15 - Advances from Pooled Investments

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

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

	2009 Retirement System \$400,000 07/01/08 Due 3-1 & 9-1		2009 Airport - Hangars \$1,150,000 07/03/08 Due 6-1 & 12-1	
FY	Principal	Interest	Principal	Interest
2021	\$ 32,637	\$ 4,197	\$ 90,596	\$ 12,736
2022	34,106	2,728	94,339	8,993
2023	35,641	1,194	98,237	5,094
2024	-	-	50,630	1,035
	\$ 102,384	\$ 8,119	\$ 333,802	\$ 27,858

Interest Rate 4.45% 4.09%

Total		
Principal	Interest	Requirements
\$ 123,233	\$ 16,933	\$ 140,166
128,445	11,721	140,166
133,878	6,288	140,166
50,630	1,035	51,665
<u>\$ 436,186</u>	<u>\$ 35,977</u>	<u>\$ 472,163</u>

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
Nonspendable				
Long-term advances	\$ 243,206	\$ -	\$ -	\$ 243,206
Inventories and prepaids	43,089	-	-	43,089
Trust corpus	-	-	1,984,000	1,984,000
Total nonspendable	<u>286,295</u>	<u>-</u>	<u>1,984,000</u>	<u>2,270,295</u>
Restricted				
Debt service	-	-	553,755	553,755
Culture and recreation	-	-	19,367,475	19,367,475
Road maintenance and repairs	-	-	25,803,959	25,803,959
Road construction	-	7,550,159	-	7,550,159
Law enforcement	-	-	286,246	286,246
Energy projects	-	-	200,000	200,000
Indigent defense	-	-	145,310	145,310
Community television network	-	-	4,626,954	4,626,954
Construction code	-	-	6,354,630	6,354,630
Total restricted	<u>-</u>	<u>7,550,159</u>	<u>57,338,329</u>	<u>64,888,488</u>
Committed				
Culture and recreation	-	-	88,800	88,800
Capital projects	498,352	-	-	498,352
Energy projects	-	-	160,945	160,945
Special assistance	-	-	12,047	12,047
County Mental Health millage	-	-	1,908,743	1,908,743
Cemetery perpetual care	-	-	119,620	119,620
Alternative transportation	-	-	663,413	663,413
Total committed	<u>498,352</u>	<u>-</u>	<u>2,953,568</u>	<u>3,451,920</u>
Assigned				
Capital projects	-	-	10,258,267	10,258,267
Culture and recreation	300,008	-	-	300,008
Affordable housing initiatives	760,164	-	-	760,164
Subsequent years expenditures and potential retirement payouts	6,232,540	-	-	6,232,540
Total assigned	<u>7,292,712</u>	<u>-</u>	<u>10,258,267</u>	<u>17,550,979</u>
Unassigned (deficit)	<u>19,554,234</u>	<u>-</u>	<u>(1,681,092)</u>	<u>17,873,142</u>
Total fund balances	<u>\$ 27,631,593</u>	<u>\$ 7,550,159</u>	<u>\$ 70,853,072</u>	<u>\$ 106,034,824</u>

City of Ann Arbor
Notes to the Financial Statements
June 30, 2020

Note 17 - Net Investment in Capital Assets

	Governmental	Business-type	Component
	Activities	Activities	Units
Capital assets			
Capital assets not being depreciated	\$ 85,803,718	\$ 36,051,400	\$ -
Capital assets - net of accumulated depreciation	<u>677,970,306</u>	<u>390,095,357</u>	<u>57,548</u>
Total capital assets	763,774,024	426,146,757	57,548
Less:			
Government obligation bonds	(109,399,000)	(2,480,000)	-
Revenue bonds	-	(41,125,000)	-
Revolving loans	-	(118,649,652)	-
Drain notes	-	(14,474,385)	-
Premiums	(3,501,388)	(696,250)	-
Discounts	110,627	-	-
Deferred amount on refunding	<u>2,620,875</u>	<u>2,409,344</u>	<u>-</u>
Net investment in capital assets	<u>\$ 653,605,138</u>	<u>\$ 251,130,814</u>	<u>\$ 57,548</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, 2020, the City abated \$11,818 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, 2020, the City abated \$1,023,153 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.

Note 19 - COVID-19 Pandemic

As result of the global coronavirus pandemic of 2020, many organizations' financial picture has seen an unanticipated change. The duration and full effects of the outbreak are currently unknown, as the global picture continues to change daily. While management is hopeful that the impact is temporary in nature, a description of known and anticipated circumstances expected to have a significant impact on the City as of the date of management's review is as follows:

City of Ann Arbor
Notes to the Financial Statements
June 30, 2020

Investments – The City currently has no immediate plans to liquidate investments and remains focused on long term appreciation.

Revenues and Liquidity – The City does not foresee significant liquidity issues at this time, however, the effect the pandemic may have on revenues is unknown. As of August 2020 month-end, State of Michigan sales tax collections are down 0.6% year-over-year. The State has indicated that revenue sharing is likely to be flat over the next fiscal year.

Accounts Receivable – The City has not experienced any material delays in collection of accounts receivable. However, if the pandemic leads to a protracted recession and such delays occur, the City has sufficient liquidity to effectively mitigate any cash flow issues that could arise.

Additional Expenditures – The City expects to experience increased expenditures during 2021 as a result of covering shifts of symptomatic employees who are unable to report for work, purchasing personal protective equipment and implementing additional safety measures during the pandemic.

Grants – The City expects to receive grant revenues from the CARES Act through the State of Michigan in the amount of approximately \$3.3 million in Fiscal Year 2021. The City also expects a significant portion of COVID-19 response related expenditures to be reimbursed at 75% by FEMA. However, the magnitude of this funding is unknown at this time. Potential grant funds resulting from future Federal aid legislation is also unknown.

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.

City of Ann Arbor
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Taxes				
Property taxes	\$ 60,419,774	\$ 60,419,774	\$ 60,987,539	\$ 567,765
Licenses and permits	1,924,447	1,924,447	1,784,805	(139,642)
State-shared revenue and grants	12,984,009	12,991,231	14,353,955	1,362,724
Charges for services	10,392,410	10,392,410	8,688,407	(1,704,003)
Fines and forfeitures	4,849,695	4,849,695	3,561,662	(1,288,033)
Interest income	849,356	849,356	1,756,504	907,148
Rental income	694,796	694,796	778,765	83,969
Other revenue	305,277	643,152	788,003	144,851
Transfers in	4,053,474	3,890,444	3,894,165	3,721
Total revenues	96,473,238	96,655,305	96,593,805	(61,500)

City of Ann Arbor
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Expenditures				
General government				
Mayor and council	\$ 438,005	\$ 439,477	\$ 410,009	\$ (29,468)
Administration	2,061,331	2,407,098	2,063,794	(343,304)
Human resources	2,170,619	2,199,397	1,990,598	(208,799)
Attorney	2,470,898	2,585,673	2,453,749	(131,924)
Finance	8,085,743	8,379,417	7,785,632	(593,785)
Clerk/elections	1,295,559	1,491,377	1,489,016	(2,361)
Environmental coordination services	329,136	533,599	414,574	(119,025)
District court	4,881,186	4,783,341	4,475,347	(307,994)
Planning	1,867,973	2,072,845	1,493,984	(578,861)
Other unallocated	2,585,336	1,503,465	1,245,175	(258,290)
Municipal service charge	<u>(9,115,220)</u>	<u>(9,190,220)</u>	<u>(9,085,351)</u>	<u>104,869</u>
Total general government	<u>17,070,566</u>	<u>17,205,469</u>	<u>14,736,527</u>	<u>(2,468,942)</u>
Public safety				
Police department	29,651,742	30,202,533	29,435,850	(766,683)
Fire department	17,044,562	17,270,007	16,647,152	(622,855)
Building department	<u>1,494,606</u>	<u>1,581,955</u>	<u>1,472,683</u>	<u>(109,272)</u>
Total public safety	<u>48,190,910</u>	<u>49,054,495</u>	<u>47,555,685</u>	<u>(1,498,810)</u>
Public works				
Public services	9,050,238	8,936,846	8,142,880	(793,966)
Municipal service charge	<u>(3,634,487)</u>	<u>(3,689,487)</u>	<u>(3,467,862)</u>	<u>221,625</u>
Total public works	<u>5,415,751</u>	<u>5,247,359</u>	<u>4,675,018</u>	<u>(572,341)</u>

City of Ann Arbor
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Public transportation				
Transportation	\$ 11,415,788	\$ 11,415,788	\$ 11,408,712	\$ (7,076)
Community development				
Community development	5,647,754	6,412,759	5,681,501	(731,258)
Municipal service charge	(2,635,118)	(2,666,818)	(2,519,984)	146,834
Total community and economic development	3,012,636	3,745,941	3,161,517	(584,424)
Recreation and culture				
Parks and recreation	8,888,266	9,062,482	8,442,055	(620,427)
Total recreation and culture	8,888,266	9,062,482	8,442,055	(620,427)
Capital outlay	-	284,746	277,629	(7,117)
Transfers out	3,010,184	4,376,877	4,342,268	(34,609)
Total expenditures	97,004,101	100,393,157	94,599,411	(5,793,746)
Excess (deficiency) of revenues over expenditures	(530,863)	(3,737,852)	1,994,394	5,732,246
Fund balance - beginning of year	25,637,199	25,637,199	25,637,199	-
Fund balance - end of year	\$ 25,106,336	\$ 21,899,347	\$ 27,631,593	\$ 5,732,246

City of Ann Arbor
Required Supplementary Information
Budgetary Comparison Schedule
Street, Bridge, and Sidewalk Repair Millage
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes	\$ 11,830,530	\$ 11,830,530	\$ 11,672,374	\$ (158,156)
Special assessments	-	1,344	74,263	72,919
Federal grants	-	-	102,282	102,282
Contributions and donations	2,642,000	3,242,878	504,373	(2,738,505)
Charges for services	-	240,741	237,725	(3,016)
Interest income	236,231	236,231	411,439	175,208
Other revenue	-	-	78,273	78,273
Transfers in	802,424	3,735,110	6,512,347	2,777,237
	<u>15,511,185</u>	<u>19,286,834</u>	<u>19,593,076</u>	<u>306,242</u>
Expenditures				
Current				
Public works	14,159,707	7,039,242	6,729,241	(310,001)
Capital outlay	-	9,890,410	9,566,391	(324,019)
Transfers out	126,649	1,757,032	1,822,081	65,049
	<u>14,286,356</u>	<u>18,686,684</u>	<u>18,117,713</u>	<u>(568,971)</u>
Excess (deficiency) of revenues over expenditures	1,224,829	600,150	1,475,363	875,213
Fund balance - beginning of year	<u>6,074,796</u>	<u>6,074,796</u>	<u>6,074,796</u>	<u>-</u>
Fund balance - end of year	<u>\$ 7,299,625</u>	<u>\$ 6,674,946</u>	<u>\$ 7,550,159</u>	<u>\$ 875,213</u>

City of Ann Arbor
Required Supplementary Information
City of Ann Arbor Employees' Retirement System
Schedule of Changes in Net Pension Liability and Related Ratios
June 30, 2020

Fiscal year ended June 30,	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	\$ 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	40,637,790	40,055,937	38,552,000	37,755,000	36,925,458	35,978,096	34,400,755
Experience differences	5,221,388	(2,982,853)	15,517,000	3,488,000	(3,826,000)	279,000	3,834,000
Changes in actuarial assumptions	1,248,573	-	-	-	-	-	-
Other changes	-	-	4,342	30,337	-	-	-
Benefit payments and refunds	(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	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	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>\$ 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>
Plan Fiduciary Net Position							
Employer contributions	\$ 14,124,165	\$ 13,621,926	\$ 13,446,000	\$ 13,253,000	\$ 13,352,412	\$ 13,091,474	\$ 11,227,290
Employee contributions	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	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	(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	(1,049,565)	(671,194)	(694,000)	(762,000)	(719,561)	(683,980)	(644,051)
Other	-	(29,397)	299,982	30,337	-	-	-
Net change in plan fiduciary net position	(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	512,898,230	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>\$ 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 (a-b)	<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	83.66%	86.15%	85.94%	87.82%	83.83%	88.00%	89.73%
Covered payroll	\$ 57,970,915	\$ 57,077,636	\$ 55,459,000	\$ 51,059,000	\$ 46,887,000	\$ 49,638,000	\$ 47,956,745
Net pension liability as a percentage of covered payroll	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, 2020

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%

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	23 years
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, 2020

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%

(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, 2020

Fiscal year ended June 30,	2020	2019	2018	2017
Total OPEB Liability				
Service cost	\$ 2,169,920	\$ 2,623,066	\$ 3,331,000	\$ 3,071,000
Interest	20,212,994	17,926,505	17,099,000	17,058,000
Differences between expected and actual experience	8,453,222	23,161,053	-	-
Changes in assumptions	(22,907,010)	1,500,000	-	-
Other	(353)	-	1,181,354	-
Benefit payments	<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	(3,539,841)	32,039,400	7,338,354	6,922,000
Total OPEB liability - beginning	<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><u>\$ 289,866,913</u></u>	<u><u>\$ 293,406,754</u></u>	<u><u>\$ 261,367,354</u></u>	<u><u>\$ 254,029,000</u></u>
Plan Fiduciary Net Position				
Employer contributions	\$ 12,241,536	\$ 15,987,768	\$ 17,724,000	\$ 16,820,000
Net investment income	6,722,726	11,824,566	11,114,000	17,225,000
Benefit payments and refunds	(11,468,614)	(13,171,224)	(14,273,000)	(13,207,000)
Administrative expense	(177,731)	(116,902)	(97,000)	(130,000)
Other	<u>-</u>	<u>-</u>	<u>354</u>	<u>(153,000)</u>
Net change in plan fiduciary net position	7,317,917	14,524,208	14,468,354	20,555,000
Plan fiduciary net position - beginning	<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><u>\$ 193,649,479</u></u>	<u><u>\$ 186,331,562</u></u>	<u><u>\$ 171,807,354</u></u>	<u><u>\$ 157,339,000</u></u>
Net OPEB liability (a-b)	<u><u>\$ 96,217,434</u></u>	<u><u>\$ 107,075,192</u></u>	<u><u>\$ 89,560,000</u></u>	<u><u>\$ 96,690,000</u></u>
Plan fiduciary net position as a percentage of total OPEB liability	66.81%	63.51%	65.73%	61.94%
Covered payroll	\$ 57,970,915	\$ 57,077,636	\$ 55,458,000	\$ 53,583,000
Net OPEB liability as a percentage of covered payroll	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, 2020

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%

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 26 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 Medical/Rx Pre-65: Initial trend of 8.25%, decreasing .25% per year to an ultimate rate of 4.5%.
Medical/Rx Post-65: Initial trend of 6.25%, decreasing .25% per year to an ultimate rate of 4.5%.

City of Ann Arbor
Required Supplementary Information
Other Post Employment Benefits
Schedule of Investment Returns
June 30, 2020

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

(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.

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

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

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

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, 2020

	Special Revenue Funds							
	Energy Projects	Community Television Network	Homeland Security Fund	Major Streets	Local Streets	Court Facilities	Open Space & Parkland Preservation	Bandemer
Assets								
Cash and cash equivalents	\$ 32,122	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equity in pooled cash and investments	329,457	4,173,885	356	16,440,578	5,104,026	8,504	11,550,219	88,350
Investments	-	-	-	-	-	-	-	-
Receivables								
Taxes, net	-	-	-	-	-	-	2	-
Accounts, net	-	473,009	-	101,389	197	-	-	450
Special assessments	189,227	-	-	-	-	-	-	-
Accrued interest and other	-	-	-	-	-	-	-	-
Due from other units of government	-	-	-	1,388,804	379,397	-	-	-
Total assets	<u>\$ 550,806</u>	<u>\$ 4,646,894</u>	<u>\$ 356</u>	<u>\$ 17,930,771</u>	<u>\$ 5,483,620</u>	<u>\$ 8,504</u>	<u>\$ 11,550,221</u>	<u>\$ 88,800</u>
Liabilities								
Accounts payable	\$ -	\$ 4,656	\$ -	\$ 422,257	\$ 120,156	\$ -	\$ 36,913	\$ -
Accrued and other liabilities	634	15,284	-	66,123	15,858	-	921	-
Due to other funds	-	-	-	-	-	-	-	-
Due to other units of government	-	-	-	-	-	-	-	-
Total liabilities	<u>634</u>	<u>19,940</u>	<u>-</u>	<u>488,380</u>	<u>136,014</u>	<u>-</u>	<u>37,834</u>	<u>-</u>
Deferred Inflows of Resources								
Unavailable revenue	<u>189,227</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances								
Non-spendable	-	-	-	-	-	-	-	-
Restricted for								
Culture and recreation	-	-	-	-	-	-	11,512,387	-
Law enforcement	-	-	356	-	-	8,504	-	-
Road maintenance and repairs	-	-	-	17,442,391	5,347,606	-	-	-
Debt service	-	-	-	-	-	-	-	-
Other purposes	200,000	4,626,954	-	-	-	-	-	-
Committed for								
Culture and recreation	-	-	-	-	-	-	-	88,800
Other purposes	160,945	-	-	-	-	-	-	-
Assigned to capital projects	-	-	-	-	-	-	-	-
Unassigned (deficit)	-	-	-	-	-	-	-	-
Total fund balances	<u>360,945</u>	<u>4,626,954</u>	<u>356</u>	<u>17,442,391</u>	<u>5,347,606</u>	<u>8,504</u>	<u>11,512,387</u>	<u>88,800</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 550,806</u>	<u>\$ 4,646,894</u>	<u>\$ 356</u>	<u>\$ 17,930,771</u>	<u>\$ 5,483,620</u>	<u>\$ 8,504</u>	<u>\$ 11,550,221</u>	<u>\$ 88,800</u>

City of Ann Arbor
Other Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2020

	Special Revenue Funds							
	Construction Code	Drug Enforcement	Federal Equitable Sharing Forfeiture	Parks Memorial & Contribution	Metro Expansion	Special Assistance	Open Space Endowment	Cemetery Perpetual Care
Assets								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equity in pooled cash and investments	6,529,050	49,652	238,968	1,228,384	3,034,932	11,537	922,252	119,620
Investments	-	-	-	-	-	-	-	-
Receivables								
Taxes, net	-	-	-	-	-	-	-	-
Accounts, net	176,103	-	-	-	-	510	-	-
Special assessments	-	-	-	-	-	-	-	-
Accrued interest and other	-	-	-	-	-	-	-	-
Due from other units of government	-	-	-	-	-	-	-	-
Total assets	<u>\$ 6,705,153</u>	<u>\$ 49,652</u>	<u>\$ 238,968</u>	<u>\$ 1,228,384</u>	<u>\$ 3,034,932</u>	<u>\$ 12,047</u>	<u>\$ 922,252</u>	<u>\$ 119,620</u>
Liabilities								
Accounts payable	\$ 118,687	\$ -	\$ 30,007	\$ 955	\$ 12,455	\$ -	\$ -	\$ -
Accrued and other liabilities	59,286	-	-	-	8,515	-	-	-
Due to other funds	-	-	-	-	-	-	-	-
Due to other units of government	-	-	-	-	-	-	-	-
Total liabilities	<u>177,973</u>	<u>-</u>	<u>30,007</u>	<u>955</u>	<u>20,970</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources								
Unavailable revenue	<u>172,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances								
Non-spendable	-	-	-	-	-	-	-	-
Restricted for								
Culture and recreation	-	-	-	1,227,429	-	-	922,252	-
Law enforcement	-	49,652	208,961	-	-	-	-	-
Road maintenance and repairs	-	-	-	-	3,013,962	-	-	-
Debt service	-	-	-	-	-	-	-	-
Other purposes	6,354,630	-	-	-	-	-	-	-
Committed for								
Culture and recreation	-	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	12,047	-	119,620
Assigned to capital projects	-	-	-	-	-	-	-	-
Unassigned (deficit)	-	-	-	-	-	-	-	-
Total fund balances	<u>6,354,630</u>	<u>49,652</u>	<u>208,961</u>	<u>1,227,429</u>	<u>3,013,962</u>	<u>12,047</u>	<u>922,252</u>	<u>119,620</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,705,153</u>	<u>\$ 49,652</u>	<u>\$ 238,968</u>	<u>\$ 1,228,384</u>	<u>\$ 3,034,932</u>	<u>\$ 12,047</u>	<u>\$ 922,252</u>	<u>\$ 119,620</u>

City of Ann Arbor
Other Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2020

	Special Revenue Funds						
	Art in Public Places	Alternative Transportation	Michigan Justice Training	Parks Maint. & Capital Imp. Millage	Major Grants	County Mental Health Millage	Indigent Defense
Assets							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equity in pooled cash and investments	-	873,782	18,773	5,929,319	366,076	1,973,048	166,721
Investments	-	-	-	-	-	-	-
Receivables							
Taxes, net	-	4,488	-	1	-	-	-
Accounts, net	-	-	-	-	208	-	-
Special assessments	-	4,384	-	-	-	-	-
Accrued interest and other	-	-	-	-	-	-	-
Due from other units of government	-	-	-	-	2,215,693	-	-
Total assets	<u>\$ -</u>	<u>\$ 882,654</u>	<u>\$ 18,773</u>	<u>\$ 5,929,320</u>	<u>\$ 2,581,977</u>	<u>\$ 1,973,048</u>	<u>\$ 166,721</u>
Liabilities							
Accounts payable	\$ -	\$ 210,259	\$ -	\$ 438,864	\$ 2,121,928	\$ 64,305	\$ 21,411
Accrued and other liabilities	-	4,598	-	66,264	2,024	-	-
Due to other funds	-	-	-	-	-	-	-
Due to other units of government	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>214,857</u>	<u>-</u>	<u>505,128</u>	<u>2,123,952</u>	<u>64,305</u>	<u>21,411</u>
Deferred Inflows of Resources							
Unavailable revenue	-	4,384	-	-	2,139,117	-	-
Fund Balances							
Non-spendable	-	-	-	-	-	-	-
Restricted for							
Culture and recreation	-	-	-	5,424,192	-	-	-
Law enforcement	-	-	18,773	-	-	-	-
Road maintenance and repairs	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	145,310
Committed for							
Culture and recreation	-	-	-	-	-	-	-
Other purposes	-	663,413	-	-	-	1,908,743	-
Assigned to capital projects	-	-	-	-	-	-	-
Unassigned (deficit)	-	-	-	-	(1,681,092)	-	-
Total fund balances	<u>-</u>	<u>663,413</u>	<u>18,773</u>	<u>5,424,192</u>	<u>(1,681,092)</u>	<u>1,908,743</u>	<u>145,310</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ -</u>	<u>\$ 882,654</u>	<u>\$ 18,773</u>	<u>\$ 5,929,320</u>	<u>\$ 2,581,977</u>	<u>\$ 1,973,048</u>	<u>\$ 166,721</u>

City of Ann Arbor
Other Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2020

	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
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 32,122
Equity in pooled cash and investments	553,754	974,396	-	1,596,080	62,478,892
Investments	-	-	10,356,819	-	12,433,021
Receivables					
Taxes, net	1	-	-	-	4,492
Accounts, net	-	-	-	-	751,866
Special assessments	-	-	-	-	193,611
Accrued interest and other	-	-	-	-	10,650
Due from other units of government	-	-	-	40,812	4,024,706
Total assets	<u>\$ 553,755</u>	<u>\$ 974,396</u>	<u>\$ 10,356,819</u>	<u>\$ 1,636,892</u>	<u>\$ 79,929,360</u>
Liabilities					
Accounts payable	\$ -	\$ 248,684	\$ -	\$ 365,665	\$ 4,236,012
Accrued and other liabilities	-	55	-	1,138	240,700
Due to other funds	-	-	153,519	-	153,519
Due to other units of government	-	-	1,940,779	-	1,940,779
Total liabilities	<u>-</u>	<u>248,739</u>	<u>2,094,298</u>	<u>366,803</u>	<u>6,571,010</u>
Deferred Inflows of Resources					
Unavailable revenue	-	-	-	-	2,505,278
Fund Balances					
Non-spendable	-	-	-	-	1,984,000
Restricted for					
Culture and recreation	-	-	-	-	281,215
Law enforcement	-	-	-	-	286,246
Road maintenance and repairs	-	-	-	-	25,803,959
Debt service	553,755	-	-	-	553,755
Other purposes	-	-	-	-	11,326,894
Committed for					
Culture and recreation	-	-	-	-	88,800
Other purposes	-	-	-	-	2,864,768
Assigned to capital projects	-	725,657	8,262,521	1,270,089	10,258,267
Unassigned (deficit)	-	-	-	-	(1,681,092)
Total fund balances	<u>553,755</u>	<u>725,657</u>	<u>8,262,521</u>	<u>1,270,089</u>	<u>70,853,072</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 553,755</u>	<u>\$ 974,396</u>	<u>\$ 10,356,819</u>	<u>\$ 1,636,892</u>	<u>\$ 79,929,360</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, 2020

	Special Revenue Funds							
	Energy Projects	Community Television Grant	Homeland Security Grant	Major Streets	Local Streets	Court Facilities	Open Space & Parkland Preservation	Bandemer
Revenues								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,660,735	\$ -
Licenses, permits and registration	-	1,877,218	-	-	-	-	-	-
Federal grants	-	-	44,478	-	-	-	511,070	-
State-shared revenues and grants	-	-	-	9,945,725	2,718,333	-	-	-
Local contributions and donations	-	-	-	-	5,163	-	4,000	-
Charges for services	-	-	-	781,281	194,737	-	-	870
Fines and forfeitures	-	-	-	-	-	52,573	-	-
Investment income	7,956	149,870	68	612,764	214,093	1,026	437,783	3,177
Other revenue	9,133	5,765	-	330,129	949	-	879	5,700
Total revenues	17,089	2,032,853	44,546	11,669,899	3,133,275	53,599	3,614,467	9,747
Expenditures								
Current								
General government	61,596	1,404,479	-	-	-	-	-	-
Public safety	-	-	44,478	-	-	-	-	-
Public works	-	-	-	8,335,144	1,978,738	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-	1,444,512	1,201
Capital outlay	-	-	-	264,808	10,326	-	957,314	-
Debt service								
Principal retirement	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	61,596	1,404,479	44,478	8,599,952	1,989,064	-	2,401,826	1,201
Excess (deficiency) of revenues over expenditures	(44,507)	628,374	68	3,069,947	1,144,211	53,599	1,212,641	8,546
Other financing sources (uses)								
Transfers in	99,996	68,133	-	560,880	43,683	171,000	1,991	-
Transfers out	(63,438)	(346,724)	-	(3,165,037)	(3,390,103)	(225,000)	(1,168,363)	-
Total other financing sources and uses	36,558	(278,591)	-	(2,604,157)	(3,346,420)	(54,000)	(1,166,372)	-
Net change in fund balance	(7,949)	349,783	68	465,790	(2,202,209)	(401)	46,269	8,546
Fund balance - beginning of year	368,894	4,277,171	288	16,976,601	7,549,815	8,905	11,466,118	80,254
Fund balance - end of year	\$ 360,945	\$ 4,626,954	\$ 356	\$ 17,442,391	\$ 5,347,606	\$ 8,504	\$ 11,512,387	\$ 88,800

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, 2020

	Special Revenue Funds							
	Construction Code	Drug Enforcement	Federal Equitable Sharing Forfeiture	Parks Memorial & Contributions	Metro Expansion	Special Assistance	Open Space Endowment	Cemetery Perpetual Care
Revenues								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits and registration	3,955,149	-	-	-	-	-	-	-
Federal grants	-	-	-	-	-	-	-	-
State-shared revenues and grants	-	-	-	-	440,749	-	-	-
Local contributions and donations	-	-	-	117,220	-	11,091	-	-
Charges for services	-	-	-	57,247	-	-	-	10,651
Fines and forfeitures	-	7,616	148,296	-	-	-	-	-
Investment income	250,197	1,801	8,765	44,614	104,894	523	33,671	1,907
Other revenue	7,663	-	-	-	14,786	-	-	-
Total revenues	4,213,009	9,417	157,061	219,081	560,429	11,614	33,671	12,558
Expenditures								
Current								
General government	-	-	-	-	-	-	-	-
Public safety	4,711,903	6,500	83,972	-	-	-	-	-
Public works	-	-	-	-	254,027	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	14,246	-	-
Recreation and culture	-	-	-	47,079	-	-	-	-
Capital outlay	-	-	30,007	-	-	-	-	-
Debt service								
Principal retirement	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	4,711,903	6,500	113,979	47,079	254,027	14,246	-	-
Excess (deficiency) of revenues over expenditures	(498,894)	2,917	43,082	172,002	306,402	(2,632)	33,671	12,558
Other financing sources (uses)								
Transfers in	100,790	-	-	21	3,570	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources and uses	100,790	-	-	21	3,570	-	-	-
Net change in fund balance	(398,104)	2,917	43,082	172,023	309,972	(2,632)	33,671	12,558
Fund balance - beginning of year	6,752,734	46,735	165,879	1,055,406	2,703,990	14,679	888,581	107,062
Fund balance - end of year	\$ 6,354,630	\$ 49,652	\$ 208,961	\$ 1,227,429	\$ 3,013,962	\$ 12,047	\$ 922,252	\$ 119,620

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, 2020

	Special Revenue Funds						
	Art in Public Places	Alternative Transportation	Michigan Justice Training	Parks Maint. & Capital Impro. Millage	Major Grants	County Mental Health Millage	Indigent Defense
Revenues							
Taxes	\$ -	\$ -	\$ -	\$ 6,358,642	\$ -	\$ 2,342,625	\$ -
Licenses, permits and registration	-	-	-	-	-	-	-
Federal grants	-	-	-	-	83,752	-	-
State-shared revenues and grants	-	-	19,013	-	253,306	-	75,664
Local contributions and donations	-	-	-	-	-	-	-
Charges for services	-	4,409	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-
Investment income	-	31,757	209	246,762	4,812	50,437	5,039
Other revenue	-	-	-	3,541	13,004	-	-
Total revenues	-	36,166	19,222	6,608,945	354,874	2,393,062	80,703
Expenditures							
Current							
General government	-	8,994	-	-	326,615	519,284	-
Public safety	-	-	16,605	-	113,011	-	-
Public works	-	726,172	-	-	12,631	334,416	-
Health and welfare	-	-	-	-	-	-	288,832
Community and economic development	-	-	-	-	-	286,729	-
Recreation and culture	-	-	-	4,426,393	3,888	-	-
Capital outlay	-	-	-	1,892,262	2,688,985	75,921	-
Debt service							
Principal retirement	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	-	735,166	16,605	6,318,655	3,145,130	1,216,350	288,832
Excess (deficiency) of revenues over expenditures	-	(699,000)	2,617	290,290	(2,790,256)	1,176,712	(208,129)
Other financing sources (uses)							
Transfers in	-	635,641	-	404,190	672,246	20,000	206,507
Transfers out	(124,392)	-	-	(31,549)	-	(864,996)	-
Total other financing sources and uses	(124,392)	635,641	-	372,641	672,246	(844,996)	206,507
Net change in fund balance	(124,392)	(63,359)	2,617	662,931	(2,118,010)	331,716	(1,622)
Fund balance - beginning of year	124,392	726,772	16,156	4,761,261	436,918	1,577,027	146,932
Fund balance - end of year	\$ -	\$ 663,413	\$ 18,773	\$ 5,424,192	\$ (1,681,092)	\$ 1,908,743	\$ 145,310

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, 2020

	Debt Service Fund	Capital Projects Funds		Permanent Fund	Total Nonmajor Governmental Funds
	General Debt Service	Maintenance Facility	2019-A Capital Improvement Bonds	General Capital Improvements	Elizabeth R. Dean Trust
Revenues					
Taxes	\$ 2,133	\$ -	\$ -	\$ -	\$ 11,364,135
Licenses, permits and registration	-	-	-	-	5,832,367
Federal grants	-	-	-	-	639,300
State-shared revenues and grants	-	-	-	-	13,452,790
Local contributions and donations	-	-	895,452	-	1,032,926
Charges for services	5,402,027	-	-	40,812	6,492,034
Fines and forfeitures	-	-	-	-	208,485
Investment income	38,961	36,218	207,313	66,709	2,661,642
Other revenue	19	-	-	-	391,568
Total revenues	5,443,140	36,218	1,102,765	107,521	42,075,247
Expenditures					
Current					
General government	-	6,042	-	-	2,327,010
Public safety	-	-	-	-	4,976,469
Public works	-	-	-	6,470	11,647,598
Health and welfare	-	-	-	-	288,832
Community and economic development	-	-	153,478	-	454,453
Recreation and culture	-	-	-	-	5,944,998
Capital outlay	-	878,549	5,969,677	1,559,845	14,327,694
Debt service					
Principal retirement	6,213,000	-	-	-	6,213,000
Interest and fiscal charges	3,747,600	-	-	-	3,747,600
Total expenditures	9,960,600	884,591	6,123,155	1,566,315	49,927,654
Excess (deficiency) of revenues over expenditures	(4,517,460)	(848,373)	(5,020,390)	(1,458,794)	(7,852,407)
Other financing sources (uses)					
Transfers in	4,442,566	-	-	1,076,976	8,509,670
Transfers out	-	-	-	(165,976)	(9,545,578)
Total other financing sources and uses	4,442,566	-	-	911,000	(1,035,908)
Net change in fund balance	(74,894)	(848,373)	(5,020,390)	(547,794)	(8,888,315)
Fund balance - beginning of year	628,649	1,574,030	13,282,911	1,817,883	79,741,387
Fund balance - end of year	\$ 553,755	\$ 725,657	\$ 8,262,521	\$ 1,270,089	\$ 70,853,072

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Energy Projects
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Charges for services	\$ 53,742	\$ 53,742	\$ -	\$ (53,742)
Investment income	5,460	5,460	7,956	2,496
Other revenue	7,040	7,040	9,133	2,093
Transfers in	<u>100,000</u>	<u>100,000</u>	<u>99,996</u>	<u>(4)</u>
Total revenues	<u>166,242</u>	<u>166,242</u>	<u>117,085</u>	<u>(49,157)</u>
Expenditures				
Current				
General government	248,133	248,133	61,596	(186,537)
Transfers out	<u>63,938</u>	<u>63,938</u>	<u>63,438</u>	<u>(500)</u>
Total expenditures	<u>312,071</u>	<u>312,071</u>	<u>125,034</u>	<u>(187,037)</u>
Excess (deficiency) of revenues over expenditures	(145,829)	(145,829)	(7,949)	137,880
Fund balance - beginning of year	<u>368,894</u>	<u>368,894</u>	<u>368,894</u>	<u>-</u>
Fund balance - end of year	<u>\$ 223,065</u>	<u>\$ 223,065</u>	<u>\$ 360,945</u>	<u>\$ 137,880</u>

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Community Television Network
For the Year Ended June 30, 2020

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Licenses and permits	\$ 2,055,000	\$ 2,055,000	\$ 1,877,218	\$ (177,782)
Investment income	76,825	76,825	149,870	73,045
Other revenue	-	-	5,765	5,765
Transfers in	68,133	68,133	68,133	-
	<u>2,199,958</u>	<u>2,199,958</u>	<u>2,100,986</u>	<u>(98,972)</u>
Expenditures				
Current				
General government	1,699,793	1,699,793	1,404,479	(295,314)
Capital outlay	100,000	100,000	-	(100,000)
Transfers out	328,000	328,000	346,724	18,724
	<u>2,127,793</u>	<u>2,127,793</u>	<u>1,751,203</u>	<u>(376,590)</u>
Total expenditures				
	<u>2,127,793</u>	<u>2,127,793</u>	<u>1,751,203</u>	<u>(376,590)</u>
Excess (deficiency) of revenues over expenditures	72,165	72,165	349,783	277,618
Fund balance - beginning of year	<u>4,277,171</u>	<u>4,277,171</u>	<u>4,277,171</u>	<u>-</u>
Fund balance - end of year	<u>\$ 4,349,336</u>	<u>\$ 4,349,336</u>	<u>\$ 4,626,954</u>	<u>\$ 277,618</u>

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Homeland Security Grant
For the Year Ended June 30, 2020

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Federal grants	\$ -	\$ 44,478	\$ 44,478	\$ -
Investment income	-	-	68	68
Total revenues	-	44,478	44,546	68
Expenditures				
Current				
Public safety	-	44,478	44,478	-
Excess (deficiency) of revenues over expenditures	-	-	68	68
Fund balance - beginning of year	288	288	288	-
Fund balance - end of year	<u>\$ 288</u>	<u>\$ 288</u>	<u>\$ 356</u>	<u>\$ 68</u>

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Major Streets
For the Year Ended June 30, 2020

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
State-shared revenue	\$ 9,826,420	\$ 9,826,420	\$ 9,945,725	\$ 119,305
Charges for services	771,600	777,766	781,281	3,515
Interest income	291,356	291,356	612,764	321,408
Other revenue	325,150	325,150	330,129	4,979
Transfers in	181,238	526,638	560,880	34,242
Total revenues	<u>11,395,764</u>	<u>11,747,330</u>	<u>12,230,779</u>	<u>483,449</u>
Expenditures				
Current				
Public works	11,624,459	10,451,616	8,335,144	(2,116,472)
Capital outlay	165,000	165,000	264,808	99,808
Transfers out	1,255,783	3,165,468	3,165,037	(431)
Total expenditures	<u>13,045,242</u>	<u>13,782,084</u>	<u>11,764,989</u>	<u>(2,017,095)</u>
Excess (deficiency) of revenues over expenditures	(1,649,478)	(2,034,754)	465,790	2,500,544
Fund balance - beginning of year	<u>16,976,601</u>	<u>16,976,601</u>	<u>16,976,601</u>	<u>-</u>
Fund balance - end of year	<u>\$ 15,327,123</u>	<u>\$ 14,941,847</u>	<u>\$ 17,442,391</u>	<u>\$ 2,500,544</u>

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Local Streets
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
State-shared revenues and grants	\$ 3,242,815	\$ 3,242,815	\$ 2,718,333	\$ (524,482)
Local contributions	-	-	5,163	5,163
Charges for services	197,230	197,230	194,737	(2,493)
Interest income	112,116	112,116	214,093	101,977
Other revenue	-	-	949	949
Transfers in	43,678	43,678	43,683	5
	<u>3,595,839</u>	<u>3,595,839</u>	<u>3,176,958</u>	<u>(418,881)</u>
Total revenues				
Expenditures				
Current				
Public works	5,343,455	2,354,517	1,978,738	(375,779)
Capital outlay	-	-	10,326	10,326
Transfers out	252,384	3,390,129	3,390,103	(26)
	<u>5,595,839</u>	<u>5,744,646</u>	<u>5,379,167</u>	<u>(365,479)</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	(2,000,000)	(2,148,807)	(2,202,209)	(53,402)
Fund balance - beginning of year	7,549,815	7,549,815	7,549,815	-
Fund balance - end of year	<u>\$ 5,549,815</u>	<u>\$ 5,401,008</u>	<u>\$ 5,347,606</u>	<u>\$ (53,402)</u>

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Court Facilities
For the Year Ended June 30, 2020

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Fines and forfeitures	\$ 90,000	\$ 90,000	\$ 52,573	\$ (37,427)
Investment income	-	-	1,026	1,026
Transfers in	<u>135,000</u>	<u>171,000</u>	<u>171,000</u>	<u>-</u>
Total revenues	225,000	261,000	224,599	(36,401)
Expenditures				
Transfers out	<u>225,000</u>	<u>225,000</u>	<u>225,000</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	36,000	(401)	(36,401)
Fund balance - beginning of year	<u>8,905</u>	<u>8,905</u>	<u>8,905</u>	<u>-</u>
Fund balance - end of year	<u><u>\$ 8,905</u></u>	<u><u>\$ 44,905</u></u>	<u><u>\$ 8,504</u></u>	<u><u>\$ (36,401)</u></u>

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Open Space & Parkland Preservation
For the Year Ended June 30, 2020

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Taxes	\$ 2,632,919	\$ 2,632,919	\$ 2,660,735	\$ 27,816
Federal grants	-	511,070	511,070	-
Local contributions and donations	-	-	4,000	4,000
Investment income	236,084	236,084	437,783	201,699
Other revenue	-	-	879	879
Transfers in	1,991	1,991	1,991	-
	<u>2,870,994</u>	<u>3,382,064</u>	<u>3,616,458</u>	<u>234,394</u>
Expenditures				
Current				
Recreation and culture	258,856	1,459,599	1,444,512	(15,087)
Capital outlay	-	988,236	957,314	(30,922)
Transfers out	1,168,363	1,168,363	1,168,363	-
	<u>1,427,219</u>	<u>3,616,198</u>	<u>3,570,189</u>	<u>(46,009)</u>
Excess (deficiency) of revenues over expenditures	1,443,775	(234,134)	46,269	280,403
Fund balance - beginning of year	<u>11,466,118</u>	<u>11,466,118</u>	<u>11,466,118</u>	<u>-</u>
Fund balance - end of year	<u>\$ 12,909,893</u>	<u>\$ 11,231,984</u>	<u>\$ 11,512,387</u>	<u>\$ 280,403</u>

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Bandemer
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Charges for services	\$ -	\$ -	\$ 870	\$ 870
Investment income	1,406	1,406	3,177	1,771
Other revenue	<u>7,650</u>	<u>7,650</u>	<u>5,700</u>	<u>(1,950)</u>
Total revenues	<u>9,056</u>	<u>9,056</u>	<u>9,747</u>	<u>691</u>
Expenditures				
Current				
Recreation and culture	1,287	1,287	1,201	(86)
Capital outlay	<u>4,844</u>	<u>4,844</u>	<u>-</u>	<u>(4,844)</u>
Total expenditures	<u>6,131</u>	<u>6,131</u>	<u>1,201</u>	<u>(4,930)</u>
Excess (deficiency) of revenues over expenditures	2,925	2,925	8,546	5,621
Fund balance - beginning of year	<u>80,254</u>	<u>80,254</u>	<u>80,254</u>	<u>-</u>
Fund balance - end of year	<u>\$ 83,179</u>	<u>\$ 83,179</u>	<u>\$ 88,800</u>	<u>\$ 5,621</u>

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Construction Code
For the Year Ended June 30, 2020

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Licenses and permits	\$ 4,146,850	\$ 4,146,850	\$ 3,955,149	\$ (191,701)
Investment income	121,565	121,565	250,197	128,632
Other revenue	1,200	1,200	7,663	6,463
Transfers in	100,790	100,790	100,790	-
	<u>4,370,405</u>	<u>4,370,405</u>	<u>4,313,799</u>	<u>(56,606)</u>
Total revenues				
	<u>4,370,405</u>	<u>4,370,405</u>	<u>4,313,799</u>	<u>(56,606)</u>
Expenditures				
Current				
Public safety	4,572,406	5,298,837	4,711,903	(586,934)
Capital outlay	271,922	271,922	-	(271,922)
	<u>4,844,328</u>	<u>5,570,759</u>	<u>4,711,903</u>	<u>(858,856)</u>
Total expenditures				
	<u>4,844,328</u>	<u>5,570,759</u>	<u>4,711,903</u>	<u>(858,856)</u>
Excess (deficiency) of revenues over expenditures	(473,923)	(1,200,354)	(398,104)	802,250
Fund balance - beginning of year	6,752,734	6,752,734	6,752,734	-
Fund balance - end of year	<u>\$ 6,278,811</u>	<u>\$ 5,552,380</u>	<u>\$ 6,354,630</u>	<u>\$ 802,250</u>

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Drug Enforcement
For the Year Ended June 30, 2020

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Fines and forfeitures	\$ 500	\$ 7,616	\$ 7,616	\$ -
Investment income	<u>1,614</u>	<u>1,614</u>	<u>1,801</u>	<u>187</u>
Total revenues	2,114	9,230	9,417	187
Expenditures				
Current				
Public safety	<u>24,225</u>	<u>31,341</u>	<u>6,500</u>	<u>(24,841)</u>
Excess (deficiency) of revenues over expenditures	(22,111)	(22,111)	2,917	25,028
Fund balance - beginning of year	<u>46,735</u>	<u>46,735</u>	<u>46,735</u>	<u>-</u>
Fund balance - end of year	<u>\$ 24,624</u>	<u>\$ 24,624</u>	<u>\$ 49,652</u>	<u>\$ 25,028</u>

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Federal Equitable Sharing Forfeiture
For the Year Ended June 30, 2020

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Fines and forfeitures	\$ 10,000	\$ 148,296	\$ 148,296	\$ -
Investment income	2,393	2,393	8,765	6,372
Total revenues	12,393	150,689	157,061	6,372
Expenditures				
Current				
Public safety	75,003	213,299	83,972	(129,327)
Capital outlay	-	-	30,007	30,007
Total expenditures	75,003	213,299	113,979	(99,320)
Excess (deficiency) of revenues over expenditures	(62,610)	(62,610)	43,082	105,692
Fund balance - beginning of year	165,879	165,879	165,879	-
Fund balance - end of year	<u>\$ 103,269</u>	<u>\$ 103,269</u>	<u>\$ 208,961</u>	<u>\$ 105,692</u>

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Parks & Memorial Contributions
For the Year Ended June 30, 2020

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Local contributions and donations	\$ 27,500	\$ 129,120	\$ 117,220	\$ (11,900)
Charges for services	75,000	75,000	57,247	(17,753)
Investment income	16,431	16,431	44,614	28,183
Transfers in	21	21	21	-
	<u>118,952</u>	<u>220,572</u>	<u>219,102</u>	<u>(1,470)</u>
Expenditures				
Current				
Recreation and culture	33,931	75,826	47,079	(28,747)
Transfers out	<u>115,000</u>	<u>115,000</u>	<u>-</u>	<u>(115,000)</u>
	<u>148,931</u>	<u>190,826</u>	<u>47,079</u>	<u>(143,747)</u>
Excess (deficiency) of revenues over expenditures	(29,979)	29,746	172,023	142,277
Fund balance - beginning of year	<u>1,055,406</u>	<u>1,055,406</u>	<u>1,055,406</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1,025,427</u>	<u>\$ 1,085,152</u>	<u>\$ 1,227,429</u>	<u>\$ 142,277</u>

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Metro Expansion
For the Year Ended June 30, 2020

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
State-shared revenue and grants	\$ 390,000	\$ 390,000	\$ 440,749	\$ 50,749
Investment income	45,812	45,812	104,894	59,082
Other revenue	-	-	14,786	14,786
Transfers in	<u>3,570</u>	<u>3,570</u>	<u>3,570</u>	<u>-</u>
Total revenues	439,382	439,382	563,999	124,617
Expenditures				
Current				
Public works	<u>436,495</u>	<u>436,495</u>	<u>254,027</u>	<u>(182,468)</u>
Excess (deficiency) of revenues over expenditures	2,887	2,887	309,972	307,085
Fund balance - beginning of year	<u>2,703,990</u>	<u>2,703,990</u>	<u>2,703,990</u>	<u>-</u>
Fund balance - end of year	<u>\$ 2,706,877</u>	<u>\$ 2,706,877</u>	<u>\$ 3,013,962</u>	<u>\$ 307,085</u>

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Special Assistance
For the Year Ended June 30, 2020

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Local contributions	\$ 5,000	\$ 5,000	\$ 11,091	\$ 6,091
Investment income	204	204	523	319
Total revenues	5,204	5,204	11,614	6,410
Expenditures				
Current				
Community and economic development	16,000	16,000	14,246	(1,754)
Excess (deficiency) of revenues over expenditures	(10,796)	(10,796)	(2,632)	8,164
Fund balance - beginning of year	14,679	14,679	14,679	-
Fund balance - end of year	<u>\$ 3,883</u>	<u>\$ 3,883</u>	<u>\$ 12,047</u>	<u>\$ 8,164</u>

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Open Space Endowment
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Interest income	\$ 16,026	\$ 16,026	\$ 33,671	\$ 17,645
Expenditures				
Current				
Recreation and culture	15,000	15,000	-	(15,000)
Excess (deficiency) of revenues over expenditures	1,026	1,026	33,671	32,645
Fund balance - beginning of year	888,581	888,581	888,581	-
Fund balance - end of year	<u>\$ 889,607</u>	<u>\$ 889,607</u>	<u>\$ 922,252</u>	<u>\$ 32,645</u>

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Cemetery Perpetual Care
For the Year Ended June 30, 2020

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Charges for services	\$ 3,000	\$ 3,000	\$ 10,651	\$ 7,651
Investment income	<u>2,106</u>	<u>2,106</u>	<u>1,907</u>	<u>(199)</u>
Total revenues	<u>5,106</u>	<u>5,106</u>	<u>12,558</u>	<u>7,452</u>
Excess (deficiency) of revenues over expenditures	5,106	5,106	12,558	7,452
Fund balance - beginning of year	<u>107,062</u>	<u>107,062</u>	<u>107,062</u>	<u>-</u>
Fund balance - end of year	<u>\$ 112,168</u>	<u>\$ 112,168</u>	<u>\$ 119,620</u>	<u>\$ 7,452</u>

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Art in Public Places
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Expenditures				
Transfers out	\$ 130,000	\$ 130,000	\$ 124,392	\$ (5,608)
Excess (deficiency) of revenues over expenditures	(130,000)	(130,000)	(124,392)	5,608
Fund balance - beginning of year	124,392	124,392	124,392	-
Fund balance - end of year	<u>\$ (5,608)</u>	<u>\$ (5,608)</u>	<u>\$ -</u>	<u>\$ 5,608</u>

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Alternative Transportation
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Charges for services	\$ -	\$ -	\$ 4,409	\$ 4,409
Investment income	12,714	12,714	31,757	19,043
Transfers in	635,655	635,655	635,641	(14)
	<u>648,369</u>	<u>648,369</u>	<u>671,807</u>	<u>23,438</u>
Total revenues				
Expenditures				
Current				
General government	21,455	21,455	8,994	(12,461)
Public works	926,724	829,822	726,172	(103,650)
	<u>948,179</u>	<u>851,277</u>	<u>735,166</u>	<u>(116,111)</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	(299,810)	(202,908)	(63,359)	139,549
Fund balance - beginning of year	726,772	726,772	726,772	-
Fund balance - end of year	<u>\$ 426,962</u>	<u>\$ 523,864</u>	<u>\$ 663,413</u>	<u>\$ 139,549</u>

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Michigan Justice Training
For the Year Ended June 30, 2020

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
State-shared revenue	\$ 21,000	\$ 21,000	\$ 19,013	\$ (1,987)
Investment income	268	268	209	(59)
Total revenues	21,268	21,268	19,222	(2,046)
Expenditures				
Current				
Public safety	21,000	21,000	16,605	(4,395)
Excess (deficiency) of revenues over expenditures	268	268	2,617	2,349
Fund balance - beginning of year	16,156	16,156	16,156	-
Fund balance - end of year	<u>\$ 16,424</u>	<u>\$ 16,424</u>	<u>\$ 18,773</u>	<u>\$ 2,349</u>

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Parks Maintenance & Capital Improvement Millage
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes	\$ 6,294,827	\$ 6,294,827	\$ 6,358,642	\$ 63,815
Investment income	119,695	119,695	246,762	127,067
Other revenue	1,100	1,100	3,541	2,441
Transfers in	223,315	504,190	404,190	(100,000)
Total revenues	<u>6,638,937</u>	<u>6,919,812</u>	<u>7,013,135</u>	<u>93,323</u>
Expenditures				
Current				
Recreation and culture	6,592,771	5,183,834	4,426,393	(757,441)
Capital outlay	-	1,833,957	1,892,262	58,305
Transfers out	-	-	31,549	31,549
Total expenditures	<u>6,592,771</u>	<u>7,017,791</u>	<u>6,350,204</u>	<u>(667,587)</u>
Excess (deficiency) of revenues over expenditures	46,166	(97,979)	662,931	760,910
Fund balance - beginning of year	<u>4,761,261</u>	<u>4,761,261</u>	<u>4,761,261</u>	<u>-</u>
Fund balance - end of year	<u>\$ 4,807,427</u>	<u>\$ 4,663,282</u>	<u>\$ 5,424,192</u>	<u>\$ 760,910</u>

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Major Grants
For the Year Ended June 30, 2020

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Federal grants	\$ -	\$ 83,835	\$ 83,752	\$ (83)
State-shared revenue and grants	-	253,306	253,306	-
Investment income	-	-	4,812	4,812
Other revenue	-	42,991	13,004	(29,987)
Transfers in	-	172,795	672,246	499,451
Total revenues	-	552,927	1,027,120	474,193
Expenditures				
Current				
General government	-	340,879	326,615	(14,264)
Public safety	-	20,701	113,011	92,310
Public works	-	12,629	12,631	2
Recreation and culture	-	16,545	3,888	(12,657)
Capital outlay	-	2,688,985	2,688,985	-
Total expenditures	-	3,079,739	3,145,130	65,391
Excess (deficiency) of revenues over expenditures	-	(2,526,812)	(2,118,010)	408,802
Fund balance - beginning of year	436,918	436,918	436,918	-
Fund balance - end of year	\$ 436,918	\$ (2,089,894)	\$ (1,681,092)	\$ 408,802

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
County Mental Health Millage
For the Year Ended June 30, 2020

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Taxes	\$ 2,200,000	\$ 2,200,000	\$ 2,342,625	\$ 142,625
Investment income	-	-	50,437	50,437
Transfers in	-	20,000	20,000	-
	<u>2,200,000</u>	<u>2,220,000</u>	<u>2,413,062</u>	<u>193,062</u>
Total revenues				
Expenditures				
Current				
General government	605,000	625,000	519,284	(105,716)
Public works	335,000	335,000	334,416	(584)
Community and economic development	220,000	220,000	286,729	66,729
Capital outlay	175,000	175,000	75,921	(99,079)
Transfers out	865,000	865,000	864,996	(4)
	<u>2,200,000</u>	<u>2,220,000</u>	<u>2,081,346</u>	<u>(138,654)</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	-	-	331,716	331,716
Fund balance - beginning of year	<u>1,577,027</u>	<u>1,577,027</u>	<u>1,577,027</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1,577,027</u>	<u>\$ 1,577,027</u>	<u>\$ 1,908,743</u>	<u>\$ 331,716</u>

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Michigan Indigent Defense
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
State-shared revenue and grants	\$ 197,123	\$ 75,664	\$ 75,664	\$ -
Investment income	-	-	5,039	5,039
Transfers in	-	206,507	206,507	-
	<u>197,123</u>	<u>282,171</u>	<u>287,210</u>	<u>5,039</u>
Total revenues	197,123	282,171	287,210	5,039
Expenditures				
Current				
Health and welfare	<u>197,123</u>	<u>288,832</u>	<u>288,832</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	(6,661)	(1,622)	5,039
Fund balance - beginning of year	<u>146,932</u>	<u>146,932</u>	<u>146,932</u>	<u>-</u>
Fund balance - end of year	<u>\$ 146,932</u>	<u>\$ 140,271</u>	<u>\$ 145,310</u>	<u>\$ 5,039</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, 2020

	Central Store	Fleet Services	Information Technology	Project Management	Risk	Wheeler Center	Total
Assets							
Current assets							
Cash	\$ -	\$ -	\$ -	\$ 200	\$ 98	\$ -	\$ 298
Equity in pooled cash and investments	2,071,705	14,272,319	4,484,366	3,052,139	10,800,469	453,510	35,134,508
Accounts receivable, net	-	-	41,895	192,237	-	229	234,361
Inventories	642,576	480,821	-	-	-	-	1,123,397
Prepaid items	-	-	258,511	-	2,106,884	-	2,365,395
Total current assets	<u>2,714,281</u>	<u>14,753,140</u>	<u>4,784,772</u>	<u>3,244,576</u>	<u>12,907,451</u>	<u>453,739</u>	<u>38,857,959</u>
Noncurrent assets							
Capital assets, net of accumulated depreciation	-	11,916,506	-	-	-	-	11,916,506
Capital assets not being depreciated	6,948	90,005	453,930	73,247	-	-	624,130
Total noncurrent assets	<u>6,948</u>	<u>12,006,511</u>	<u>453,930</u>	<u>73,247</u>	<u>-</u>	<u>-</u>	<u>12,540,636</u>
Total assets	<u>2,721,229</u>	<u>26,759,651</u>	<u>5,238,702</u>	<u>3,317,823</u>	<u>12,907,451</u>	<u>453,739</u>	<u>51,398,595</u>
Liabilities							
Current liabilities							
Accounts payable	31,011	116,742	314,673	65,551	641,890	49,363	1,219,230
Accrued and other liabilities	-	-	890	-	-	-	890
Deposits	-	-	19,152	665,658	-	-	684,810
Estimated claims payable, current	-	-	-	-	484,775	-	484,775
Total current liabilities	<u>31,011</u>	<u>116,742</u>	<u>334,715</u>	<u>731,209</u>	<u>1,126,665</u>	<u>49,363</u>	<u>2,389,705</u>
Noncurrent liabilities							
Estimated claims payable, net	-	-	-	-	2,073,732	-	2,073,732
Total liabilities	<u>31,011</u>	<u>116,742</u>	<u>334,715</u>	<u>731,209</u>	<u>3,200,397</u>	<u>49,363</u>	<u>4,463,437</u>
Net Position							
Net investment in capital assets	6,948	12,006,511	453,930	73,247	-	-	12,540,636
Unrestricted	<u>2,683,270</u>	<u>14,636,398</u>	<u>4,450,057</u>	<u>2,513,367</u>	<u>9,707,054</u>	<u>404,376</u>	<u>34,394,522</u>
Total net position	<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>

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, 2020

	Central Stores	Fleet Services	Information Technology	Project Management	Risk	Wheeler Center	Total
Operating revenue							
Charges for services	\$ 977,538	\$ 8,232,097	\$ 8,379,499	\$ 3,305,671	\$ 31,171,052	\$ 607,103	\$ 52,672,960
Total operating revenue	977,538	8,232,097	8,379,499	3,305,671	31,171,052	607,103	52,672,960
Operating expenses							
Personnel services	190,203	1,522,186	3,953,047	2,245,828	772,128	43,214	8,726,606
Municipal service charge	31,488	173,772	672,276	154,848	572,340	24,264	1,628,988
Information technology charges	9,108	99,666	491,192	389,675	50,268	1,638	1,041,547
Other expenses	663,404	1,818,216	3,061,892	454,626	27,899,240	380,348	34,277,726
Depreciation	2,253	2,222,564	176,487	12,827	-	-	2,414,131
Total operating expenses	896,456	5,836,404	8,354,894	3,257,804	29,293,976	449,464	48,088,998
Operating income	81,082	2,395,693	24,605	47,867	1,877,076	157,639	4,583,962
Nonoperating revenue							
Investment income	76,586	526,097	172,702	103,049	472,728	15,515	1,366,677
Income before contributions and transfers	157,668	2,921,790	197,307	150,916	2,349,804	173,154	5,950,639
Capital contributions	-	498,873	-	-	-	-	498,873
Transfers in	12,645	72,819	168,866	72,187	-	2,068	328,585
Transfers out	(46,848)	(691,744)	(80,793)	(56,004)	(4,065,026)	-	(4,940,415)
Change in net position	123,465	2,801,738	285,380	167,099	(1,715,222)	175,222	1,837,682
Net position - beginning of year	2,566,753	23,841,171	4,618,607	2,419,515	11,422,276	229,154	45,097,476
Net position - end of year	\$ 2,690,218	\$ 26,642,909	\$ 4,903,987	\$ 2,586,614	\$ 9,707,054	\$ 404,376	\$ 46,935,158

City of Ann Arbor
Other Supplementary Information
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2020

	Central Stores	Fleet Services	Information Technology	Project Management	Risk	Wheeler Center	Total
Cash flows from operating activities							
Payments to suppliers	\$ (818,653)	\$ (2,423,156)	\$ (3,872,329)	\$ (697,046)	\$ (27,981,316)	\$ (365,020)	\$ (36,157,520)
Payments to employees	(190,203)	(1,522,186)	(3,953,047)	(2,245,828)	(772,128)	(43,214)	(8,726,606)
Payments received for interfund services	977,538	8,232,424	8,383,057	3,218,294	31,171,052	607,272	52,589,637
Net cash provided (used) by operating activities	(31,318)	4,287,082	557,681	275,420	2,417,608	199,038	7,705,511
Cash flows from noncapital financing activities							
Transfer from other funds	12,645	72,819	168,866	72,187	-	2,068	328,585
Transfers to other funds	(46,848)	(691,744)	(80,793)	(56,004)	(4,065,026)	-	(4,940,415)
Net cash provided (used) by noncapital financing activities	(34,203)	(618,925)	88,073	16,183	(4,065,026)	2,068	(4,611,830)
Cash flows from capital and related financing activities							
Contributions received to be used for capital purchases	-	498,873	-	-	-	-	498,873
Purchases/construction of capital assets	-	(5,545,965)	(100,956)	(66,177)	-	-	(5,713,098)
Proceeds from sale of capital assets	-	1,224,708	-	-	-	-	1,224,708
Net cash used by capital and related financing activities	-	(3,822,384)	(100,956)	(66,177)	-	-	(3,989,517)
Cash flows from investing activities							
Interest received	76,586	526,097	172,702	103,049	472,728	15,515	1,366,677
Net change in cash and cash equivalents	11,065	371,870	717,500	328,475	(1,174,690)	216,621	470,841
Cash and cash equivalents - beginning of year	2,060,640	13,900,449	3,766,866	2,723,864	11,975,257	236,889	34,663,965
Cash and cash equivalents - end of year	<u>\$ 2,071,705</u>	<u>\$ 14,272,319</u>	<u>\$ 4,484,366</u>	<u>\$ 3,052,339</u>	<u>\$ 10,800,567</u>	<u>\$ 453,510</u>	<u>\$ 35,134,806</u>
Reconciliation of operating income to net cash provided (used) by operating activities							
Operating income	\$ 81,082	\$ 2,395,693	\$ 24,605	\$ 47,867	\$ 1,877,076	\$ 157,639	\$ 4,583,962
Adjustments to reconcile operating income to net cash from operating activities							
Depreciation and amortization expense	2,253	2,222,564	176,487	12,827	-	-	2,414,131
Changes in assets and liabilities							
Receivables (net)	-	327	3,558	(87,377)	-	169	(83,323)
Inventories	(96,615)	5,514	-	-	-	-	(91,101)
Prepaid items	-	-	179,099	-	601,402	-	780,501
Accounts payable	(18,038)	(337,016)	180,193	(20,345)	(81,361)	41,230	(235,337)
Accrued and other liabilities	-	-	257	-	-	-	257
Deposits	-	-	(6,518)	322,448	-	-	315,930
Estimated claims payable	-	-	-	-	20,491	-	20,491
Net cash provided (used) by operating activities	<u>\$ (31,318)</u>	<u>\$ 4,287,082</u>	<u>\$ 557,681</u>	<u>\$ 275,420</u>	<u>\$ 2,417,608</u>	<u>\$ 199,038</u>	<u>\$ 7,705,511</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, 2020

June 30, 2019

	Private-purpose Trust Fund	Pension and Other Employee Benefits Trust Funds	Custodial Funds		
	Police and Fire Relief Fund	Employee Retirement System	Retiree Health Care Trust Fund	Treasurer's Delinquent Tax	Treasurer's Current Tax
					Total
Assets					
Cash	\$ -	\$ -	\$ -	\$ -	\$ 9,769
Equity in pooled cash and investments	2,839	4,691,388	666,784	33,706	66
Investments, at fair value:					
Equities	-	315,097,718	110,026,592	-	-
Fixed income	-	131,533,566	56,613,125	-	-
Other	687,514	66,736,877	26,251,663	-	-
Receivables					
Accrued interest and other	-	351,502	212,931	-	-
Due from other units of government	-	-	-	-	24,165
Due from other funds	-	71,696	-	-	-
Capital assets, net	-	335,810	-	-	-
Total assets	690,353	518,818,557	193,771,095	33,706	34,000
Deferred Outflows of Resources					
Deferred amount of pension expense related to net pension liability	-	76,593	-	-	-
Deferred amount of OPEB expense related to net OPEB liability	-	81,290	-	-	-
Total deferred outflows of resources	-	157,883	-	-	-
Liabilities					
Accounts payable and accrued liabilities	-	3,419,001	121,616	\$ -	\$ -
Due to other units of government	-	-	-	33,706	34,000
Mortgage payable, due in one year	-	32,637	-	-	-
Mortgage payable, due in more than one year	-	69,747	-	-	-
Net pension liability	-	655,027	-	-	-
Net OPEB liability	-	488,184	-	-	-
Total liabilities	-	4,664,596	121,616	33,706	34,000
Deferred Inflows of Resources					
Deferred amount on net pension liability	-	11,200	-	-	-
Deferred amount on net OPEB liability	-	5,122	-	-	-
Total deferred inflows of resources	-	16,322	-	-	-
Net Position					
Restricted for police and fire relief	690,353	-	-	-	-
Restricted for pensions	-	514,295,522	-	-	-
Restricted for other employee benefits	-	-	193,649,479	-	-
Total net position	\$ 690,353	\$ 514,295,522	\$ 193,649,479	\$ -	\$ -
					\$ 708,635,354

City of Ann Arbor
Other Supplementary Information
Combining Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2020

	Private-purpose Trust Fund	Pension and Other Employee Benefits Trust Funds		Custodial Funds		
	Police and Fire Relief Fund	Employee Retirement System	Retiree Health Care Trust Fund	Treasurer's Delinquent Tax	Treasurer's Current Tax	Total
Additions						
Investment earnings						
Appreciation in fair value of investments	\$ -	\$ 22,227,520	\$ 3,493,224	\$ -	\$ -	\$ 25,720,744
Interest and dividends	11,258	1,517,227	3,431,382	-	-	4,959,867
Total investment income	11,258	23,744,747	6,924,606	-	-	30,680,611
Investment management fees	-	(568,029)	(203,401)	-	-	(771,430)
Net investment income from investing activities	11,258	23,176,718	6,721,205	-	-	29,909,181
From securities lending activities						
Gross earnings	-	6,129	5,515	-	-	11,644
Borrower rebates received (paid)	-	(3,844)	(3,354)	-	-	(7,198)
Securities lending fees	-	(683)	(640)	-	-	(1,323)
Net investment income from securities and lending activities	-	1,602	1,521	-	-	3,123
Total net investment income	11,258	23,178,320	6,722,726	-	-	29,912,304
Contributions						
Employer	-	14,611,893	12,241,536	-	-	26,853,429
Plan member	-	3,439,428	-	-	-	3,439,428
Total contributions	-	18,051,321	12,241,536	-	-	30,292,857
Property tax collections for other governments	-	-	-	94,539	253,894,564	253,989,103
Total additions	11,258	41,229,641	18,964,262	94,539	253,894,564	314,194,264
Deductions						
Benefits	-	38,377,862	11,468,614	-	-	49,846,476
Refunds of contributions	-	1,233,082	-	-	-	1,233,082
Administrative expenses	-	749,478	177,731	-	-	927,209
Payments of property tax to other governments	-	-	-	94,539	253,894,564	253,989,103
Total deductions	-	40,360,422	11,646,345	94,539	253,894,564	305,995,870
Change in net position	11,258	869,219	7,317,917	-	-	8,198,394
Net position - beginning of year	679,095	513,426,303	186,331,562	-	-	700,436,960
Net position - end of year	\$ 690,353	\$ 514,295,522	\$ 193,649,479	\$ -	\$ -	\$ 708,635,354

City of Ann Arbor
Other Supplementary Information
Balance Sheet
Component Unit - SmartZone Local Development Finance Authority
June 30, 2020

	<u>SmartZone Local Development Finance Authority</u>
Assets	
Equity in pooled cash and investments	\$ 4,957,634
Loans receivable	<u>522,250</u>
 Total assets	 <u>\$ 5,479,884</u>
Liabilities	
Accounts payable	\$ 711,509
Unearned revenue	<u>522,250</u>
 Total liabilities	 1,233,759
Fund Balance	
Committed for community and economic development	<u>4,246,125</u>
 Total liabilities and fund balance	 <u>\$ 5,479,884</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, 2020

	SmartZone Local Development Finance Authority
Revenues	
Taxes	\$ 4,417,262
Investment income	180,966
Other revenue	<u>19,533</u>
 Total revenues	 4,617,761
Expenditures	
Current	
Community and economic development	<u>3,850,086</u>
 Excess (deficiency) of revenues over expenditures	 767,675
 Fund balance - beginning of year	 <u>3,478,450</u>
 Fund balance - end of year	 <u><u>\$ 4,246,125</u></u>

Statistical Section

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

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 comprehensive annual 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)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental activities										
Net investment in capital assets	\$ 672,899,397	\$ 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
Restricted	66,772,308	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
Unrestricted (1)	15,649,176	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)
Total governmental activities net position	\$ 755,320,881	\$ 774,702,770	\$ 790,256,535	\$ 798,951,521	\$ 755,710,642	\$ 754,024,835	\$ 754,963,832	\$ 666,822,341	\$ 667,020,151	\$ 643,279,018
Business-type activities										
Net investment in capital assets	\$ 164,731,782	\$ 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
Restricted	17,374,027	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
Unrestricted	56,356,293	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
Total business-type activities net position	\$ 238,462,102	\$ 255,101,446	\$ 267,858,799	\$ 282,377,517	\$ 287,114,860	\$ 298,974,576	\$ 313,669,415	\$ 316,297,410	\$ 334,707,096	\$ 361,237,052
Primary government										
Net investment in capital assets	\$ 837,631,179	\$ 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
Restricted	84,146,335	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
Unrestricted	72,005,469	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)
Total primary government net position	\$ 993,782,983	\$ 1,029,804,216	\$ 1,058,115,334	\$ 1,081,329,038	\$ 1,042,825,502	\$ 1,052,999,411	\$ 1,068,633,247	\$ 983,119,751	\$ 1,001,727,247	\$ 1,004,516,070

(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)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental activities:										
General government	\$ 14,794,159	\$ 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
Public safety	42,049,504	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
Public works	20,468,502	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
Community and economic development	3,781,557	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
Culture and recreation	9,935,578	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
Other - Public Transportation	9,362,712	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
Debt service	5,260,736	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
Unallocated depreciation	44,331	-	-	-	-	-	-	-	-	-
Total governmental activities expenses	<u>105,697,079</u>	<u>102,826,711</u>	<u>105,132,794</u>	<u>119,868,288</u>	<u>124,604,723</u>	<u>130,081,712</u>	<u>133,819,563</u>	<u>145,574,356</u>	<u>150,137,816</u>	<u>176,096,532</u>
Business-type activities:										
Water	17,338,241	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
Sewer	14,443,929	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
Parking	2,678,011	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
Market	156,059	168,977	234,078	229,133	-	-	-	-	-	-
Golf courses	1,649,866	1,554,083	1,443,008	-	-	-	-	-	-	-
Airport	744,629	568,629	670,743	676,228	746,680	670,167	791,342	727,902	909,745	827,366
Stormwater	3,945,211	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
Solid Waste	13,724,530	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
Total business-type activities expenses	<u>54,680,476</u>	<u>52,446,619</u>	<u>57,168,795</u>	<u>52,992,081</u>	<u>57,201,451</u>	<u>63,705,253</u>	<u>62,000,036</u>	<u>62,317,939</u>	<u>75,396,908</u>	<u>69,307,397</u>
Total primary government expenses	<u>\$ 160,377,555</u>	<u>\$ 155,273,330</u>	<u>\$ 162,301,589</u>	<u>\$ 172,860,369</u>	<u>\$ 181,806,174</u>	<u>\$ 193,786,965</u>	<u>\$ 195,819,599</u>	<u>\$ 207,892,295</u>	<u>\$ 225,534,724</u>	<u>\$ 245,403,929</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 11,729,555	\$ 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
Public safety	8,732,273	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
Public works	2,253,632	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
Community and economic development	-	35,269	-	293,533	657	-	-	-	-	-
Culture and Recreation	2,623,518	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
Other - Public Transportation	93,612	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
Operating grants and contributions	9,635,060	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
Capital grants and contributions	3,621,001	346,046	493,900	974,291	865,776	638,182	1,025,460	4,086,170	2,480,753	1,070,562
Total governmental activities program revenues	<u>38,688,651</u>	<u>39,339,591</u>	<u>39,699,927</u>	<u>40,410,796</u>	<u>41,089,123</u>	<u>44,295,997</u>	<u>45,240,749</u>	<u>51,119,835</u>	<u>51,825,979</u>	<u>51,587,569</u>
Business-type activities:										
Charges for services:										
Water	21,160,437	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
Sewer	21,741,717	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
Parking	2,923,214	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
Market	148,687	253,850	148,942	198,989	-	-	-	-	-	-
Golf courses	1,171,776	1,304,135	1,146,989	-	-	-	-	-	-	-
Airport	847,728	834,238	855,286	869,591	888,809	924,141	923,228	935,786	1,137,674	933,066
Stormwater	7,512,538	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
Solid Waste	3,136,831	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
Capital grants and contributions	951,818	1,256,394	4,925,869	1,963,610	4,645,758	600,945	359,981	54,384	118,425	-
Total business-type activities program revenues	<u>59,594,746</u>	<u>58,810,667</u>	<u>64,062,479</u>	<u>61,033,123</u>	<u>62,409,428</u>	<u>62,118,485</u>	<u>69,474,852</u>	<u>71,838,246</u>	<u>78,369,503</u>	<u>75,666,011</u>
Total primary government program revenues	<u>\$ 98,283,397</u>	<u>\$ 98,150,258</u>	<u>\$ 103,762,406</u>	<u>\$ 101,443,919</u>	<u>\$ 103,498,551</u>	<u>\$ 106,414,482</u>	<u>\$ 114,715,601</u>	<u>\$ 122,958,081</u>	<u>\$ 130,195,482</u>	<u>\$ 127,253,580</u>
Net (Expense) Revenue										
Governmental activities	\$ (67,008,428)	\$ (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)
Business-type activities	4,914,270	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
Total primary government net expense	<u>\$ (62,094,158)</u>	<u>\$ (57,123,072)</u>	<u>\$ (58,539,183)</u>	<u>\$ (71,416,450)</u>	<u>\$ (78,307,623)</u>	<u>\$ (87,372,483)</u>	<u>\$ (81,103,998)</u>	<u>\$ (84,934,214)</u>	<u>\$ (95,339,242)</u>	<u>\$ (118,150,349)</u>

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes, levied for general purposes	\$ 58,050,469	\$ 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
Property taxes, levied for designated purpose	7,131,115	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
Property taxes, levied for debt services	2,265,030	668,745	569,490	2,129	2,129	2,340	2,129	2,091	2,117	2,134
State-shared revenues and grants (unrestricted)	9,582,165	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
Investment income	2,523,944	2,567,568	(410,361)	1,621,594	1,262,302	1,558,594	10,347	655,430	5,269,825	6,303,600
Transfers	241,009	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)
Other	835,982	2,428,146	145,399	5,235,131	150,905	320,426	500,138	162,745	351,982	-
Total governmental activities	80,629,714	83,638,709	79,900,731	88,392,484	86,166,967	84,099,898	89,517,821	89,315,670	99,269,899	100,767,830
Business-type activities:										
Taxes										
Property taxes, levied for general purposes	11,171,676	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
Investment income	515,730	1,188,581	(245,003)	1,241,705	1,293,959	1,774,739	(11,349)	472,977	4,361,262	5,037,480
Transfers	(241,009)	(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
Other	-	484,311	(504,477)	(673,069)	67,250	59,648	98,767	35,500	13,750	-
Total business-type activities	11,446,397	10,275,296	6,713,949	8,465,022	8,258,735	13,446,482	7,220,022	11,053,347	15,437,091	20,171,342
Total primary government	\$ 92,076,111	\$ 93,914,005	\$ 86,614,680	\$ 96,857,506	\$ 94,425,702	\$ 97,546,380	\$ 96,737,843	\$ 100,369,017	\$ 114,706,990	\$ 120,939,172
Change in Net Position										
Governmental activities	\$ 13,621,286	\$ 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)
Business-type activities	16,360,667	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
Total primary government	\$ 29,981,953	\$ 36,790,933	\$ 28,075,497	\$ 25,441,056	\$ 16,118,079	\$ 10,173,897	\$ 15,633,845	\$ 15,434,803	\$ 19,367,748	\$ 2,788,823

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)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Nonspendable	\$ 1,032,509	\$ 960,336	\$ 915,645	\$ 853,157	\$ 765,634	\$ 619,311	\$ 540,869	\$ 462,384	\$ 386,772	\$ 286,295
Committed	-	-	-	-	-	-	-	-	-	498,352
Assigned	2,024,490	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
Unassigned	10,525,445	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
Total General Fund	<u>\$ 13,582,444</u>	<u>\$ 15,297,294</u>	<u>\$ 16,119,099</u>	<u>\$ 22,579,209</u>	<u>\$ 22,483,300</u>	<u>\$ 25,135,349</u>	<u>\$ 23,199,147</u>	<u>\$ 19,320,196</u>	<u>\$ 25,637,199</u>	<u>\$ 27,631,593</u>
All Other Governmental Funds										
Nonspendable	\$ 1,984,000	\$ 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
Restricted	85,121,367	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
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
Assigned	2,251,551	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
Unassigned	-	-	-	-	-	-	-	-	-	(1,681,092)
Total all other governmental funds	<u>\$ 89,356,918</u>	<u>\$ 72,321,464</u>	<u>\$ 67,120,201</u>	<u>\$ 63,233,188</u>	<u>\$ 63,731,176</u>	<u>\$ 68,577,834</u>	<u>\$ 67,745,034</u>	<u>\$ 62,063,290</u>	<u>\$ 85,816,183</u>	<u>\$ 78,403,231</u>

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)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Taxes	\$ 67,446,614	\$ 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
Special Assessments/improvement charges	103,790	48,843	43,102	44,636	52,373	-	93,373	63,746	136,227	74,263
Licenses, fees & permits	6,125,839	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
Federal grants	4,950,416	1,567,185	3,366,834	1,953,212	1,033,789	890,919	1,166,724	1,127,905	588,922	741,582
State shared revenues and grants	18,156,777	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
Charges for services	12,642,161	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
Fines & penalties	4,863,239	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
Interest and penalties	516,159	828	11,189	800	211	-	2,604	-	-	-
Investment income	1,851,927	2,057,540	(305,700)	1,162,205	928,186	1,190,815	3,926	535,299	4,145,380	4,829,585
Rental	421,742	463,191	653,879	587,361	637,366	634,819	661,086	735,822	761,445	778,765
Contributions and donations	280,971	369,920	295,289	521,305	981,965	334,247	3,343,936	3,775,006	2,439,867	1,537,299
Intra-governmental sales	361,245	208,243	157,956	266,970	213,511	2,627,905	297,201	306,526	412,620	267,765
Miscellaneous	1,181,503	719,712	1,529,283	1,182,138	678,652	594,470	432,973	402,002	512,211	990,079
Total Revenues	118,902,383	116,894,576	115,431,622	118,956,957	121,179,604	127,160,017	128,940,812	136,989,242	147,147,240	147,855,616
Expenditures										
General government	14,058,718	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
Public Safety	43,678,573	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
Public Works	17,617,067	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
Community and economic development	3,863,957	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
Culture and recreation	9,653,540	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
Public transportation	10,106,607	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
Capital outlay	46,974,519	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
Debt service:										
Principal	3,410,000	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
Interest	5,302,317	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
Payment to Refunding Bond Escrow Agent	-	-	-	-	-	-	555,599	-	646,298	-
Total expenditures	154,665,298	137,344,551	133,182,429	125,852,569	126,008,924	131,700,103	138,617,695	149,228,369	140,008,569	156,480,429
Excess of revenues over (under) expenditures	(35,762,915)	(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)
Other Financing Sources (Uses):										
Transfers in	7,170,739	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
Transfers out	(6,023,714)	(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)
Sale of property, plant and equipment	45,361	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)	-
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	-
Total other financing sources (uses)	1,192,386	5,899,071	13,371,343	9,468,708	5,231,406	12,038,793	6,907,881	2,678,432	23,691,477	3,206,255
Net change in fund balances	\$ (34,570,529)	\$ (14,550,904)	\$ (4,379,464)	\$ 2,573,096	\$ 402,086	\$ 7,498,707	\$ (2,769,002)	\$ (9,560,695)	\$ 30,830,148	\$ (5,418,558)
Debt service as a percentage of noncapital expenditures	8.8%	8.7%	9.4%	12.0%	8.5%	8.0%	8.2%	7.8%	7.3%	8.1%

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
2011	\$ 4,447,791,127	\$ 220,760,700		\$ 4,668,551,827	\$ 5,495,289,700	\$ 10,990,579,400	16.8164
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	5,495,289,700	10,990,579,400	15.7131

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							Total Direct Tax Rate	Ann Arbor Area Transportation Authority	Ann Arbor Public Schools**	Overlapping Rates			Total
		General Operating	Refuse Collection	Transportation*	Employee Benefits	Debt Service	Parks	Major Street Repair				Ann Arbor District Library	Washtenaw County	Washtenaw Community College	
Principal Residence Exemption (PRE)	2011	6.1682	2.4670	2.0560	2.0560	0.5000	1.5748	1.9944	16.8164	-	17.6315	1.5500	5.7448	3.6856	45.4283
Non-PRE	2011	6.1682	2.4670	2.0560	2.0560	0.5000	1.5748	1.9944	16.8164	-	31.0971	1.5500	5.7448	3.6856	58.8939
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

* 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	2020			2011		
		Taxable Value	Rank	Percentage of Total City Taxable Value	Taxable Value	Rank	Percentage of Total City Taxable Value
Briarwood Shopping Complex	Shopping Center	\$ 42,437,419	1	0.69%	\$ 38,722,000	1	0.83%
BVK HSRE Ann Arbor, LLC	Apartments	41,998,000	2	0.69%			
CPI Foundry, LLC	Apartments	40,845,790	3	0.67%			
Brixmor (formerly AMCAP) Arborland LLC	Shopping Center	39,865,651	4	0.65%	30,999,300	3	0.66%
Campus Investors 601 Forest	Apartments	33,315,389	5	0.54%			
DTE Electric Company	Utility	28,622,700	6	0.47%			
Packard Square, LLC	Apartments	28,040,646	7	0.46%			
CCSHP Ann Arbor Two, LLC (Six11)	Apartments	27,181,527	8	0.44%			
CCSHP Ann Arbor I, LLC (The Yard)	Apartments	26,705,378	9	0.44%			
Orion North Star, LLC (Winwood)	Apartments	25,545,523	10	0.42%			
Detroit Edison	Utility				33,406,333	2	0.72%
HUB Eisenhower Property (Transwestern)	Office Building				27,631,600	4	0.59%
Ann Arbor Campus Housing, LLC	Apartments				27,282,500	5	0.58%
McMullen Properties LLC	Office Building				20,875,176	6	0.45%
McKinley Associates	Apartments & Office				18,640,326	7	0.40%
Windwood Dr Ann Arbor	Apartments				17,250,000	8	0.37%
Maple Village Shopping	Shopping Center				16,337,300	9	0.35%
4 Eleven Lofts	Apartments				15,012,700	10	0.32%
Total		<u>\$ 334,558,023</u>		<u>5.46%</u>	<u>\$ 246,157,235</u>		<u>5.27%</u>

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
2011	\$ 78,565,863	\$ 76,336,483	97.16%	\$ 2,121,932	\$ 95,006	\$ 78,553,420	99.98%
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%

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			
2011	\$ 121,565	\$ 310	\$ 3,500	\$ 21,315	\$ -	\$ 98,412	\$ 12,317	\$ 257,419	1.81%	\$ 2,259
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

Note: For fiscal years 2019 & 2020 percent of personal income, the divisor used was for 2018 since 2019 & 2020 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				Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Less: Restricted Resources	Less: Self-supported Portion	Net General Bonded Debt		
2011	\$ 142,880	\$ 1,516	\$ 310	\$ 141,054	3.06%	\$ 1,238
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

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, 2020
(dollars in thousands)
(Unaudited)

Government Unit	Net Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
DIRECT DEBT			
General obligation bonds	\$ 112,790	100.00%	\$ 112,790
City direct debt	<u>\$ 112,790</u>		<u>\$ 112,790</u>
OVERLAPPING DEBT			
Ann Arbor School District	\$ 272,990	64.31%	\$ 175,560
Washtenaw Intermediate School District	44,570	35.24%	15,706
Washtenaw Community College	7,465	35.75%	2,669
Washtenaw County at Large	30,573	34.95%	10,685
Overlapping debt	<u>\$ 355,598</u>		<u>204,620</u>
Total direct & overlapping debt			<u>\$ 317,410</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 2020

Assessed value of real and personal property	\$ 8,217,852,850
Debt limit (10% of assessed value)	821,785,285
Debt applicable to limit:	
Net direct debt	112,790,000
Less: Special Assessment bonds (general obligation portion)	-
Total net debt applicable to limit	<u>112,790,000</u>
Legal debt margin	<u>\$ 708,995,285</u>

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt limit	\$ 549,528,970	\$ 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
Total net debt applicable to limit	120,935,000	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
Legal debt margin	<u>\$ 428,593,970</u>	<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>
Total net debt applicable to the limit as a percentage of debt limit	22.01%	22.97%	24.04%	21.81%	21.23%	18.29%	16.30%	14.98%	14.98%	13.72%

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		Total	Coverage
				Principal	Interest		
Water Supply System:							
2011	\$ 21,364,070	\$ 13,058,877	\$ 8,305,193	\$ 4,045,000	\$ 1,738,552	\$ 5,783,552	1.4
2012	22,301,008	12,562,435	9,738,573	4,584,250	1,669,928	6,254,178	1.6
2013	23,688,291	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
Sewage Disposal System:							
2011	21,810,673	10,120,854	11,689,819	2,355,000	1,990,078	4,345,078	2.7
2012	21,593,098	10,177,877	11,415,221	2,696,000	1,851,394	4,547,394	2.5
2013	21,377,410	10,585,422	10,791,988	2,688,460	1,772,419	4,460,879	2.4
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

Notes:

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

(2) Excludes depreciation expense.

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

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

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>
2011	113,932	\$ 14,204,286	\$ 40,821	27.8	16.5	16,440	6.5
2012	113,934	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	N/A	N/A	27.8	16.5	17,950	3.5
2020	113,934	N/A	N/A	27.8	16.5	17,898	10.7

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: 2019 & 2020 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 2020
http://stats.bls.gov/eag/eag.mi_annarbor_msa.htm

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

Employers	2020			2011		
	Employees	Rank	Percentage of Total Top City Employers	Employees	Rank	Percentage of Total Top City Employers
University of Michigan	34,495	1	64.27%	27,003	1	44.34%
Trinity Health System (formerly St. Joseph's Health System)	7,585	2	14.13%	5,304	3	8.71%
U.S. Government	3,062	3	5.71%			
Ann Arbor Public Schools	2,225	4	4.15%	3,578	4	5.88%
Integrated Health Associates, Inc.	1,576	5	2.94%			
Washtenaw County	1,322	6	2.46%			
Thompson-Reuters	1,155	7	2.15%	1,339	6	2.20%
Domino's Pizza	812	8	1.51%			
NSF International	722	9	1.35%	710	7	1.17%
City of Ann Arbor	715	10	1.33%	550	10	0.90%
Univ. of Mich Hospitals & Health System				19,614	2	32.21%
Washtenaw Community College				576	9	0.95%
Veterans Administration Medical Center				1,600	5	2.63%
Borders Group, Inc.				619	8	1.02%
Total	<u>53,669</u>		<u>100.00%</u>	<u>60,893</u>		<u>100.00%</u>

Source: Crain's Detroit Business, December 30, 2019 Edition, 2020 Book of Lists (Big Picture: Washtenaw County's Largest Employers)

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
Full-time Equivalent Government Employees by Function/Program
Last Ten Fiscal Years
(Unaudited)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Function/Program										
General government										
Financial Services	48	45	48	61	61	61	60	61	61	61
Community Services	33	34	32	34	57	59	63	65	67	71
Parks & Recreation	20	20	20	24	24	24	24	23	37	38
City Administrator Services	31	30	31	34	34	34	34	37	63	65
Mayor & Council	1	1	1	1	1	1	1	1	1	2
Police										
Officers	150	118	118	119	122	122	122	122	124	128
Civilians	27	46	28	27	27	27	27	27	26	26
Fire										
Firefighters & Officers	89	81	81	85	86	86	86	86	84	84
Civilians		1	1	1	1	1	1	1	3	3
Public Services										
Project Management	15	13	13	12	12	16	16	17	30	30
Water	26	26	26	26	26	26	26	27	27	27
Wastewater Treatment	35	35	35	35	35	35	35	35	36	36
Field Operations	129	126	124	120	120	117	117	117	90	90
Other	75	74	74	61	61	59	62	63	36	40
15th District Court	37	36	34	34	34	34	34	35	35	35
Retirement System	4	4	4	4	4	4	4	4	4	4
Downtown Development Authority	3	4	4	4	4	4	4	6	6	6
City Attorney	13	13	12	12	12	12	13	13	13	13
Per Budget Book	736	706	686	694	721	722	729	740	743	759

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

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

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Police										
Physical arrests	2,630	2,610	2,395	1,462	1,461	1,542	1,289	1,467	1,678	1,178
Parking violations	86,780	95,990	87,898	92,184	108,759	118,041	117,221	102,981	99,079	69,605
Traffic violations	16,729	10,638	14,676	14,053	12,205	12,548	11,022	9,515	8,748	7,889
Fire										
Emergency responses	5,808	5,843	6,180	6,646	6,572	6,947	7,234	7,214	8,504	8,293
Fire extinguished	281	431	418	283	220	259	205	206	260	258
Inspections (1st inspections)	913	1,962	1,769	1,164	1,218	1,339	1,182	1,257	1,140	767
Refuse Collection										
Refuse collected (tons/day)	NA	71.25	72.30	72.84	72.87	72.52	73.21	151.22	140.69	135.03
Recyclables collected (tons/day)	30.82	37.10	38.13	39.54	40.17	40.31	40.27	36.32	35.89	34.36
Other Public works										
Street resurfacing and reconstruction	4.72	6.20	6.60	5.286	6.13	5.905	3.91	3.71	7.35	7.2
Capital Preventative Maintenance (miles) (a)				0	2.12	7.696	55.387	42.444	1.69	21.85
Potholes repaired (tons)	500.00	392.78	359.35	636.50	570.92	482.32	397.60	648.43	733.88	596.00
Parks and Recreation										
Athletic field permits issued	1,067	1,032	956	929	866	733	692	987	629	456
Community center admissions	11,500	11,500	11,500	12,000	12,000	12,500	19,750	19,750	21,524	23,950
Water										
Connections	28,266	28,333	28,376	28,387	28,418	28,452	28,496	28,565	28,592	28,674
Water main breaks	96	72	102	120	91	65	73	66	106	59
Average daily consumption (millions of gallons)	13.782	14.600	14.870	14.091	13.576	13.824	13.902	14.080	13.580	12.836
Peak daily consumption (millions of gallons)	21.415	27.115	28.100	23.120	19.174	20.131	21.262	21.717	22.820	18.668
Wastewater										
Average daily sewage treatment (millions of gallons)	17.680	18.100	16.700	17.758	16.999	16.810	17.900	18.300	18.095	18.190

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	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Police										
Station	1	1	1	1	1	1	1	1	1	1
Zone Offices	2	2	2	2	2	2	1	1	1	1
Patrol units	37	36	36	37	35	35	36	35	35	35
Fire Stations	5	5	5	5	5	5	5	5	5	5
Refuse Collection										
Collection Trucks	27	26	27	27	27	26	26	27	28	28
Other Public works										
Streets (miles)	295.13	295.13	296.7	296.83	296.83	296.83	296.83	297.65	297.65	298
Streetlights	7,134	7,139	7,194	7,194	7,497	7,562	7,567	7,572	7,592	7,721
Traffic signals	158	158	158	158	159	159	159	159	159	159
Parks and Recreation										
Acreage	2,045	2,045	2,095	2,074	2,074	2,110	2,110	2,110	2,187	2,195
Playgrounds	77	77	77	77	77	79	79	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
Water										
Water mains (miles)	472	464.0	501	489.5	488	455	456	459	461	461
Fire hydrants	2,909	2,960	3,711	3,733	3,741	3,178	3,239	3,887	3,947	3,370
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
Wastewater										
Sanitary sewers (miles)	364	363.7	369	362	362	362	362	364	367	375
Storm sewers (miles)	320.1	322.4	264	264	266	294	294	328	298	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

City of Ann Arbor

Single Audit

June 30, 2020



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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

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, 2020, 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 2, 2020. 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.

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) to determine the audit procedures that are appropriate in the circumstances 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 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 2020-001 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

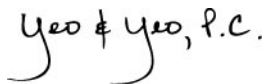
determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Ann Arbor's Response to Findings 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.

A handwritten signature in black ink that reads "Yeo & Yeo, P.C." in a cursive, stylized font.

Ann Arbor, MI
December 2, 2020

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

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, 2020. 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.

City of Ann Arbor's basic financial statements include the operations of the Ann Arbor Housing Commission, which received \$17,342,146 in federal awards, which is not include in the schedule of expenditures of federal awards during the year ended June 30, 2020. 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, 2020.

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, 2020, 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 2, 2020, 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 2, 2020

City of Ann Arbor
Schedule of Expenditures of Federal Awards
For the Year ended June 30, 2020

	Federal CFDA Number	Federal or Pass - Through Grant Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Agricultural Conservation Easement Program	10.931	54-5D21-15-01JMB	\$ 511,070
<u>U.S. Department of Justice</u>			
Domestic Violence Supplemental Grant	16.590	2016-WE-AX-0031	63,134
<u>U.S. Department of Transportation</u>			
Highway Research Planning and Construction - Dhu Varren Sidewalk Gaps	20.205	SGMA1900 (681)	76,584
Highway Research Planning and Construction - Eisenhower Pky-Plaza Rd RRFB (19-5224)	20.205	HSIP 1900 (661)	25,698
Total Highway Research Planning and Construction Cluster			102,282
Ann Arbor Underage Drinking Enforcement	20.616	AL-19-13	19,917
Total U.S. Department of Transportation			122,199
<u>U.S. Department of Homeland Security</u>			
Passed through the State Department of State Police, Emergency Management Division:			
2019 Emergency Management Performance Grant	97.042	EMC-2019-EP-00004	44,478
Hazard Mitigation-Allen Creek	97.039	P4195.16	2,016,738
Total U.S. Department of Homeland Security			2,061,216
<u>Executive Office of the President</u>			
Passed through MSP, Washtenaw County:			
High Intensity Drug Trafficking Areas Program	95.001	N/A	701
Total Federal Expenditures of Federal Awards			\$ 2,758,320

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

City of Ann Arbor
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2020

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, 2020. 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 comprehensive annual 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, 2020, 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 \$21,329 for the year ended June 30, 2020) are included in the single audit for the State of Michigan.

Note 4 - Reconciliation to the Financial Statements

Federal grants per governmental fund statements	\$ 741,582
Deferred inflows of resources related to federal grants	<u>2,016,738</u>
Total expenditures of federal awards	<u>\$ 2,758,320</u>

Note 5 - Subrecipients

No amounts were provided to subrecipients.

City of Ann Arbor
Schedule of Findings and Questioned Costs
June 30, 2020

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>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
97.039	Hazard Mitigation

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
Schedule of Findings and Questioned Costs
June 30, 2020

Section II – Government Auditing Standards Findings

2020-001 – Material Weakness – Audit Adjustments

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

Condition: Material journal entries were proposed by the auditors to properly account for revenue recognition in relation to revenue that has not been earned or is not yet available. These misstatements were not detected by the City's internal control over financial reporting in a timely manner. These entries proposed by the auditors were considered quantitatively material to the Street, Bridge, and Sidewalk Repair Millage Fund. The first journal entry was for \$2,398,595 to record deferred inflows of resources instead of revenues related to a receivable from Washtenaw County that had not been received within 60 days of year end. The second journal entry was for \$738,589 to record unearned revenue instead of revenues related to a Michigan Department of Transportation overpayment.

Cause: 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.

Effect: Had the journal entries not been recorded, the financial statements would have been materially misstated.

Recommendation: We recommend the City review all outstanding receivables for governmental funds once the 60-day time period subsequent to year end has occurred, and move those revenues into deferred inflows if they are uncollected. The City should take care in recording unexpected receipts, including researching the source in order to record it properly as revenue or unearned revenue.

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, 2020.

City of Ann Arbor
Summary Schedule of Prior Audit Findings
June 30, 2020

Section IV – Prior Audit Findings

Government Auditing Standards Findings

There were no *Government Auditing Standards* findings for the year ended June 30, 2019.

Federal Award Findings

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2019.



CITY OF ANN ARBOR, MICHIGAN

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December 2, 2020

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

RE: Audit June 30, 2020

Please note the following corrective action plan relating to the material weakness in the City's audit as of June 30, 2020:

2020-001 – Material Weakness – Audit Adjustments

The corrective action plan is to add to an item to our annual audit checklist to look for any recorded receivables that were not actually received 60 days following year-end. The Chief of Staff of Public Services has been notified of this weakness, ensuring that they are aware of City policies regarding the 60-day rule. The Accounting Services Manager will be the one who will be responsible to ensure that this item is reviewed for future audits when using the audit checklist. This plan has been put in place as of today, December 2, 2020, and will be completed 60 days following year end for all future years.

Thank you for your attention to this matter.

Very Truly Yours,

Karleen Kudej, Accounting Services Manager
City of Ann Arbor