

# **CITY OF ANN ARBOR, MICHIGAN**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**



**FOR THE YEAR ENDED JUNE 30, 2019**

# City of Ann Arbor

## Comprehensive Annual Financial Report

County of Washtenaw

State of Michigan

Fiscal Year Ended June 30, 2019



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

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**CITY OF ANN ARBOR, MICHIGAN**  
301 East Huron, P.O. Box 8647, Ann Arbor, Michigan 48107

October 18, 2019

**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, 2019, is submitted. Staff in the Accounting Services Unit prepared the report, with assistance from the Pension System, Downtown Development Authority, Housing Commission and other City staff. The City has the responsibility for all disclosure and accuracy of material contained in this report.

State law requires that all local governments, subject to certain size criteria, publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Ann Arbor for the fiscal year ended June 30, 2019.

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

Yeo & Yeo, P.C., have issued an unmodified ("clean") opinion on the City of Ann Arbor financial statements for the year ended June 30, 2019. 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 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 service provided to our citizens and our community's well-earned reputation. 2019 recognitions include:

- Planning Excellence, Public Outreach Award (Impacting Your City project), American Planning Association, Michigan Chapter.
- Planning Excellence, Transportation Planning Award (The Treeline-Allen Creek Urban Trail Master Plan), American Planning Association, Michigan Chapter.
- Tree City Recertification and Growth Award, Arbor Day Foundation.
- Certificate of Achievement for Excellence in Financial Reporting, Government Finance Officers Association.
- City Clerk of the Year, Jacqueline Beaudry, Michigan Association of Municipal Clerks.
- Audit of Minimum Assessing Requirements Perfect Score, Michigan Department of Treasury.



- 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 48,000 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 \$85,110. Personal income in the City has risen in recent years, which is an indication of a healthy economy.

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

The City of Ann Arbor enjoys a healthy local economy. The local area unemployment rate is 3.5% as of June 2019, 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 2020 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 is 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 required contribution or the existing level of funding adjusted annually by an increase of at least 2%.

## **Major Initiatives**

### **Bryant Community Center**

In 2012, the City of Ann Arbor purchased property adjacent to the Bryant Community Center with Open Space and Parkland Preservation Millage funds to accommodate expanding programs run at Bryant Community Center by Community Action Network (CAN) for the City of Ann Arbor, Parks and Recreation Services. Public meetings and input from CAN helped frame the project scope and identify grant funding opportunities. In order to effectively manage programs between the two buildings, an addition connecting the two structures was built. This not only connects the buildings, but also provides additional much needed programming space. The purchased property was renovated to function better as a programming space. Lastly, solar panels were installed to offset electrical use on-site.

The cost of construction was funded by the Office of Community and Economic Development (OCED) in the amount of \$210,000 and Parks Maintenance and Capital Improvements Millage Funds in the amount of \$135,000 for a total construction budget of \$345,000. The OCED had also funded the design of the project in the amount of \$90,000.00. The project met multiple City Sustainability Goals: active living and learning, safe community, engaged community, human services, and energy conservation.

### **Riverside Boardwalk**

This project removed and replaced the existing boardwalk in Riverside Park along the highly popular Border to Border Trail that connects to the Argo Cascades. Past inspections of this boardwalk identified severe corrosion of the steel support structure and recommended replacement of the entire boardwalk. The new boardwalk was installed along the same alignment and construction minimized impacts to the adjacent Huron River. Replacement of the connecting asphalt pathway through Riverside Park is scheduled for the fall of 2019. The Washtenaw County Parks & Recreation Commission covered half the construction costs of the boardwalk project given its importance in the County wide Border to Border trail. The project met multiple sustainability goals: active living and learning, safe community, transportation, and energy conservation.

### **Hoover/Hill/Greene Infrastructure Improvements**

The scope of the project includes replacement of water main in some areas, resurfacing of the streets, improvements to the Hoover/Greene intersection, and filling the gap in the bike lanes and is estimated to cost \$6.6 million. The project includes Hoover (Main to State); Greene Street (Hill to Keech); and Hill Street (Fifth Ave to Greene). It is estimated to be completed in September 2019.

## **Awards and Acknowledgements**

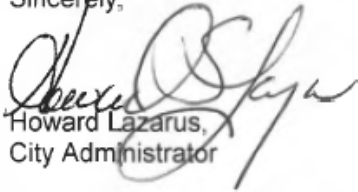
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Ann Arbor for its comprehensive annual financial report for the fiscal year ended June 30, 2018. This was the twenty-ninth consecutive 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 2019. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the Financial and Administrative Services 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,



Howard Lazarus,  
City Administrator



Tom Crawford,  
Chief Financial Officer

**City of Ann Arbor**  
**List of Elected and Appointed Officials**  
**June 30, 2019**

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Christopher Taylor – Mayor

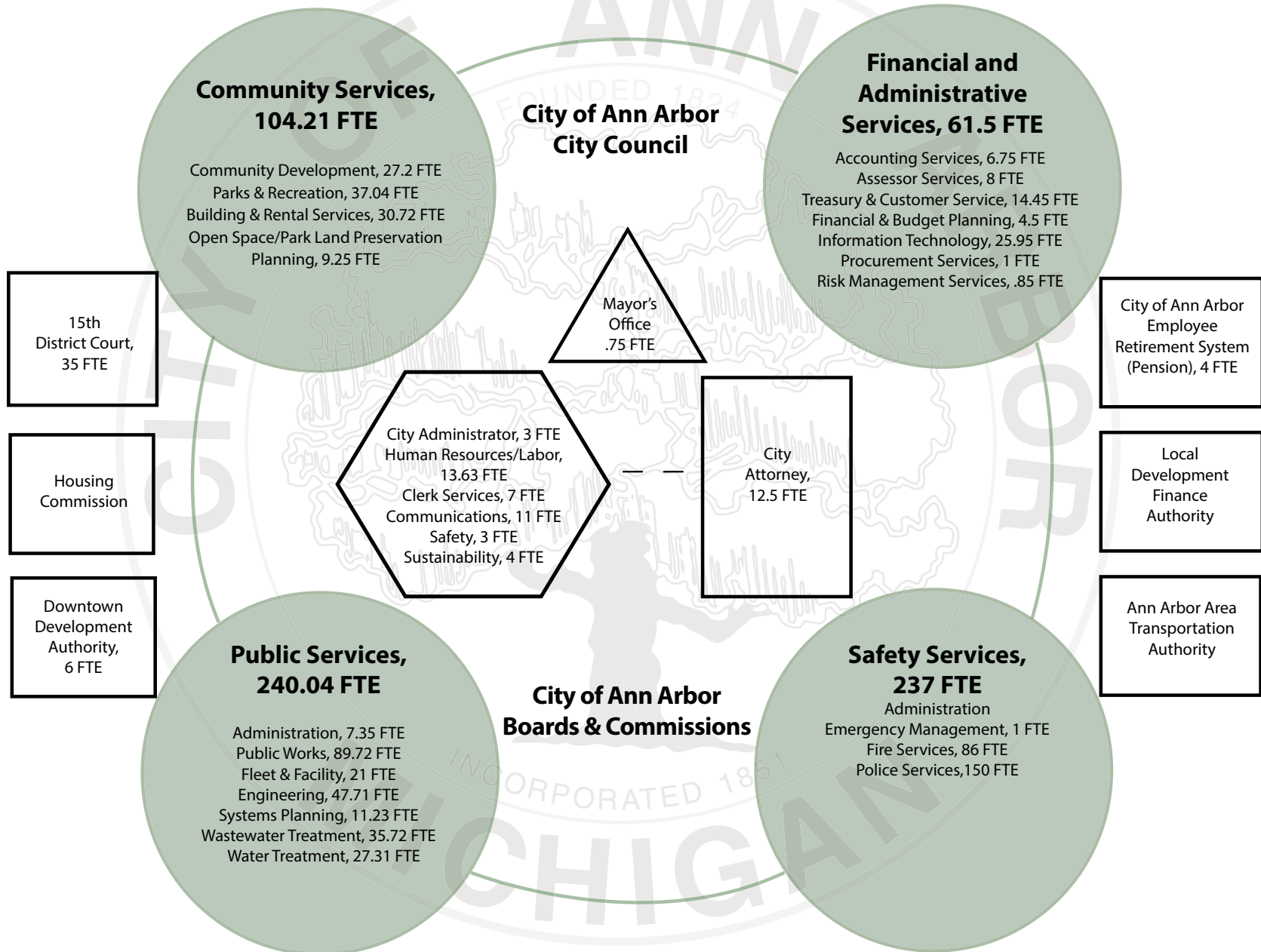
City Council

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

Other Officers and Officials

Howard Lazarus – City Administrator  
Tom Crawford – Chief Financial Officer  
Karen M. Lancaster – Finance Director  
Michael J. Pettigrew – City Treasurer  
Stephen K. Postema – City Attorney  
Jacqueline Beaudry – City Clerk

# CITY OF ANN ARBOR ORGANIZATIONAL CHART





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Ann Arbor  
Michigan**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morill*

Executive Director/CEO



800.968.0010 | yeoandyeo.com

## Independent Auditors' Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ann Arbor, as of and for the year ended June 30, 2019, 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 10.43 percent and 8.12 percent of the total assets and total net position of the discretely presented component units at June 30, 2019, respectively, and total revenues constituting 32.02 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, 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, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, City of Ann Arbor employees' retirement system schedules and other post-employment benefit schedules, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 October 18, 2019 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  
October 18, 2019

**City of Ann Arbor**  
**Management's Discussion and Analysis**  
**June 30, 2019**

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As management of the City of Ann Arbor, Michigan, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2019. 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 page 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 \$1,001,727,247 at the close of the most recent fiscal year.
    - \$899,175,009 is the net investment in capital assets;
    - \$100,402,317 is restricted for specific purposes, such as capital projects;
    - \$2,172,485 is unrestricted. This balance is comprised of (\$64,115,536) in governmental activities and \$66,288,021 in business-type activities.
  - The City's total net position increased by \$19,367,748 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 increased by \$3,176,829, (new issues less retirements), during the current fiscal year due to two new issues of debt for pedestrian improvements in the downtown area as well as purchase of land at 350 South Fifth Avenue.
- Fund financial statements are comprised of 30 governmental funds and 12 proprietary funds. Governmental funds include the General Fund, the Street, Bridge & Sidewalk Millage Fund, and other special revenue, capital projects and debt service funds.
  - At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$111,453,382 increasing \$30,830,148 during the fiscal year.
  - Of the above fund balance amount, \$19,713,016 is unassigned and may be used to meet the government's ongoing obligations to citizens and creditors, \$22,212,235 is assigned and may be used subject to the purpose of the fund in which they are located and the remaining amount of \$69,528,131 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 (\$25,637,199) and the Street, Bridge & Sidewalk Millage Fund (\$6,074,796) account for 28.5% 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 \$6,317,003. The General fund unassigned fund balance increased from \$11,143,139 in FY2018 to \$19,713,016 in FY2019. The assigned fund balance decreased \$2,177,262. At the end of the current fiscal year, unassigned general fund balance was 18.7% of the total general fund expenditures.

**City of Ann Arbor**  
**Management's Discussion and Analysis**  
**June 30, 2019**

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## OVERVIEW OF THE FINANCIAL STATEMENTS

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

## GOVERNMENT-WIDE 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 of 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, 2019**

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**FUND FINANCIAL STATEMENTS**

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

**Governmental funds**

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

Because the focus of governmental funds is narrower than that of governmental-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**City of Ann Arbor**  
**Management's Discussion and Analysis**  
**June 30, 2019**

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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.

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, each 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 4-67 of this report.

**City of Ann Arbor**  
**Management's Discussion and Analysis**  
**June 30, 2019**

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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 6-34 of this report.

**City of Ann Arbor  
Management's Discussion and Analysis  
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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 assets 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 \$1,001,727,247 at June 30, 2019 compared to \$982,359,499 at June 30, 2018.

**City of Ann Arbor  
Net Position  
Comparative Schedule - June 30, 2019 and 2018**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>
<b>Current and other assets</b>	\$157,464,362	\$123,687,723	\$161,822,777	\$144,768,343	\$319,287,139	\$268,456,066
<b>Capital assets</b>	781,033,231	802,164,886	419,701,588	415,625,017	1,200,734,819	1,217,789,903
<b>Total assets</b>	938,497,593	925,852,609	581,524,365	560,393,360	1,520,021,958	1,486,245,969
<b>Deferred outflow of resources</b>	21,109,020	4,153,524	8,024,114	13,669,649	29,133,134	17,823,173
<b>Long-term liabilities</b>	135,015,139	115,569,329	190,235,457	203,966,422	325,250,596	319,535,751
<b>Pension and OPEB</b>	141,708,562	130,555,547	46,780,992	40,526,018	188,489,554	171,081,565
<b>Other liabilities</b>	14,428,856	17,715,797	17,139,987	13,230,477	31,568,843	30,946,274
<b>Total liabilities</b>	291,152,557	263,840,673	254,156,436	257,722,917	545,308,993	521,563,590
<b>Deferred inflow of resources</b>	1,433,905	103,371	684,947	42,682	2,118,852	146,053
<b>Net position:</b>						
<b>Net investment in capital assets</b>	664,619,342	701,307,637	234,555,667	216,805,278	899,175,009	918,112,915
<b>Restricted</b>	66,538,909	56,786,435	33,863,408	33,448,566	100,402,317	90,235,001
<b>Unrestricted</b>	(64,138,100)	(92,031,983)	66,288,021	66,043,566	2,149,921	(25,988,417)
<b>Total net position</b>	<b>\$667,020,151</b>	<b>\$666,062,089</b>	<b>\$334,707,096</b>	<b>\$316,297,410</b>	<b>\$1,001,727,247</b>	<b>\$982,359,499</b>

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

**City of Ann Arbor**  
**Management's Discussion and Analysis**  
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An additional portion of the City's net position at June 30, 2019, \$100,402,317, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is \$2,149,921.

Long-term liabilities increased due to two new issues of debt for pedestrian improvements in the downtown area as well as purchase of land at 350 South Fifth Avenue. Pension and OPEB liabilities have increased from \$171,081,565 in fiscal year 2018 to \$188,489,554 in 2019. Other liabilities have decreased in the Governmental Activities due to a decrease in accounts payable due to decreased activity for street resurfacing, while an increase in Business-type Activities was related to increased activity relating to Water System Improvements.

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



**City of Ann Arbor  
Management's Discussion and Analysis  
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City of Ann Arbor  
Changes in Net Position  
Comparative Schedule - Years Ended June 30, 2019 and 2018

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Revenue:</b>						
<b>Program revenue:</b>						
Charges for services	\$32,683,770	\$32,084,919	\$78,251,078	\$71,783,862	\$110,934,848	\$103,868,781
Operating contributions and grants	16,661,456	14,948,746	-	-	16,661,456	14,948,746
Capital contributions and grants	2,480,753	4,086,170	118,425	54,384	2,599,178	4,140,554
<b>General revenue:</b>						
Property taxes	80,152,017	75,369,526	13,064,727	12,638,680	93,216,744	88,008,206
State shared revenues and grants	11,493,427	11,034,159	-	-	11,493,427	11,034,159
Investment income	5,269,825	652,445	4,361,262	472,977	9,631,087	1,125,422
Other	351,982	162,745	13,750	35,500	365,732	198,245
<b>Total revenue</b>	<u>149,093,230</u>	<u>138,338,710</u>	<u>95,809,242</u>	<u>84,985,403</u>	<u>244,902,472</u>	<u>223,324,113</u>
<b>Expenses:</b>						
<b>Governmental activities:</b>						
General government	18,166,147	19,219,630	-	-	18,166,147	19,219,630
Public safety	47,984,733	46,868,877	-	-	47,984,733	46,868,877
Public works	53,143,075	49,591,083	-	-	53,143,075	49,591,083
Community and economic development	2,696,878	2,063,185	-	-	2,696,878	2,063,185
Culture and recreation	14,009,824	13,779,455	-	-	14,009,824	13,779,455
Other - Public Transportation	10,864,768	10,524,383	-	-	10,864,768	10,524,383
Debt service	3,272,391	3,527,743	-	-	3,272,391	3,527,743
<b>Business-type activities:</b>						
Water	-	-	24,075,346	19,737,572	24,075,346	19,737,572
Sewer	-	-	21,258,970	19,382,437	21,258,970	19,382,437
Parking	-	-	1,789,366	1,831,512	1,789,366	1,831,512
Airport	-	-	909,745	727,902	909,745	727,902
Stormwater	-	-	9,615,145	5,747,664	9,615,145	5,747,664
Solid waste	-	-	17,748,336	14,890,852	17,748,336	14,890,852
<b>Total expenses</b>	<u>150,137,816</u>	<u>145,574,356</u>	<u>75,396,908</u>	<u>62,317,939</u>	<u>225,534,724</u>	<u>207,892,295</u>
<b>Increase (decrease) in net position before transfers</b>	(1,044,586)	(7,235,646)	20,412,334	22,667,464	19,367,748	15,431,818
<b>Transfers</b>	2,002,648	2,093,810	(2,002,648)	(2,093,810)	-	-
<b>Increase in net position</b>	958,062	(5,141,836)	18,409,686	20,573,654	19,367,748	15,431,818
<b>Net position: beginning of year, previously stated</b>	666,062,089	754,206,565	316,297,410	313,669,415	982,359,499	1,067,875,980
<b>Net position: Restatement for implementation of GASB 75</b>	-	(83,002,640)	-	(17,945,659)	-	(100,948,299)
<b>Net position: end of year</b>	<u>\$667,020,151</u>	<u>\$ 666,062,089</u>	<u>\$334,707,096</u>	<u>\$316,297,410</u>	<u>\$1,001,727,247</u>	<u>\$ 982,359,499</u>

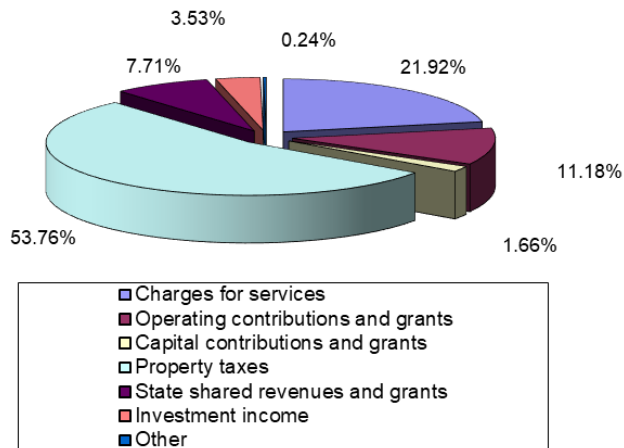
## City of Ann Arbor Management's Discussion and Analysis June 30, 2019

The City's net position increased by \$19,367,748 during the current fiscal year and \$15,431,818 in the prior fiscal year.

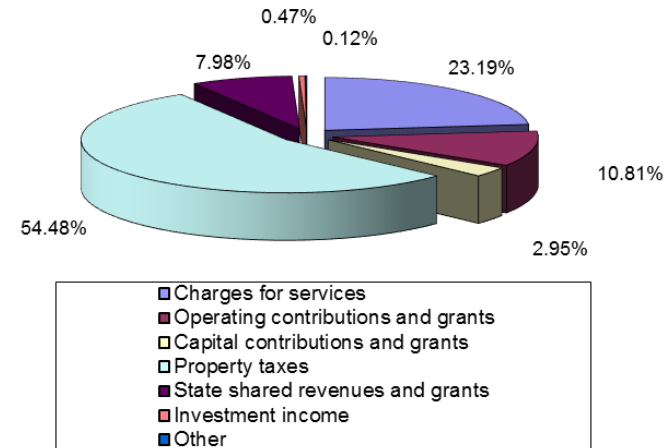
Governmental activities increased the City's net position by \$958,062. During fiscal year 2018, governmental activities decreased by \$5,141,836. Key revenue elements are as follows:

- Property taxes increased 6.4% during fiscal year 2019 and 3.1% in fiscal year 2018, due to the addition of the tax revenue from the County Mental Health Millage, which accounts for 2.5% of the increase. The remaining 3.9% growth is due to a combination of Consumer Price Index inflation and new construction.
- Investment income increased from \$655,430 in fiscal year 2018 to \$5,269,825 in fiscal year 2019 due to a favorable change in market value. Last year, investment income increased by \$645,083. This is attributable to fluctuations in the market value of the investments. It is important to note that the City holds all of its investments until they mature and do not experience a realized loss on investments.
- Operating contributions and grants increased 11.5% due to FY19 supplemental road funding from Public Act 207 for \$1.3M and \$400K from Downtown Development Authority contributions for 2019 capital improvements as compared to an increase 8.7% in fiscal year 2018.
- Capital contributions and grants decreased 39.3% due to a decrease in developer contributions for Street Millage as compared to an increase of 298.5% in fiscal year 2018.

**2019 Governmental Activities - Revenues by Source**



**2018 Governmental Activities - Revenues by Source**



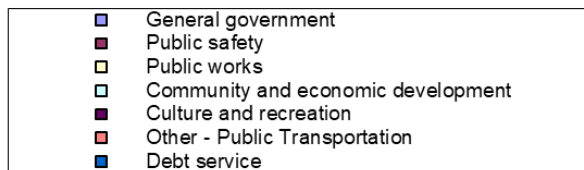
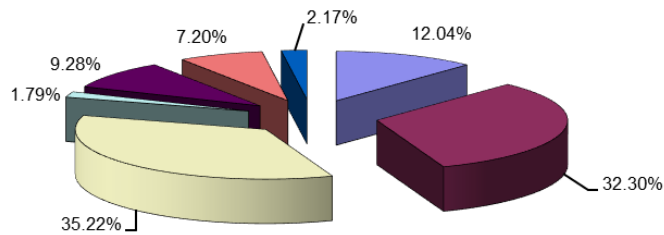
## City of Ann Arbor Management's Discussion and Analysis June 30, 2019

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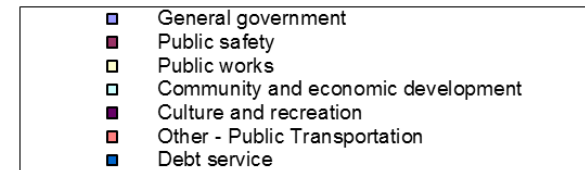
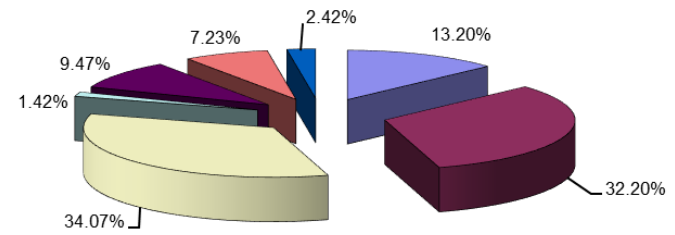
Expenses for governmental activities increased \$4,563,460 from 2018 to 2019. Key elements are as follows:

- Public Safety expenses increased \$1.8 million due to an increase in personnel.
- Public Works expenses increased by \$3.5 million due to an increase in depreciation expense for street infrastructure.
- Community and Economic Development increased by 30.7% due to contributions from the Ann Arbor Affordable Housing Fund to the Ann Arbor Housing Commission for the Swift Lane Project and professional services related to the 2019 Capital Improvement Bond.

**2019 Governmental Activities - Expenses by Function**



**2018 Governmental Activities - Expenses by Function**

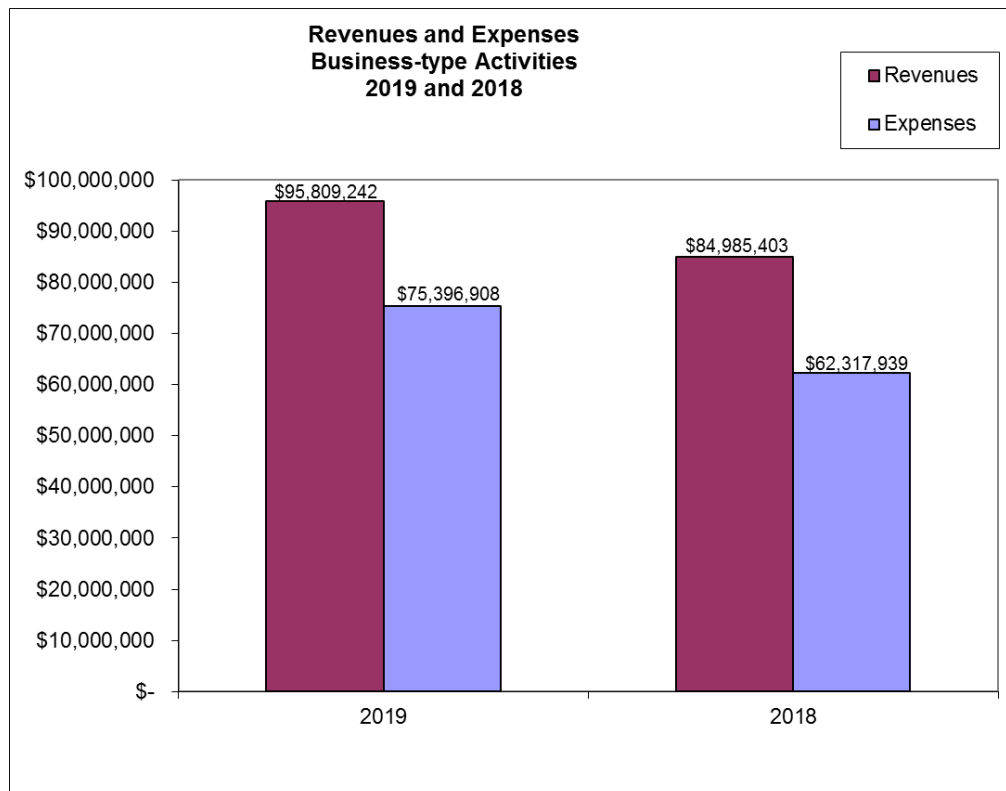


**City of Ann Arbor  
Management's Discussion and Analysis  
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Business-type activities. Business-type activities increased the City's net position by \$18,409,686 for fiscal year 2019 and by \$20,573,654 for fiscal year 2018, accounting for 99% and 100% of the total growth in the government's net position for the current year and prior year, respectively. Key elements of this increase are as follows:

- Revenues increased by \$10,823,839, or 13%, in fiscal year 2019 due to increased services for sewer and stormwater, as well as an increase in investment income due to a favorable market. In the prior year, the revenues had increased 4%.
- Overall, expenses increased 21% in fiscal year 2019. This is compared to a relatively flat growth in fiscal year 2018. Water, Sewer, Stormwater, and Solid waste expenses increased due to the change in accrued pension liability. In addition, Solid Waste had an increase in insurance related to the landfill and Stormwater had an increase in expenses related to personal services, contracted services, and maintenance due to a planned increase in service level.



**City of Ann Arbor**  
**Management's Discussion and Analysis**  
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**Financial Analysis of the Government's Funds**

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

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$111,453,382 at June 30, 2019 versus \$80,623,234 at June 30, 2018, an increase of \$30,830,148. Of the total fund balance amount, \$19,713,016 at June 30, 2019 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, \$11,143,139 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 \$19,713,016 at June 30, 2019. At June 30, 2018, the unrestricted, unassigned fund balance was \$11,143,139. Total fund balance was \$25,637,199 and \$19,320,196 at June 30, 2019 and 2018, 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 18.7% at June 30, 2019 of total General Fund expenditures. Unassigned fund balance was 12.1% at June 30, 2018 of total General Fund expenditures. The fund balance of the City's General Fund increased by \$6,317,003 during the current fiscal year in comparison to a decrease of \$3,878,951 during the prior fiscal year. For fiscal year 2019, the increase is primarily attributed to the issuance of debt in July of 2018 for the land purchase of 350 South Fifth Avenue in June of 2018. For fiscal year 2018, the decrease is attributable to the purchase of 350 South Fifth Avenue property, a legal settlement and increased expenses for street resurfacing.

The Street, Bridge & Sidewalk Millage fund balance increased by \$620,763 in fiscal year 2019 due to the timing of construction projects compared to a decrease of \$2,765,966 in fiscal year 2018.

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 \$60,606,721. Water, sanitary, stormwater sewer, parking system, and airport all had increases in net position for the year, totaling \$17,876,079. Solid Waste had a decrease in net assets of (\$1,169,630). Other factors concerning the finances of these funds have been addressed in the discussion of the City's business-type activities.

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

Differences between the original and final budgets for expenditures resulted in a 2.82% increase in fiscal year 2019 compared to a 6.62% increase in fiscal year 2018. The increase in the final budget from the original for fiscal year 2019 is attributed to various planned use of fund balance adjustments, a few of which relate to the Y lot settlement, streetlight backlog, building & rental special event funding, and water treatment's Barton Dam's hydroturbine project. The actual General Fund revenues and other financing sources were over expenditures and other financing uses by \$6,317,006. This is \$.6 million under final budget.

**City of Ann Arbor  
Management's Discussion and Analysis  
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Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental/business-type activities as of June 30, 2019 was \$1,200,734,819 compared to \$1,217,789,903 at June 30, 2018 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, improvements, machinery and equipment, intangible assets, vehicles, and construction in progress. The total decrease in the City's investment in capital assets for the current fiscal year was -1.40% compared to a decrease of -0.10% in fiscal year 2018. Major capital asset events during the fiscal year 2019 included an increase in Improvements other than buildings and a corresponding decrease in Construction in progress due to the capitalization of the Waste Water Treatment Plant Facility Renovations. Infrastructure had an increase of \$16,020,357 for road and other improvements. Accumulated depreciation increased from \$550,295,664 in fiscal year 2018 to \$604,311,705 in fiscal year 2019. 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's Capital Assets  
(net of depreciation)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Land	\$66,378,495	\$65,618,231	\$7,461,349	\$7,461,349	\$73,839,844	\$73,079,580
Construction in progress	9,505,130	11,423,302	21,381,529	142,296,469	30,886,659	153,719,771
Buildings	166,400,455	166,400,455	190,563,827	190,563,827	356,964,282	356,964,282
Improvements other than buildings	30,721,720	24,206,667	379,371,570	242,962,032	410,093,290	267,168,699
Machinery and equipment	13,606,133	13,225,703	27,394,504	27,321,905	41,000,637	40,547,608
Vehicles	23,659,852	23,768,319	1,530,201	1,785,906	25,190,053	25,554,225
Drain Benefit	-	-	3,662,284	3,662,284	3,662,284	3,662,284
Intangible assets	1,173,590	1,173,590	-	-	1,173,590	1,173,590
Infrastructure	862,235,885	846,215,528	-	-	862,235,885	846,215,528
Less: accumulated depreciation	(392,648,029)	(349,866,909)	(211,663,676)	(200,428,755)	(604,311,705)	(550,295,664)
<b>Total capital assets net of depreciation</b>	<b>\$781,033,231</b>	<b>\$802,164,886</b>	<b>\$419,701,588</b>	<b>\$415,625,017</b>	<b>\$1,200,734,819</b>	<b>\$1,217,789,903</b>

**City of Ann Arbor  
Management's Discussion and Analysis  
June 30, 2019**

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$160,367,000. Of that amount, \$113,932,000 comprises debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

The City's total debt increased by \$3,176,829 or 1.0% during the fiscal year, due to new issues 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**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
General Obligation Bonds	\$ 110,262,000	\$ 102,300,000	\$ 3,670,000	\$ 5,535,000	\$ 113,932,000	\$ 107,835,000
Direct Borrowings and Direct Placements	5,350,000	-	-	-	5,350,000	-
Revenue Bonds	-	-	46,435,000	51,885,000	46,435,000	51,885,000
Revolving Loans	-	-	\$121,641,461	\$127,516,461	121,641,461	127,516,461
Drain Notes	-	-	15,244,156	15,777,623	15,244,156	15,777,623
Capital Leases	-	-	-	-	-	-
Deferred amounts:						
For issuance premiums	3,688,367	959,853	818,850	959,254	4,507,217	1,919,107
For issuance discounts	(117,103)	(199,638)	-	(1,942)	(117,103)	(201,580)
Compensated absences	13,293,859	12,509,114	2,425,990	2,295,026	15,719,849	14,804,140
<b>Total outstanding debt</b>	<b>\$132,477,123</b>	<b>\$115,569,329</b>	<b>\$190,235,457</b>	<b>\$203,966,422</b>	<b>\$322,712,580</b>	<b>\$319,535,751</b>

State statutes limit the amount of the general obligation debt a governmental entity may issue to 10% of its total assessed valuation. The current debt limitation for the City is \$752,713,373, which is significantly in excess of the City's outstanding general obligation debt. Additional information on the City's long-term debt can be located in note 9 of this report.



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

The following factors were considered in preparing the City's budget for fiscal year 2020:

- Property tax revenues are budgeted to increase 4.50% in fiscal year 2020.
- Average salary costs are budgeted to increase 2.58% in fiscal year 2020.
- Healthcare costs are projected to increase 7.86% in fiscal year 2020.
- Pension contributions are projected to increase 7.76% in fiscal year 2020.

Contacting the City's Financial Management

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

**City of Ann Arbor**  
**Statement of Net Position**  
**June 30, 2019**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 237,351	\$ 186,298	\$ 423,649	\$ 3,088,344
Equity in pooled cash and investments	132,481,434	119,864,186	252,345,620	3,911,400
Investments	16,252,133	13,544,562	29,796,695	22,815,837
Receivables				
Taxes, net	411,965	21,997	433,962	-
Accounts, net	4,928,263	14,271,753	19,200,016	2,150,757
Special assessments	383,392	26,657	410,049	-
Improvement charges	2,219	337,863	340,082	-
Accrued interest and other	12,463	-	12,463	-
Loans	3,840	-	3,840	-
Due from other units of government	3,780,637	4,140,408	7,921,045	-
Internal balances	(5,260,497)	5,260,497	-	-
Inventories	1,080,278	486,662	1,566,940	-
Prepaid items	3,150,884	3,681,894	6,832,778	76,145
Capital assets not being depreciated	75,883,625	28,842,878	104,726,503	92,000
Capital assets, net of accumulated depreciation	705,149,606	390,858,710	1,096,008,316	66,187
Total assets	<u>938,497,593</u>	<u>581,524,365</u>	<u>1,520,021,958</u>	<u>32,200,670</u>
<b>Deferred Outflows of Resources</b>				
Deferred charges on refunding	2,769,375	2,663,545	5,432,920	-
Deferred amount relating to net pension liability	4,346,850	2,067,702	6,414,552	9,276
Deferred amount relating to net OPEB liability	13,992,795	3,292,867	17,285,662	-
Total deferred outflows of resources	<u>21,109,020</u>	<u>8,024,114</u>	<u>29,133,134</u>	<u>9,276</u>

See Accompanying Notes to the Financial Statements

**City of Ann Arbor**  
**Statement of Net Position**  
**June 30, 2019**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Liabilities</b>				
Accounts payable	\$ 8,045,714	\$ 8,788,784	\$ 16,834,498	\$ 4,311,990
Accrued and other liabilities	2,565,871	1,543,571	4,109,442	1,480,827
Deposits	2,696,449	166,898	2,863,347	-
Due to other units of government	1,120,822	-	1,120,822	-
Unearned revenue	-	-	-	472,164
Noncurrent liabilities				
Due within one year				
Estimated claims payable due within one year	455,968	-	455,968	-
Debt due within one year	11,494,081	14,470,105	25,964,186	111,591
Due in more than one year				
Estimated claims payable due in more than one year	2,082,048	6,640,734	8,722,782	-
Debt due in more than one year	120,983,042	175,765,352	296,748,394	176,122
Net pension liability	55,428,700	26,477,103	81,905,803	118,776
Net OPEB liability	86,279,862	20,303,889	106,583,751	-
Total liabilities	<u>291,152,557</u>	<u>254,156,436</u>	<u>545,308,993</u>	<u>6,671,470</u>
<b>Deferred Inflows of Resources</b>				
Deferred amount relating to net pension liability	<u>1,433,905</u>	<u>684,947</u>	<u>2,118,852</u>	<u>3,073</u>
<b>Net Position</b>				
Net investment in capital assets	664,619,342	234,555,667	899,175,009	158,187
Restricted for				
Debt service	-	13,733,350	13,733,350	-
Endowment (non-expendable)	1,984,000	-	1,984,000	-
Equipment replacement	-	19,949,067	19,949,067	-
Landfill	-	180,991	180,991	-
Highways and streets	33,445,485	-	33,445,485	-
Culture and recreation	18,497,102	-	18,497,102	-
Other purposes	12,589,758	-	12,589,758	-
Unrestricted (deficit)	<u>(64,115,536)</u>	<u>66,288,021</u>	<u>2,172,485</u>	<u>25,377,216</u>
Total net position	<u>\$ 667,020,151</u>	<u>\$ 334,707,096</u>	<u>\$ 1,001,727,247</u>	<u>\$ 25,535,403</u>

See Accompanying Notes to the Financial Statements

**City of Ann Arbor  
Statement of Activities  
For the Year Ended June 30, 2019**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
<b>Primary government</b>								
Governmental activities								
General government	\$ 18,166,147	\$ 9,052,049	\$ 794,891	\$ -	\$ (8,319,207)	\$ -	\$ (8,319,207)	\$ -
Public safety	47,984,733	11,031,951	1,086,019	-	(35,866,763)	-	(35,866,763)	-
Public works	53,143,075	3,752,184	14,118,871	1,672,836	(33,599,184)	-	(33,599,184)	-
Public transportation	10,864,768	-	-	-	(10,864,768)	-	(10,864,768)	-
Community and economic development	2,696,878	-	398,615	-	(2,298,263)	-	(2,298,263)	-
Recreation and culture	14,009,824	4,666,251	263,060	807,917	(8,272,596)	-	(8,272,596)	-
Interest and fiscal charges on long-term debt	3,272,391	4,181,335	-	-	908,944	-	908,944	-
Total governmental activities	<u>150,137,816</u>	<u>32,683,770</u>	<u>16,661,456</u>	<u>2,480,753</u>	<u>(98,311,837)</u>	<u>-</u>	<u>(98,311,837)</u>	<u>-</u>
Business-type activities								
Water	24,075,346	27,143,417	-	-	-	3,068,071	3,068,071	-
Sewer	21,258,970	32,549,393	-	-	-	11,290,423	11,290,423	-
Parking	1,789,366	1,994,288	-	-	-	204,922	204,922	-
Airport	909,745	1,137,674	-	118,425	-	346,354	346,354	-
Stormwater	9,615,145	11,505,361	-	-	-	1,890,216	1,890,216	-
Solid waste	17,748,336	3,920,945	-	-	-	(13,827,391)	(13,827,391)	-
Total business-type activities	<u>75,396,908</u>	<u>78,251,078</u>	<u>-</u>	<u>118,425</u>	<u>-</u>	<u>2,972,595</u>	<u>2,972,595</u>	<u>-</u>
Total primary government	<u>\$ 225,534,724</u>	<u>\$ 110,934,848</u>	<u>\$ 16,661,456</u>	<u>\$ 2,599,178</u>	<u>(98,311,837)</u>	<u>2,972,595</u>	<u>(95,339,242)</u>	<u>-</u>
<b>Component units</b>								
Housing Commission	\$ 17,967,224	\$ 95,581	\$ 17,108,601	\$ 101,735				(661,307)
SmartZone LDFA	3,397,851	-	-	-				(3,397,851)
Downtown Development Authority	28,305,811	22,787,368	-	-				(5,518,443)
Total Component units	<u>\$ 49,670,886</u>	<u>\$ 22,882,949</u>	<u>\$ 17,108,601</u>	<u>\$ 101,735</u>				<u>(9,577,601)</u>
General revenues								
Property taxes					80,152,017	13,064,727	93,216,744	10,727,049
State-shared revenue					11,493,427	-	11,493,427	-
Unrestricted investment earnings					5,269,825	4,361,262	9,631,087	1,056,865
Miscellaneous					351,982	13,750	365,732	2,287,148
Transfers					2,002,648	(2,002,648)	-	-
Total general revenues and transfers					<u>99,269,899</u>	<u>15,437,091</u>	<u>114,706,990</u>	<u>14,071,062</u>
Change in net position					958,062	18,409,686	19,367,748	4,493,461
Net position - beginning of year					<u>666,062,089</u>	<u>316,297,410</u>	<u>982,359,499</u>	<u>21,041,942</u>
Net position - end of year					<u>\$ 667,020,151</u>	<u>\$ 334,707,096</u>	<u>\$ 1,001,727,247</u>	<u>\$ 25,535,403</u>

See Accompanying Notes to the Financial Statements

**City of Ann Arbor  
Governmental Funds  
Balance Sheet  
June 30, 2019**

	General	Special Revenue Fund Street, Bridge, and Sidewalk Repair Millage Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 179,155	\$ -	\$ 32,070	\$ 211,225
Equity in pooled cash and investments	27,350,937	6,796,837	63,695,821	97,843,595
Investments	-	-	16,252,133	16,252,133
Receivables				
Taxes, net	362,360	48,713	892	411,965
Accounts, net	1,085,589	2,282,235	1,409,401	4,777,225
Special assessments	4,851	133,213	245,328	383,392
Accrued interest and other	-	-	12,463	12,463
Improvement charges	-	2,219	-	2,219
Loans	-	-	3,840	3,840
Due from other units of government	1,322,194	99,067	2,359,376	3,780,637
Due from other funds	124,306	-	-	124,306
Inventories	47,982	-	-	47,982
Prepaid items	4,988	-	-	4,988
Advances to other funds	333,802	-	-	333,802
	<u>\$ 30,816,164</u>	<u>\$ 9,362,284</u>	<u>\$ 84,011,324</u>	<u>\$ 124,189,772</u>
Total assets				

See Accompanying Notes to the Financial Statements

**City of Ann Arbor  
Governmental Funds  
Balance Sheet  
June 30, 2019**

	General	Special Revenue Fund Street, Bridge, and Sidewalk Repair Millage Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Liabilities</b>				
Accounts payable	\$ 1,065,512	\$ 3,126,335	\$ 2,399,300	\$ 6,591,147
Accrued and other liabilities	1,593,707	20,870	173,368	1,787,945
Due to other funds	-	-	37,305	37,305
Deposits payable	2,327,569	-	-	2,327,569
Due to other units of government	192,177	-	928,645	1,120,822
Total liabilities	<u>5,178,965</u>	<u>3,147,205</u>	<u>3,538,618</u>	<u>11,864,788</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue	<u>-</u>	<u>140,283</u>	<u>731,319</u>	<u>871,602</u>
<b>Fund Balances</b>				
Non-spendable	386,772	-	1,984,000	2,370,772
Restricted for				
Road maintenance and repairs	-	6,074,796	27,230,406	33,305,202
Culture and recreation	-	-	18,497,102	18,497,102
Law enforcement	-	-	237,963	237,963
Other special revenue funds	-	-	11,813,755	11,813,755
Debt service	-	-	628,649	628,649
Committed	-	-	2,674,688	2,674,688
Assigned	5,537,411	-	16,674,824	22,212,235
Unassigned	19,713,016	-	-	19,713,016
Total fund balances	<u>25,637,199</u>	<u>6,074,796</u>	<u>79,741,387</u>	<u>111,453,382</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 30,816,164</u>	<u>\$ 9,362,284</u>	<u>\$ 84,011,324</u>	<u>\$ 124,189,772</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, 2019**

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<b>Total fund balances for governmental funds</b>	<b>\$ 111,453,382</b>
Total net position for governmental activities in the statement of net position is different because:	
Capital assets net of accumulated depreciation used in governmental activities are not financial resources and therefore are not reported in the funds.	694,773,234
Capital assets not being depreciated used in governmental activities are not financial resources and therefore are not reported in the funds.	75,793,620
Certain receivables are not available to pay for current period expenditures and therefore are deferred in the funds.	871,602
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(777,293)
Compensated absences	(13,293,859)
Deferred inflows of resources resulting from net pension liability	(1,433,905)
Deferred outflow of resources resulting from net pension liability	4,346,850
Deferred outflow of resources resulting from net OPEB liability	13,992,795
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	(115,612,000)
Unamortized bond discounts/premiums	(3,571,264)
Unamortized deferred loss on refunding	2,769,375
Net pension liability	(55,428,700)
Net OPEB liability	(86,279,862)
Internal service funds are included as part of governmental activities.	<u>39,416,176</u>
<b>Net position of governmental activities</b>	<b><u>\$ 667,020,151</u></b>

See Accompanying Notes to the Financial Statements

**City of Ann Arbor  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2019**

	General	Special Revenue Fund Street, Bridge, and Sidewalk Repair Millage Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 58,071,685	\$ 11,527,693	\$ 10,552,639	\$ 80,152,017
Special assessments/improvement charges	-	44,783	91,444	136,227
Licenses and permits	2,215,402	-	6,463,114	8,678,516
Federal grants	-	-	588,922	588,922
State-shared revenue	12,620,357	-	14,455,055	27,075,412
Local contributions	29,075	974,334	1,436,458	2,439,867
Charges for services	10,593,318	1,737,599	5,301,930	17,632,847
Fines and forfeitures	4,437,460	-	174,316	4,611,776
Interest income	1,613,515	318,571	2,213,294	4,145,380
Rental income	761,445	-	-	761,445
Other revenue	342,150	32,095	550,586	924,831
<b>Total revenues</b>	<b>90,684,407</b>	<b>14,635,075</b>	<b>41,827,758</b>	<b>147,147,240</b>

See Accompanying Notes to the Financial Statements



**City of Ann Arbor  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2019**

	General	Special Revenue Fund Street, Bridge, and Sidewalk Repair Millage Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Expenditures</b>				
Current				
General government	\$ 14,409,013	\$ -	\$ 2,436,701	\$ 16,845,714
Public safety	47,913,367	-	4,005,334	51,918,701
Public works	3,981,037	4,046,795	10,946,573	18,974,405
Public transportation	10,864,768	-	-	10,864,768
Community and economic development	2,704,989	-	174,632	2,879,621
Recreation and culture	8,343,014	-	4,748,713	13,091,727
Capital outlay	88,872	11,246,671	5,628,581	16,964,124
Debt service				
Principal retirement	-	-	5,393,000	5,393,000
Interest and fiscal charges	-	-	2,430,211	2,430,211
Payment to refunded bonds escrow agent	-	-	646,298	646,298
 Total expenditures	 <u>88,305,060</u>	 <u>15,293,466</u>	 <u>36,410,043</u>	 <u>140,008,569</u>
 Excess (deficiency) of revenues over expenditures	 <u>2,379,347</u>	 <u>(658,391)</u>	 <u>5,417,715</u>	 <u>7,138,671</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, 2019**

	General	Special Revenue Fund Street, Bridge, and Sidewalk Repair Millage Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Other financing sources (uses)</b>				
Transfers in	\$ 945,310	\$ 3,216,865	\$ 6,455,819	\$ 10,617,994
Transfers out	(2,394,154)	(1,937,711)	(3,518,887)	(7,850,752)
Issuance of debt	5,350,000	-	51,955,000	57,305,000
Premium on issuance of debt	-	-	2,789,032	2,789,032
Payment to refunded bonds escrow agent	-	-	(39,206,297)	(39,206,297)
Sale of capital assets	36,500	-	-	36,500
	<u>3,937,656</u>	<u>1,279,154</u>	<u>18,474,667</u>	<u>23,691,477</u>
Total other financing sources and uses				
Net change in fund balance	6,317,003	620,763	23,892,382	30,830,148
Fund balance - beginning of year	<u>19,320,196</u>	<u>5,454,033</u>	<u>55,849,005</u>	<u>80,623,234</u>
Fund balance - end of year	<u>\$ 25,637,199</u>	<u>\$ 6,074,796</u>	<u>\$ 79,741,387</u>	<u>\$ 111,453,382</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, 2019**

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<b>Net change in fund balances - total governmental funds</b>	<b>\$ 30,830,148</b>
Total change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(44,771,069)
Capital outlay	23,675,796
Donations of capital assets	360,097
Sale of capital assets (net book value)	(62,524)
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	(21,417)
Expenses are recorded when incurred in the statement of activities.	
Accrued interest	(133,976)
Compensated absences	(784,745)
Union contracts	222,099
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	2,463,022
Net change in the deferred inflows and outflows of resources related to the net pension liability	1,075,494
Net change in net OPEB liability	(13,616,037)
Net change in the deferred inflows and outflows of resources related to the net OPEB liability	13,983,059
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.	
Debt issued	(57,305,000)
Repayments of long-term debt	5,393,000
Payment to escrow agent	39,206,297
Amortization of premiums, discounts and similar items	(61,905)
Debt premium for new issue	(2,789,032)
Internal service funds are also included as governmental activities	3,294,755
<b>Change in net position of governmental activities</b>	<b>\$ 958,062</b>

See Accompanying Notes to the Financial Statements

**City of Ann Arbor  
Proprietary Funds  
Statement of Net Position  
June 30, 2019**

	Enterprise Funds						Internal Service Funds	
	Water Supply System	Sewage Disposal System	Parking System	Airport	Stormwater Sewer System	Solid Waste		Total
<b>Assets</b>								
<b>Current assets</b>								
Cash and cash equivalents	\$ 450	\$ -	\$ -	\$ 30	\$ -	\$ 185,818	\$ 186,298	\$ 26,126
Equity in pooled cash and investments	35,758,942	42,139,190	1,908,414	1,639,513	15,089,966	23,328,161	119,864,186	34,637,839
Investments	2,986,792	10,557,770	-	-	-	-	13,544,562	-
<b>Receivables</b>								
Taxes, net	16,418	-	-	-	-	5,579	21,997	-
Accounts, net	4,865,827	6,028,133	3,600	67,238	2,465,581	841,374	14,271,753	151,038
Special assessments, current	2,270	11,744	-	-	4,685	-	18,699	-
Improvement charges	14,948	22,124	-	-	1,977	-	39,049	-
Due from other units of government	488,308	-	-	-	-	-	488,308	-
Inventories	431,808	54,854	-	-	-	-	486,662	1,032,296
Prepaid items	-	3,373,616	-	-	308,278	-	3,681,894	3,145,896
<b>Total current assets</b>	<b>44,565,763</b>	<b>62,187,431</b>	<b>1,912,014</b>	<b>1,706,781</b>	<b>17,870,487</b>	<b>24,360,932</b>	<b>152,603,408</b>	<b>38,993,195</b>
<b>Noncurrent assets</b>								
Special assessments receivable	7,275	683	-	-	-	-	7,958	-
Improvement charges	45,289	193,980	-	-	59,545	-	298,814	-
Due from other units of government	3,652,100	-	-	-	-	-	3,652,100	-
Capital assets not being depreciated	17,229,183	3,484,299	3,934,897	708,927	1,558,501	1,927,071	28,842,878	90,005
Capital assets, net of accumulated depreciation	102,537,827	230,693,571	27,590,896	1,234,668	18,888,683	9,913,065	390,858,710	10,376,372
<b>Total noncurrent assets</b>	<b>123,471,674</b>	<b>234,372,533</b>	<b>31,525,793</b>	<b>1,943,595</b>	<b>20,506,729</b>	<b>11,840,136</b>	<b>423,660,460</b>	<b>10,466,377</b>
<b>Total assets</b>	<b>168,037,437</b>	<b>296,559,964</b>	<b>33,437,807</b>	<b>3,650,376</b>	<b>38,377,216</b>	<b>36,201,068</b>	<b>576,263,868</b>	<b>49,459,572</b>
<b>Deferred Outflows of Resources</b>								
Deferred amount on refunding	881,995	1,653,380	128,170	-	-	-	2,663,545	-
Deferred amount relating to net pension liability	766,533	618,378	-	-	347,837	334,954	2,067,702	-
Deferred amount relating to net OPEB liability	1,266,723	1,189,943	-	-	240,964	595,237	3,292,867	-
<b>Total deferred outflows of resources</b>	<b>2,915,251</b>	<b>3,461,701</b>	<b>128,170</b>	<b>-</b>	<b>588,801</b>	<b>930,191</b>	<b>8,024,114</b>	<b>-</b>

See Accompanying Notes to the Financial Statements

**City of Ann Arbor**  
**Proprietary Funds**  
**Statement of Net Position**  
**June 30, 2019**

	Enterprise Funds							Internal Service Funds
	Water Supply System	Sewage Disposal System	Parking System	Airport	Stormwater Sewer System	Solid Waste	Total	
<b>Liabilities</b>								
Current liabilities								
Accounts payable	\$ 5,234,240	\$ 1,576,051	\$ -	\$ 57,958	\$ 916,326	\$ 1,004,209	\$ 8,788,784	\$ 1,454,567
Accrued and other liabilities	128,555	89,332	-	-	39,855	46,383	304,125	633
Due to other funds	-	-	-	87,001	-	-	87,001	-
Accrued interest payable	247,119	913,511	26,800	1,434	50,582	-	1,239,446	-
Deposits	137,355	-	-	-	29,543	-	166,898	368,880
Bonds payable, current	2,331,386	3,063,884	1,227,332	-	-	-	6,622,602	-
Other debt, current	1,015,000	4,985,000	-	-	895,579	-	6,895,579	-
Estimated claims payable, current	-	-	-	-	-	-	-	455,968
Compensated absences, current	399,356	297,311	-	-	140,095	115,162	951,924	-
<b>Total current liabilities</b>	<b>9,493,011</b>	<b>10,925,089</b>	<b>1,254,132</b>	<b>146,393</b>	<b>2,071,980</b>	<b>1,165,754</b>	<b>25,056,359</b>	<b>2,280,048</b>
Noncurrent liabilities								
Bonds payable, net	30,485,712	126,923,643	2,533,354	-	14,348,576	-	174,291,285	-
Estimated claims payable, net	-	-	-	-	-	6,640,734	6,640,734	2,082,048
Compensated absences, net	689,641	364,669	-	-	188,105	231,652	1,474,067	-
Advances from other funds	-	-	-	333,802	-	-	333,802	-
Net pension liability	9,815,499	7,918,386	-	-	4,454,092	4,289,126	26,477,103	-
Net OPEB liability	7,810,637	7,337,216	-	-	1,485,790	3,670,246	20,303,889	-
<b>Total noncurrent liabilities</b>	<b>48,801,489</b>	<b>142,543,914</b>	<b>2,533,354</b>	<b>333,802</b>	<b>20,476,563</b>	<b>14,831,758</b>	<b>229,520,880</b>	<b>2,082,048</b>
<b>Total liabilities</b>	<b>58,294,500</b>	<b>153,469,003</b>	<b>3,787,486</b>	<b>480,195</b>	<b>22,548,543</b>	<b>15,997,512</b>	<b>254,577,239</b>	<b>4,362,096</b>
<b>Deferred Inflows of Resources</b>								
Deferred amount relating to net pension liability	253,921	204,844	-	-	115,225	110,957	684,947	-

See Accompanying Notes to the Financial Statements

**City of Ann Arbor  
Proprietary Funds  
Statement of Net Position  
June 30, 2019**

	Enterprise Funds						Total	Internal Service Funds
	Water Supply System	Sewage Disposal System	Parking System	Airport	Stormwater Sewer System	Solid Waste		
<b>Net Position</b>								
Net investment in capital assets	\$ 86,816,907	\$ 100,858,723	\$ 27,893,277	\$ 1,943,595	\$ 5,203,029	\$ 11,840,136	\$ 234,555,667	\$ 10,466,377
Restricted for								
Debt service	3,227,757	10,505,593	-	-	-	-	13,733,350	-
Equipment replacement	11,787,237	8,161,830	-	-	-	-	19,949,067	-
Landfill	-	-	-	-	-	180,991	180,991	-
Unrestricted	<u>10,572,366</u>	<u>26,821,672</u>	<u>1,885,214</u>	<u>1,226,586</u>	<u>11,099,220</u>	<u>9,001,663</u>	<u>60,606,721</u>	<u>34,631,099</u>
 Total net position	<u>\$ 112,404,267</u>	<u>\$ 146,347,818</u>	<u>\$ 29,778,491</u>	<u>\$ 3,170,181</u>	<u>\$ 16,302,249</u>	<u>\$ 21,022,790</u>	329,025,796	<u>\$ 45,097,476</u>
 Some amounts reported for business-type activities in the statement of net position are different because certain internal service funds assets and liabilities are reported with business-type activities							<u>5,681,300</u>	
 Net position of business-type activities							<u>\$ 334,707,096</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, 2019**

	Enterprise Funds							Internal Service Funds
	Water Supply System	Sewage Disposal System	Parking System	Airport	Stormwater Sewer System	Solid Waste	Total	
<b>Operating revenue</b>								
Charges for services	\$ 27,143,417	\$ 32,549,393	\$ 1,994,288	\$ 1,137,674	\$ 11,505,361	\$ 3,920,945	\$ 78,251,078	\$ 52,280,374
<b>Operating expenses</b>								
Personnel services	11,931,750	9,019,388	-	300,134	5,323,536	5,333,687	31,908,495	8,490,726
Municipal service charge	415,488	684,792	-	31,032	220,416	457,176	1,808,904	1,332,408
Information technology charge	910,768	401,519	-	14,040	221,496	151,233	1,699,056	975,856
Other operating costs	6,237,675	4,321,910	-	488,615	2,936,825	11,846,747	25,831,772	35,272,828
Depreciation	4,132,545	4,055,261	1,687,836	81,700	724,760	832,077	11,514,179	2,286,666
Total operating expenses	23,628,226	18,482,870	1,687,836	915,521	9,427,033	18,620,920	72,762,406	48,358,484
Operating income (loss)	3,515,191	14,066,523	306,452	222,153	2,078,328	(14,699,975)	5,488,672	3,921,890
<b>Nonoperating revenue (expenses)</b>								
Property taxes	4,775	-	-	-	-	13,059,952	13,064,727	-
Interest income	1,200,145	1,681,549	58,260	47,188	466,186	907,934	4,361,262	1,124,478
Gain on sale of assets	5,500	8,250	-	-	-	2,250	16,000	315,482
Interest expense	(754,316)	(3,014,702)	(101,530)	(19,498)	(449,944)	-	(4,339,990)	-
Total nonoperating revenues (expenses)	456,104	(1,324,903)	(43,270)	27,690	16,242	13,970,136	13,101,999	1,439,960
Income (loss) before contributions and transfers	3,971,295	12,741,620	263,182	249,843	2,094,570	(729,839)	18,590,671	5,361,850
Capital contributions	-	-	-	118,425	-	-	118,425	400,737
Transfers in	5,158,062	762,145	-	-	1,192	-	5,921,399	-
Transfers out	(3,579,721)	(1,961,265)	-	(7,092)	(1,936,178)	(439,791)	(7,924,047)	(764,594)
Change in net position	5,549,636	11,542,500	263,182	361,176	159,584	(1,169,630)	16,706,448	4,997,993
Net position - beginning of year	106,854,631	134,805,318	29,515,309	2,809,005	16,142,665	22,192,420	312,319,348	40,099,483
Net position - end 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
Change in net position - total enterprise funds							\$ 16,706,448	
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							1,703,238	
Change in net position of business-type activities							\$ 18,409,686	

See Accompanying Notes to the Financial Statements

**City of Ann Arbor  
Proprietary Funds  
Statement of Cash Flows  
For the Year Ended June 30, 2019**

	Enterprise Funds							Internal Service Funds
	Water Supply System	Sewage Disposal System	Parking System	Airport	Stormwater Sewer System	Solid Waste	Total	
<b>Cash flows from operating activities</b>								
Receipts from customers	\$ 27,332,096	\$ 31,957,710	\$ 1,991,888	\$ 1,147,164	\$ 11,312,200	\$ 3,849,011	\$ 77,590,069	\$ -
Payments to suppliers	(2,361,442)	(4,214,520)	-	(336,146)	(2,240,667)	(9,433,443)	(18,586,218)	(38,102,054)
Payments to employees	(7,359,370)	(6,136,520)	-	(300,134)	(2,281,744)	(3,343,245)	(19,421,013)	(8,490,726)
Receipts (payments) for interfund services used	(1,462,381)	(882,541)	-	(72,468)	(983,363)	(2,878,244)	(6,278,997)	52,253,173
Net cash provided (used) by operating activities	<u>16,148,903</u>	<u>20,724,129</u>	<u>1,991,888</u>	<u>438,416</u>	<u>5,806,426</u>	<u>(11,805,921)</u>	<u>33,303,841</u>	<u>5,660,393</u>
<b>Cash flows from noncapital financing activities</b>								
Transfer from other funds	5,158,062	762,145	-	-	1,192	-	5,921,399	-
Transfers to other funds	(3,579,721)	(1,961,265)	-	(7,092)	(1,936,178)	(439,791)	(7,924,047)	(764,594)
Repayment of advances from other funds	-	-	-	(83,549)	-	-	(83,549)	-
Property taxes	4,775	-	-	-	-	13,059,952	13,064,727	-
Net cash provided (used) by noncapital financing activities	<u>1,583,116</u>	<u>(1,199,120)</u>	<u>-</u>	<u>(90,641)</u>	<u>(1,934,986)</u>	<u>12,620,161</u>	<u>10,978,530</u>	<u>(764,594)</u>
<b>Cash flows from capital and related financing activities</b>								
Proceeds from sale of bonds and notes	-	-	-	-	346,430	-	346,430	-
Capital contributions	-	-	-	-	-	-	-	400,737
Purchases/construction of capital assets	(11,246,395)	(3,298,824)	-	(9,630)	(905,107)	(135,487)	(15,595,443)	(1,818,958)
Principal and interest paid on long-term debt	(3,967,841)	(11,163,804)	(1,994,289)	(19,782)	(1,359,197)	-	(18,504,913)	-
Proceeds from sale of capital assets	6,828	12,944	-	-	-	2,249	22,021	181,729
Net cash used by capital and related financing activities	<u>(15,207,408)</u>	<u>(14,449,684)</u>	<u>(1,994,289)</u>	<u>(29,412)</u>	<u>(1,917,874)</u>	<u>(133,238)</u>	<u>(33,731,905)</u>	<u>(1,236,492)</u>

See Accompanying Notes to the Financial Statements



**City of Ann Arbor  
Proprietary Funds  
Statement of Cash Flows  
For the Year Ended June 30, 2019**

	Enterprise Funds							Internal Service Funds
	Water Supply System	Sewage Disposal System	Parking System	Airport	Stormwater Sewer System	Solid Waste	Total	
<b>Cash flows from investing activities</b>								
Proceeds from sales and maturities of investments	\$ 3,405,305	\$ 10,545,849	\$ -	\$ -	\$ -	\$ -	\$ 13,951,154	\$ -
Purchases of investments	(2,986,791)	(10,557,770)	-	-	-	-	(13,544,561)	-
Interest received	1,200,145	1,681,549	58,260	47,188	466,186	907,934	4,361,262	1,124,478
Net cash provided by investing activities	1,618,659	1,669,628	58,260	47,188	466,186	907,934	4,767,855	1,124,478
Net change in cash and cash equivalents	4,143,270	6,744,953	55,859	365,551	2,419,752	1,588,936	15,318,321	4,783,785
Cash and cash equivalents - beginning of year	31,616,122	35,394,237	1,852,555	1,273,992	12,670,214	21,925,043	104,732,163	29,880,180
Cash and cash equivalents - end of year	\$ 35,759,392	\$ 42,139,190	\$ 1,908,414	\$ 1,639,543	\$ 15,089,966	\$ 23,513,979	\$ 120,050,484	\$ 34,663,965
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>								
Operating income (loss)	\$ 3,515,191	\$ 14,066,523	\$ 306,452	\$ 222,153	\$ 2,078,328	\$ (14,699,975)	\$ 5,488,672	\$ 3,921,890
Adjustments to reconcile operating income to net cash from operating activities								
Depreciation and amortization expense	4,132,545	4,055,261	1,687,836	81,700	724,760	832,077	11,514,179	2,286,666
Non-cash capital contributions	-	-	-	118,425	-	-	118,425	-
Changes in assets and liabilities								
Receivables (net)	374,777	(591,683)	(3,600)	9,490	(193,161)	(71,934)	(476,111)	(27,201)
Due from other units of government	(186,098)	-	1,200	-	-	-	(184,898)	-
Inventories	150,885	(27,164)	-	-	-	-	123,721	(232,525)
Prepaid items	-	208,543	-	-	(27,173)	-	181,370	(54,785)
Accounts payable	3,589,295	129,781	-	6,648	175,535	(120,915)	3,780,344	(133,428)
Accrued and other liabilities	11,431	(694)	-	-	(9,097)	(1,475)	165	318
Deposits	-	-	-	-	6,345	-	6,345	14,621
Estimated claims payable	-	-	-	-	-	264,384	264,384	(115,163)
Customer deposits payable	(72)	-	-	-	-	-	(72)	-
Net pension liability	4,552,042	2,973,178	-	-	2,589,023	1,851,191	11,965,434	-
Net OPEB liability	15,663	57,113	-	-	339,209	(21,067)	390,918	-
Compensated absences	(6,756)	(146,729)	-	-	122,657	161,793	130,965	-
Net cash provided (used) by operating activities	\$ 16,148,903	\$ 20,724,129	\$ 1,991,888	\$ 438,416	\$ 5,806,426	\$ (11,805,921)	\$ 33,303,841	\$ 5,660,393

**Non-cash activity:**

The Airport Fund received equipment valued at \$118,425 from a grant during the year ended June 30, 2019.

**City of Ann Arbor**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**June 30, 2019**

	Private-purpose Trust Fund	Pension and Employee Benefit Trust Funds	Agency Funds
<b>Assets</b>			
Cash	\$ -	\$ -	\$ 221,991
Equity in pooled cash and investments	2,736	1,496,190	26,768
Investments, at fair value:			
Equities	-	387,445,373	-
Fixed income	-	214,121,178	-
Other	676,359	100,237,878	-
Receivables			
Accrued interest and other	-	500,698	-
Due from other funds	-	73,144	-
Capital assets, net	-	339,260	-
Total assets	<u>679,095</u>	<u>704,213,721</u>	<u>248,759</u>
<b>Deferred Outflows of Resources</b>			
Deferred amount related to net pension liability	-	45,090	-
Deferred amount related to net OPEB liability	-	79,702	-
Total deferred outflows of resources	<u>-</u>	<u>124,792</u>	<u>-</u>
<b>Liabilities</b>			
Accounts payable	-	3,363,272	\$ -
Mortgage payable, due in one year	-	31,232	-
Mortgage payable, due in more than one year	-	102,384	-
Net pension liability	-	577,382	-
Net OPEB liability	-	491,441	-
Due to others	-	-	4,054
Due to other governments	-	-	194,662
Deposits	-	-	50,043
Total liabilities	<u>-</u>	<u>4,565,711</u>	<u>\$ 248,759</u>
<b>Deferred Inflows of Resources</b>			
Deferred amount on net pension liability	-	14,937	
<b>Net Position</b>			
Restricted for police and fire relief	679,095	-	
Restricted for pensions and other post employment benefits	-	699,757,865	
Total net position	<u>\$ 679,095</u>	<u>\$ 699,757,865</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, 2019**

	Private-purpose Trust Fund	Pension and Other Employee Benefit Trust Funds
<b>Additions</b>		
Investment income:		
From investing activities:		
Appreciation in fair value of investments	\$ -	\$ 36,042,654
Interest and dividends	18,843	7,204,787
Total investment income	18,843	43,247,441
Investment management fees	-	(771,135)
Net investment income from investing activities	18,843	42,476,306
From securities lending activities:		
Gross earnings	-	19,657
Borrower rebates received (paid)	-	(13,527)
Securities lending fees	-	(1,828)
Net investment income from securities and lending activities	-	4,302
Total net investment income	18,843	42,480,608
Contributions:		
Employer	-	29,925,753
Plan member	-	3,465,096
Total contributions	-	33,390,849
Total additions	18,843	75,871,457
<b>Deductions</b>		
Benefits	100,000	50,429,444
Refunds of contributions	-	370,953
Administrative expenses	-	1,166,903
Total deductions	100,000	51,967,300
Change in net position	(81,157)	23,904,157
Net position - beginning of year	760,252	675,853,708
Net position - end of year	\$ 679,095	\$ 699,757,865

See Accompanying Notes to the Financial Statements

**City of Ann Arbor**  
**Discretely Presented Component Units**  
**Combining Statement of Net Position**  
**June 30, 2019**

	Housing Commission	SmartZone Local Development Finance Authority	Downtown Development Authority	Total
<b>Assets</b>				
Cash	\$ 2,683,776	\$ -	\$ 404,568	\$ 3,088,344
Equity in pooled cash and investments	-	3,911,400	-	3,911,400
Investments, at fair value	-	-	22,815,837	22,815,837
Receivables	462,532	471,164	1,217,061	2,150,757
Other assets	44,484	-	31,661	76,145
Capital assets not being depreciated	92,000	-	-	92,000
Capital assets being depreciated, net	66,187	-	-	66,187
Total assets	3,348,979	4,382,564	24,469,127	32,200,670
<b>Deferred Outflows of Resources</b>				
Deferred amount relating to net pension liability	9,276	-	-	9,276
<b>Liabilities</b>				
Accounts payable	506,524	432,950	3,372,516	4,311,990
Accrued and other liabilities	592,622	-	888,205	1,480,827
Unearned revenue	1,000	471,164	-	472,164
Debt due within one year	40,986	-	70,605	111,591
Debt due in more than one year	20,719	-	155,403	176,122
Net pension liability	118,776	-	-	118,776
Total liabilities	1,280,627	904,114	4,486,729	6,671,470
<b>Deferred Inflows of Resources</b>				
Deferred amount relating to net pension liability	3,073	-	-	3,073
<b>Net Position</b>				
Net investment in capital assets	158,187	-	-	158,187
Unrestricted	1,916,368	3,478,450	19,982,398	25,377,216
Total net position	<u>\$ 2,074,555</u>	<u>\$ 3,478,450</u>	<u>\$ 19,982,398</u>	<u>\$ 25,535,403</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, 2019**

	<u>Housing Commission</u>	<u>SmartZone Local Development Finance Authority</u>	<u>Downtown Development Authority</u>	<u>Total</u>
<b>Expenses</b>				
Housing and economic development	\$ 17,967,224	\$ 3,397,851	\$ 28,305,811	\$ 49,670,886
<b>Program revenues</b>				
Charges for services	95,581	-	22,787,368	22,882,949
Operating grants and contributions	17,108,601	-	-	17,108,601
Capital grants and contributions	101,735	-	-	101,735
<b>Total program revenue</b>	<u>17,305,917</u>	<u>-</u>	<u>22,787,368</u>	<u>40,093,285</u>
Net program expense	<u>(661,307)</u>	<u>(3,397,851)</u>	<u>(5,518,443)</u>	<u>(9,577,601)</u>
<b>General revenues</b>				
Property taxes	-	3,899,557	6,827,492	10,727,049
Interest income	5,838	153,860	897,167	1,056,865
Other income	32,440	25,538	2,229,170	2,287,148
<b>Total general revenues</b>	<u>38,278</u>	<u>4,078,955</u>	<u>9,953,829</u>	<u>14,071,062</u>
Change in net position	(623,029)	681,104	4,435,386	4,493,461
Net position - beginning of year	<u>2,697,584</u>	<u>2,797,346</u>	<u>15,547,012</u>	<u>21,041,942</u>
Net position - end of year	<u>\$ 2,074,555</u>	<u>\$ 3,478,450</u>	<u>\$ 19,982,398</u>	<u>\$ 25,535,403</u>

See Accompanying Notes to the Financial Statements

**City of Ann Arbor**  
**Notes to the Financial Statements**  
**June 30, 2019**

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**Note 1 - Summary of Significant Accounting Policies**

**Reporting entity**

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

**Blended Component Unit**

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

**Discretely Presented Component Units**

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

financially accountable and is able to impose its will on the organizations.

Downtown Development Authority (the "DDA"). The DDA was created to finance rehabilitation and redevelopment in the downtown area. Commissioners of the DDA are appointed by the Mayor and approved by City Council. Development plans are approved by Council and Council must approve all modifications to the plans. The DDA's budget must be approved by City Council. The DDA's primary source of funding is charges for services (parking) and tax increment financing revenues. Bonds secured by those revenues are issued by the City on behalf of the DDA, which does not have the ability to issue debt. During the fiscal year, the DDA paid \$4.5 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 \$6.2 million for debt service payments. The DDA paid \$1.5 million to the City for insurance and network access. The City transferred \$.6 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

**City of Ann Arbor**  
**Notes to the Financial Statements**  
**June 30, 2019**

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for its debt. The Housing Commission issues separate audited financial statements.

SmartZone Local Development Finance Authority (SmartZone LDFA). The SmartZone LDFA was established in accordance with the authority granted under Public Act 248 of 2000 by the cities of Ann Arbor and Ypsilanti in June 2002 to encourage high-tech business investment within the boundaries of the SmartZone, comprising portions of the cities of Ann Arbor and Ypsilanti, and the funding of the SmartZone through a local development financing authority. The SmartZone LDFA provides financing through a tax capture mechanism within a specific district. Presently, tax increment finance revenue is generated only within the geographic boundaries of the Ann Arbor DDA. The governing body consists of a nine-member board of directors of which six members are appointed by the Ann Arbor City Council and three members are appointed by the Ypsilanti City Council. The SmartZone LDFA operates under bylaws initially approved by the Ann Arbor and Ypsilanti City Councils. The City approves the budget and maintains the accounting records for the SmartZone LDFA. 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 \$39,013 as of June 30, 2019.

**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.

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**Measurement focus, basis of accounting, and financial statement presentation**

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

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

Property taxes, 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.



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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.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes 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.

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

**Assets, liabilities, and net position or equity**

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. State statues authorize the City to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, banker's acceptances, and mutual funds composed of otherwise legal investments.

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 \$941,123.

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, 2018 as controlled by the Headlee Amendment, Act 415 and City Charter, was 5.9407 mills raising \$34.3 million. Other tax rates and amounts raised were as follows: employee benefits (1.9802) raising \$11.4 million, refuse collection (2.3759) raising \$13.7 million, Ann Arbor Transportation Authority (1.9802) raising \$11.4 million, street & sidewalk repair (2.0920) raising \$12.1 million, parks maintenance and repair (1.0594) raising \$6.1 million, and open space and parkland preservation Millage (0.4601) raising \$2.7 million. Real and personal property located in the City as of December 31, 2017 was assessed and equalized at \$7,527,133,725, 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 2018 taxable value on March 1, 2019, was \$5,790,833,612. 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

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

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

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

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

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

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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 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.

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Deferred inflows of resources – The City reports deferred inflows of resources as a result of pension and OPEB earnings. This amount is the result of a difference between what the plans expected to earn from the plan investments and what the plan 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 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.

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 \$892,326 are included in assigned fund balance of the General Fund, \$11,953,787 in restricted fund balance of the Major and Local Street Funds and Street, Bridge and Sidewalk Millage Fund, and \$6,692,977 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.

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**Adoption of New Accounting Standards**

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* improves the information that is disclosed in notes to the financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities should be included when disclosing information related to debt. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. It will also require that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

**Upcoming Accounting and Reporting Changes**

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

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. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

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, 2021.

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, 2021.

Statement No. 90, *Majority Equity Interests* improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the

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relevance of financial statement information for certain components. This statement is effective for the year ending June 30, 2020.

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, 2022.

The City is evaluating the impact that the above GASBs 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.

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The City Administrator's recommended budget is submitted to City Council at the second meeting in April. The City Council, with at least seven affirmative votes, must adopt the budget no later than the end of its second meeting in May. According to City Charter, should the City Council not adopt an amended budget, the City Administrator's recommended budget will automatically take effect as submitted.

After the budget has been adopted, City Council may amend the budget by a concurring vote of not fewer than eight members.

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

The City Administrator is authorized to transfer appropriated funds between major expenditure categories within departments. However, any revisions which alter the total appropriations of a department must be approved by City Council. For budgetary purposes, the General Fund is composed of several departments. Expenditures may not legally exceed appropriations at the department level. The City utilizes an encumbrance system as a management control technique to assist in controlling expenditures. Under this procedure, encumbrances representing purchase orders, contracts, and other commitments are closely monitored throughout the fiscal year. All appropriations lapse at the end of the fiscal year, except for certain capital projects which are approved without regard to fiscal year. For any of these projects which are under construction at year-end, the

appropriations are allowed to carry forward with the amount being adopted for the current budget year.

**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, 2019, the City did not incur any expenditures in excess of the amounts appropriated at the legal level of budgetary control.

**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	\$ 237,351	\$ 132,481,434	\$ 16,252,133	\$ 148,970,918
Business-type activities	186,298	119,864,186	13,544,562	133,595,046
Total	423,649	252,345,620	29,796,695	282,565,964
Fiduciary funds	221,991	1,525,694	702,480,788	704,228,473
Component units	3,088,344	3,911,400	22,815,837	29,815,581
Total	<u>\$ 3,733,984</u>	<u>\$ 257,782,714</u>	<u>\$ 755,093,320</u>	<u>\$ 1,016,610,018</u>



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The breakdown between deposits and investments is as follows:

<b>Deposits and investments</b>	
Bank deposits	\$ 11,548,731
Certificates of deposit due within one year	763,947
Investments in securities, mutual funds, and similar vehicles:	
City investment pool	249,195,064
Nonmajor governmental funds	16,252,134
Enterprise funds	13,544,562
Employees' Retirement System	516,310,824
Retiree Health Care Trust Fund	185,493,605
Downtown Development Authority	22,815,837
Police & Fire Relief Trust	676,359
Cash on hand	<u>8,955</u>
<b>Total</b>	<b><u>\$1,016,610,018</u></b>

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

**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	\$ 8,238,596	\$ 34,382,704	\$ 309,062	\$ 34,073,642
15th District Court	221,991	239,495	239,495	-
Downtown Development Authority	404,368	992,193	250,000	742,193
Housing Commission	<u>2,683,776</u>	<u>2,746,337</u>	<u>1,000,000</u>	<u>1,746,337</u>
<b>Totals</b>	<b><u>\$ 11,548,731</u></b>	<b><u>\$ 38,360,729</u></b>	<b><u>\$ 1,798,557</u></b>	<b><u>\$ 36,562,172</u></b>

The uninsured bank balance of \$36,562,172 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 \$495,540 as of year-end. In addition, the Downtown Development Authority had \$1,001,938 in certificates of deposit, of which \$1,938 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, 2019:

U.S. treasuries	\$ 107,629,453
U.S. agencies	140,437,925
MI Class	30,307,620
Accrued interest	<u>1,178,690</u>
<b>Total investments</b>	<b>\$ <u>279,553,688</u></b>

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, 2019, 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, 2019, 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, 2019, 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	12.06%
U.S. agencies	Federal Farm Credit Bank	14.25%
U.S. agencies	Federal Home Loan Mortgage	16.10%
U.S. agencies	Federal Home Loan Bank	14.20%

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, 2019, 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	\$ 107,629,453	\$ 40,448,114	\$ 67,088,702	\$ 92,637
U.S. agencies	140,437,925	54,927,870	85,510,055	-
	<u>\$ 248,067,378</u>	<u>\$ 95,375,984</u>	<u>\$ 152,598,757</u>	<u>\$ 92,637</u>

Of the above balances, \$74,959,650 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, 2019 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.

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

The adopted asset allocation policy as of June 30, 2019 is as follows:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Allocation Range</b>
<b>Equities</b>		
Domestic equities	31%	25% - 37%
Developed foreign equities	12%	9% - 15%
Emerging markets equities	6%	0% - 9%
Private equities	3%	0% - 5%
	<u>52%</u>	<u>34% - 66%</u>
<b>Fixed income</b>		
Investment grade bonds	19%	15% - 24%
TIPS*	8%	0% - 10%
High yield bonds	3%	1% - 5%
Bank loans	2%	0% - 4%
Emerging market debts	2%	0% - 4%
	<u>34%</u>	<u>16% - 47%</u>
<b>Other investments</b>		
Real estate	9%	2% - 12%
Natural resources	3%	0% - 5%
Hedge funds	2%	1% - 5%
Cash	0%	<5%
	<u>14%</u>	<u>3% - 27%</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, 2019: (investments at fair value, as determined by quoted market price).

	Domestic	Foreign	Total	On Loan
<b>Equities</b>				
Common stock	\$ 15,205,629	\$ 443,146	\$ 15,648,775	\$ 163,428
Common stock funds	148,487,927	100,251,784	248,739,711	-
Private equity	17,381,869	-	17,381,869	-
Mutual funds - equity	450,419	210,372	660,791	-
<b>Total equities</b>	<u>181,525,844</u>	<u>100,905,302</u>	<u>282,431,146</u>	<u>163,428</u>
<b>Fixed income</b>				
Government agency funds	89,852,629	-	89,852,629	-
Corporate bonds	-	3,768,800	3,768,800	-
Corporate bond funds	11,683,227	12,692,807	24,376,034	-
Bank loan participation	11,037,062	-	11,037,062	-
Private credit	9,803,945	-	9,803,945	-
Index linked government bonds	21,156,099	-	21,156,099	-
Mutual funds - fixed income	135,518	13,811	149,329	-
<b>Total fixed income</b>	<u>143,668,480</u>	<u>16,475,418</u>	<u>160,143,898</u>	<u>-</u>
<b>Other investments</b>				
Real estate	42,429,907	-	42,429,907	-
Hedge funds	6,488,713	6,892,564	13,381,277	-
Short-term investment fund	17,883,304	-	17,883,304	-
Mutual funds - other	41,292	-	41,292	-
<b>Total other investments</b>	<u>66,843,216</u>	<u>6,892,564</u>	<u>73,735,780</u>	<u>-</u>
<b>Total investments</b>	<u>\$ 392,037,540</u>	<u>\$ 124,273,284</u>	<u>\$ 516,310,824</u>	<u>\$ 163,428</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, 2019:

	2019
Government agency funds	\$ 89,852,629
Corporate bonds	3,768,800
Corporate bond funds	24,376,034
Bank loan participation	11,037,062
Private credit	9,803,945
Index linked government bonds	21,156,099
Mutual funds - fixed income	<u>149,329</u>
	<u>\$ 160,143,898</u>

The System’s investments in corporate bond funds and hedge funds are not rated; also, the other fixed income securities at June 30,

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2019 were essentially in "funds" and therefore not rated, with the exception of corporate bonds.

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

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

Inasmuch as all of the debt or fixed income securities as of June 30, 2019, 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, 2019 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, 2019, the annual money-weighted rate of return on plan investments, net of investment expenses, was 6.07 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, 2019, the total collateral received from borrowers had a fair value of \$166,189, 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

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marketable equity and fixed income securities. Shares held in mutual funds are traded on national securities exchanges and are valued at the net asset value on the last business day of each period presented. Short-term investment funds are valued at cost which approximates fair value.

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

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

based on the statements provided by the manager, which the Plan has not adjusted.

The System had the following recurring fair value measurements as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
<b>Equities</b>				
Common stock	\$ 15,648,775	\$ -	\$ -	\$ 15,648,775
Common stock funds	22,210,826	226,528,885	-	248,739,711
Private equity	-	-	17,381,869	17,381,869
Mutual funds - equity	-	660,791	-	660,791
	<u>37,859,601</u>	<u>227,189,676</u>	<u>17,381,869</u>	<u>282,431,146</u>
<b>Fixed income</b>				
Government agency funds	-	89,852,629	-	89,852,629
Corporate bonds	-	-	3,768,800	3,768,800
Corporate bond funds	12,692,807	11,683,227	-	24,376,034
Bank loan participation	-	-	11,037,062	11,037,062
Private credit	-	-	9,803,945	9,803,945
Index linked government bonds	21,156,099	-	-	21,156,099
Mutual funds - fixed income	-	149,329	-	149,329
	<u>33,848,906</u>	<u>101,685,185</u>	<u>24,609,807</u>	<u>160,143,898</u>
<b>Other investments</b>				
Real estate	-	-	42,429,907	42,429,907
Hedge funds	-	-	13,381,277	13,381,277
Short-term investment fund	17,883,304	-	-	17,883,304
Mutual funds - other	-	41,292	-	41,292
	<u>17,883,304</u>	<u>41,292</u>	<u>55,811,184</u>	<u>73,735,780</u>
Total investments	<u>\$ 89,591,811</u>	<u>\$ 328,916,153</u>	<u>\$ 97,802,860</u>	<u>\$ 516,310,824</u>

**Investments – Retiree Health Care Trust Fund**

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

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

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

The Association’s investments are held by an independent trust company. Following is a summary of the Association’s investments as of June 30, 2019:

	Domestic	Foreign	Total	On Loan
<b>Equities</b>				
Common stock	\$ 10,135,913	\$ 93,169	\$ 10,229,082	\$ 295,537
Common stock funds	59,250,478	33,591,335	92,841,813	-
Private equity	1,943,332	-	1,943,332	-
Total equities	<u>71,329,723</u>	<u>33,684,504</u>	<u>105,014,227</u>	<u>295,537</u>
<b>Fixed income</b>				
Corporate bond funds	35,071,208	3,674,463	38,745,671	-
Bank loan participation	5,727,616	-	5,727,616	-
Index linked government bonds	6,974,352	-	6,974,352	-
Private credit	2,529,641	-	2,529,641	-
Total fixed income	<u>50,302,817</u>	<u>3,674,463</u>	<u>53,977,280</u>	<u>-</u>
<b>Other investments</b>				
Real estate	17,467,106	-	17,467,106	-
Short-term investment fund	9,034,992	-	9,034,992	-
Total other investments	<u>26,502,098</u>	<u>-</u>	<u>26,502,098</u>	<u>-</u>
Total investments	<u>\$ 148,134,638</u>	<u>\$ 37,358,967</u>	<u>\$ 185,493,605</u>	<u>\$ 295,537</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 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.



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Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. 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:

	2019
Corporate bond funds	\$ 38,745,671
Bank loan participation	5,727,616
Index linked government bonds	6,974,352
Private credit	2,529,641
	\$ 53,977,280

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

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

Inasmuch as all of the debt or fixed income securities as of June 30, 2019, 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, 2019, the total collateral received from borrowers had a fair value of \$300,517, 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 System’s investment manager. These are determined at the fund level based on a review of the investment’s class, structure, and what

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kind of securities are held in funds. The investment manager will request the information from the fund manager if necessary.

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

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

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

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

The Association had the following recurring fair value measurements as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
<b>Equities</b>				
Common stock	\$ 10,229,082	\$ -	\$ -	\$ 10,229,082
Common stock funds	5,420,989	87,420,824	-	92,841,813
Private equity	-	-	1,943,332	1,943,332
<b>Total equities</b>	<u>15,650,071</u>	<u>87,420,824</u>	<u>1,943,332</u>	<u>105,014,227</u>
<b>Fixed income</b>				
Corporate bond funds	3,674,463	35,071,208	-	38,745,671
Bank loan participation	-	-	5,727,616	5,727,616
Index linked government bonds	6,974,352	-	-	6,974,352
Private credit	-	-	2,529,641	2,529,641
<b>Total fixed income</b>	<u>10,648,815</u>	<u>35,071,208</u>	<u>8,257,257</u>	<u>53,977,280</u>
<b>Other investments</b>				
Real estate	6,397,080	-	11,070,026	17,467,106
Short-term investment fund	9,034,992	-	-	9,034,992
<b>Total other investments</b>	<u>15,432,072</u>	<u>-</u>	<u>11,070,026</u>	<u>26,502,098</u>
<b>Total investments</b>	<u>\$ 41,730,958</u>	<u>\$ 122,492,032</u>	<u>\$ 21,270,615</u>	<u>\$ 185,493,605</u>

**Investments – DDA Component Unit**

Custodial Credit Risk – Deposits – As of June 30, 2019, the carrying amounts of the DDA’s deposits and cash on hand were \$404,368 and the bank balance was \$992,193 of which \$742,193 was exposed

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to custodial credit risk because it was uninsured and uncollateralized. For the deposits held at the City of Ann Arbor, it is impossible to determine custodial credit risk since the DDA's deposits are pooled with other City deposits.

Custodial Credit Risk – Investments – Following is a summary of the DDA's investments as of June 30, 2019:

U.S. government agencies	\$ 14,205,216
Money market accounts	7,608,683
Certificates of deposit	<u>1,001,938</u>
<b>Total investments</b>	<b>\$ <u>22,815,837</u></b>

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

Credit Risk – State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The DDA does not have an investment policy that sets specific limits in excess of state law on investment credit risk. As of June 30, 2019, 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, 2019, the maturities of the DDA's investments in U.S. agencies were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<b>Investments in Maturities (fair value by years)</b>
		<u>1-5</u>
U.S. securities	<u>\$ 14,205,216</u>	<u>\$ 14,205,216</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, 2019 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.

**City of Ann Arbor**  
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**Note 4 - Receivables**

Receivables as of year-end for the governmental and business-type activities, of which \$273,065 and \$3,833,361 respectively, are not expected to be collected within one year, are as follows:

	Governmental Activities	Business-type Activities
Taxes, net	\$ 411,965	\$ 21,997
Accounts, net	4,928,263	14,271,753
Special assessments	383,392	26,657
Improvement charges	2,219	337,863
Accrued interest and other	12,463	-
Loans	3,840	-
Due from other governments	<u>3,780,637</u>	<u>4,140,408</u>
	<u>\$ 9,522,779</u>	<u>\$ 18,798,678</u>

**City of Ann Arbor**  
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**Note 5 - Capital Assets**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 65,618,231	\$ 760,264	\$ -	\$ 66,378,495
Construction-in-progress	<u>11,423,302</u>	<u>4,596,881</u>	<u>6,515,053</u>	<u>9,505,130</u>
Total capital assets not being depreciated	<u>77,041,533</u>	<u>5,357,145</u>	<u>6,515,053</u>	<u>75,883,625</u>
Capital assets being depreciated				
Land improvements	24,206,667	6,515,053	-	30,721,720
Intangible assets	1,173,590	-	-	1,173,590
Infrastructure	846,215,528	18,213,704	2,193,347	862,235,885
Buildings, additions and improvements	166,400,455	10,704	10,704	166,400,455
Machinery and equipment	13,225,703	945,400	564,970	13,606,133
Vehicles	<u>23,768,319</u>	<u>1,486,449</u>	<u>1,594,917</u>	<u>23,659,851</u>
Total capital assets being depreciated	<u>1,074,990,262</u>	<u>27,171,310</u>	<u>4,363,938</u>	<u>1,097,797,634</u>
Less accumulated depreciation for				
Land improvements	10,679,024	910,906	-	11,589,930
Intangible assets	1,173,590	-	-	1,173,590
Infrastructure	279,782,710	39,379,421	2,130,823	317,031,308
Buildings, additions and improvements	33,386,669	4,089,153	1	37,475,821
Machinery and equipment	10,001,296	838,409	564,970	10,274,735
Vehicles	<u>14,843,620</u>	<u>1,839,846</u>	<u>1,580,822</u>	<u>15,102,644</u>
Total accumulated depreciation	<u>349,866,909</u>	<u>47,057,735</u>	<u>4,276,616</u>	<u>392,648,028</u>
Net capital assets being depreciated	<u>725,123,353</u>	<u>(19,886,425)</u>	<u>87,322</u>	<u>705,149,606</u>
Governmental activities capital assets, net	<u>\$ 802,164,886</u>	<u>\$ (14,529,280)</u>	<u>\$ 6,602,375</u>	<u>\$ 781,033,231</u>

**City of Ann Arbor**  
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	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 7,461,349	\$ -	\$ -	\$ 7,461,349
Construction-in-progress	<u>142,296,469</u>	<u>15,494,599</u>	<u>136,409,539</u>	<u>21,381,529</u>
Total capital assets not being depreciated	<u>149,757,818</u>	<u>15,494,599</u>	<u>136,409,539</u>	<u>28,842,878</u>
Capital assets being depreciated				
Land improvements	246,624,316	136,409,540	-	383,033,856
Buildings, additions and improvements	190,563,827	-	-	190,563,827
Machinery and equipment	27,321,905	100,843	28,244	27,394,504
Vehicles	<u>1,785,906</u>	<u>-</u>	<u>255,705</u>	<u>1,530,201</u>
Total capital assets being depreciated	<u>466,295,954</u>	<u>136,510,383</u>	<u>283,949</u>	<u>602,522,388</u>
Less accumulated depreciation for				
Land improvements	94,781,777	5,877,818	-	100,659,595
Buildings, additions and improvements	80,636,022	4,767,027	-	85,403,049
Machinery and equipment	23,504,849	689,133	23,551	24,170,431
Vehicles	<u>1,506,107</u>	<u>180,201</u>	<u>255,705</u>	<u>1,430,603</u>
Total accumulated depreciation	<u>200,428,755</u>	<u>11,514,179</u>	<u>279,256</u>	<u>211,663,678</u>
Net capital assets being depreciated	<u>265,867,199</u>	<u>124,996,204</u>	<u>4,693</u>	<u>390,858,710</u>
Business-type capital assets, net	<u>\$ 415,625,017</u>	<u>\$ 140,490,803</u>	<u>\$ 136,414,232</u>	<u>\$ 419,701,588</u>

**City of Ann Arbor**  
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Capital assets activity of the component units for the current year is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Component Units</b>				
Capital assets not being depreciated				
Land	\$ 324,914	\$ -	\$ 324,914	\$ -
Construction-in-progress	<u>-</u>	<u>92,000</u>	<u>-</u>	<u>92,000</u>
Total capital assets not being depreciated	<u>324,914</u>	<u>92,000</u>	<u>324,914</u>	<u>92,000</u>
Capital assets being depreciated				
Buildings, additions and improvements	2,945,035	45,245	2,980,087	10,193
Machinery and equipment	<u>278,001</u>	<u>-</u>	<u>35,802</u>	<u>242,199</u>
Total capital assets being depreciated	<u>3,223,036</u>	<u>45,245</u>	<u>3,015,889</u>	<u>252,392</u>
Less accumulated depreciation for				
Buildings, additions and improvements	2,650,557	680	2,649,878	1,359
Machinery and equipment	<u>232,235</u>	<u>15,622</u>	<u>63,011</u>	<u>184,846</u>
Total accumulated depreciation	<u>2,882,792</u>	<u>16,302</u>	<u>2,712,889</u>	<u>186,205</u>
Net capital assets being depreciated	<u>340,244</u>	<u>28,943</u>	<u>303,000</u>	<u>66,187</u>
Component unit capital assets, net	<u>\$ 665,158</u>	<u>\$ 120,943</u>	<u>\$ 627,914</u>	<u>\$ 158,187</u>

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

<b>Governmental activities</b>	
General government	\$ 1,724,603
Public safety	129,581
Public works	41,777,658
Recreation and culture	1,139,227
Subtotal	<u>44,771,069</u>
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>2,286,666</u>
 Total governmental activities	 <u>47,057,735</u>
<b>Business-type activities</b>	
Water	4,132,545
Sewer	4,055,261
Parking	1,687,836
Airport	81,700
Stormwater	724,760
Solid waste	<u>832,077</u>
 Total business-type activities	 <u>11,514,179</u>
 Total primary government	 <u>\$ 58,571,914</u>
<b>Component Units</b>	
Housing Commission	<u>\$ 16,302</u>

**Note 6 - Interfund Receivables, Payables, and Transfers**

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>Due from/to other funds</b>		
General Fund	Airport Fund	\$ 87,001
General Fund	Nonmajor Funds	37,305
		<u>\$ 124,306</u>
<b>Advances due to/from other funds</b>		
General Fund	Airport Fund	<u>\$ 333,802</u>

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



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The details for interfund transfers are as follows:

	<b>Transfer In</b>						<b>Total</b>
	<b>General Fund</b>	<b>Street, Bridge, and Sidewalk Repair Millage Fund</b>	<b>Water Supply System Fund</b>	<b>Sewage Disposal System Fund</b>	<b>Stormwater System Fund</b>	<b>Nonmajor Funds</b>	
<b>Transfer Out</b>							
General Fund	\$ -	\$ -	\$ 81,372	\$ -	\$ -	\$ 2,312,782	\$ 2,394,154
Street, Bridge, and Sidewalk Repair Millage Fund	-	-	1,937,711	-	-	-	1,937,711
Water Supply System Fund	611,784	1,966,134	-	825,603	-	176,200	3,579,721
Sewer Disposal System Fund	-	-	1,957,797	-	-	3,468	1,961,265
Airport Fund	-	-	7,092	-	-	-	7,092
Stormwater System Fund	84,996	1,176,626	707,204	(63,458)	-	30,810	1,936,178
Solid Waste Fund	30,000	-	190,392	-	-	219,399	439,791
Nonmajor Funds	218,530	74,105	177,266	-	1,192	3,047,794	3,518,887
Internal Service Funds	-	-	99,228	-	-	665,366	764,594
<b>Total</b>	<b>\$ 945,310</b>	<b>\$ 3,216,865</b>	<b>\$ 5,158,062</b>	<b>\$ 762,145</b>	<b>\$ 1,192</b>	<b>\$ 6,455,819</b>	<b>\$ 16,539,393</b>

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

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**Note 7 - Leases**

**Operating Leases - Lessee**

The City is the lessee of various properties (primarily office and storage space, as well as parking facilities) under operating leases for periods through 2024. The expenses and related revenues in connection with the leases are recorded in the General Fund, special revenue funds and pension trust funds. The total rent expense for fiscal year 2019 was \$251,576. The following is a table of future minimum noncancellable lease payments by the City:

<u>Year ending June 30,</u>	
2020	\$ 167,295
2021	134,978
2022	137,682
2023	127,682
2024	<u>21,350</u>
	<u>\$ 588,987</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 2019 was \$1,212,027. The total revenue includes \$639,183 for cell towers, \$31,082 for office space, \$358,458 for airport hangers, and \$183,304 for other rentals. All related City assets are fully depreciated. The following is a table of future minimum noncancellable lease payments to the City:

<u>Year ending June 30,</u>	
2020	\$ 1,094,985
2021	625,627
2022	647,281
2023	563,298
2024	506,467
2025-2029	1,495,969
2030-2034	781,936
2035-2036	<u>120,389</u>
	<u>\$ 5,835,952</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.

**City of Ann Arbor**  
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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 \$6,640,734. These costs will be funded through the City's earmarked solid waste (refuse collection) property tax levy. The projects to be accomplished are subject to major changes (both in the nature of the work to be accomplished and in the cost thereof) due to inflation, changes in technology or changes in regulatory requirements.

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

Wetland Restoration – MDEQ has issued a permit to the City of Ann Arbor for wetland restoration. The City was required to obtain a \$90,650 letter of credit in favor of MDEQ to ensure compliance with

its wetland restoration requirements. A site inspection by the MDEQ determined that the wetlands are beginning to conform to the conditions of the permit and authorized a 50 percent reduction in the required financial assurance. The total amount of the letter of credit is now \$45,325 and shall remain in force until the end of the monitoring period.

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**Note 9 - Long-Term Debt**

The City issues general obligation bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the City and have been issued by both governmental and business-type activities. The City issues revenue bonds where the income derived from the acquired or constructed assets is pledged to pay debt service. In addition, the City borrows from the State of Michigan revolving loan funds and holds notes for the City's share of debt for drainage district projects. Other long-term obligations include compensated absences 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
<b>Governmental activities</b>									
Bonds and notes payable									
General obligation bonds									
2009 capital improvements (BAB)	\$ 49,420,000	2035	3.5 - 6.5%	\$0	\$ 40,215,000	\$ -	\$ 40,215,000	\$ -	\$ -
2012 transportation fund	2,670,000	2023	2.0 - 2.4%	\$250,000 - \$270,000	1,285,000	-	245,000	1,040,000	250,000
2013 1st and Washington (series A)	4,480,000	2032	1.75 - 3.0%	\$215,000 - \$305,000	3,530,000	-	205,000	3,325,000	215,000
2013 1st and Washington (series B)	4,045,000	2032	2.0 - 3.75%	\$190,000 - \$280,000	3,145,000	-	185,000	2,960,000	190,000
2013 clean energy	560,000	2024	4.34%	\$53,000 - \$54,000	320,000	-	53,000	267,000	53,000
2015 open space preservation refunding	16,235,000	2034	2.0 - 3.375%	\$775,000 - \$1,140,000	14,770,000	-	755,000	14,015,000	775,000
2015 maintenance facility refunding	17,710,000	2029	2.0 - 3.0%	\$1,270,000 - \$1,575,000	15,295,000	-	1,245,000	14,050,000	1,270,000
2017 court and police refunding	24,030,000	2035	3 - 3.25%	\$1,130,000 - \$1,760,000	23,740,000	-	1,090,000	22,650,000	1,130,000
2019-A capital improvement bonds	14,780,000	2033	3 - 4%	\$765,000 - \$1,255,000	-	14,780,000	-	14,780,000	765,000
2019 capital improvement refunding bonds	37,175,000	2035	2.25 - 4%	\$1,565,000 - \$3,100,000	-	37,175,000	-	37,175,000	1,565,000
Total general obligation bonds					102,300,000	51,955,000	43,993,000	110,262,000	6,213,000
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	-
Less deferred amounts									
For issuance premiums					959,853	2,789,032	60,518	3,688,367	186,979
For issuance discounts					(199,638)	-	(82,535)	(117,103)	(9,601)
Total bonds payable					103,060,215	60,094,032	43,970,983	119,183,264	6,390,378
Compensated absences									
					12,509,114	5,888,448	5,103,703	13,293,859	5,103,703
Total governmental activities					<u>\$ 115,569,329</u>	<u>\$ 65,982,480</u>	<u>\$ 49,074,686</u>	<u>\$ 132,477,123</u>	<u>\$ 11,494,081</u>

**City of Ann Arbor**  
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	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type activities</b>									
Bonds and notes payable									
General obligation bonds									
2012 parking - refunding	\$ 2,230,000	2022	2.0%	\$230,000 - \$250,000	\$ 955,000	\$ -	\$ 230,000	\$ 725,000	\$ 235,000
2015 parking - refunding	6,335,000	2020	2.0 - 3.0%	\$1,385,000 - \$1,400,000	2,085,000	-	1,385,000	700,000	700,000
2016 parking - refunding	2,790,000	2027	2.0%	\$250,000 - \$305,000	2,495,000	-	250,000	2,245,000	255,000
Total general obligation bonds					<u>5,535,000</u>	<u>-</u>	<u>1,865,000</u>	<u>3,670,000</u>	<u>1,190,000</u>
Revenue bonds									
2012 water - refunding	10,450,000	2024	2.0 - 2.5%	\$670,000 - \$680,000	4,065,000	-	670,000	3,395,000	680,000
2016 water - refunding	16,285,000	2027	2.0 - 2.5%	\$1,585,000 - \$1,830,000	15,555,000	-	1,585,000	13,970,000	1,615,000
2008 sewer	24,550,000	2019	3.5 - 4.0%	\$900,000	900,000	-	900,000	-	-
2013 sewer - refunding	17,985,000	2025	3.25 - 4.75%	\$1,675,000 - \$1,890,000	12,475,000	-	1,890,000	10,585,000	1,675,000
2016 sewer - refunding	19,280,000	2031	2.0 - 2.5%	\$405,000 - \$1,725,000	18,890,000	-	405,000	18,485,000	1,340,000
Total revenue bonds					<u>51,885,000</u>	<u>-</u>	<u>5,450,000</u>	<u>46,435,000</u>	<u>5,310,000</u>
Revolving loans									
DWRf 7319-01	4,575,000	2031	2.50%	\$215,000 - \$285,000	3,225,000	-	215,000	3,010,000	220,000
DWRf 7146-01	557,950	2024	2.125%	\$30,000 - \$32,950	182,950	-	30,000	152,950	30,000
DWRf 7325-01	624,750	2030	2.50%	\$30,000 - \$38,271	398,271	-	30,000	368,271	30,000
DWRf 7333-01	5,614,250	2032	2.50%	\$220,000 - \$305,602	3,630,602	-	220,000	3,410,602	225,000
DWRf 7362-01	8,864,396	2034	2.50%	\$375,000 - \$542,720	7,262,720	-	375,000	6,887,720	385,000
DWRf 7375-01	3,025,000	2035	2.00%	\$125,000 - \$168,099	2,471,522	-	125,000	2,346,522	125,000
2004 SWQIF 3002-01	874,672	2024	1.625%	\$45,000 - \$50,000	294,672	-	45,000	249,672	50,000
2005 SWQIF 3002-02	879,382	2025	1.625%	\$45,000 - \$50,000	339,382	-	45,000	294,382	45,000
2006 SWQIF 3002-03	889,903	2026	1.625%	\$45,000 - \$50,000	389,903	-	45,000	344,903	45,000
2007 SWQIF 3002-04	964,976	2027	1.625%	\$50,000 - \$55,000	469,976	-	50,000	419,976	50,000
2008 SWQIF 3002-05	900,000	2028	2.50%	\$45,000 - \$55,000	505,000	-	45,000	460,000	45,000
2009 SWQIF 3010-01	1,310,000	2029	2.50%	\$65,000 - \$80,000	795,000	-	65,000	730,000	65,000
2010 SWQIF 3010-02	1,320,000	2030	2.50%	\$65,000 - \$80,000	870,000	-	65,000	805,000	65,000
2012 SWQIF 3010-03	1,365,000	2032	2.50%	\$60,000 - \$84,760	1,019,760	-	60,000	959,760	65,000
2013 SWQIF 3010-04	891,703	2033	2.50%	\$35,000 - \$56,703	676,703	-	35,000	641,703	35,000
2012 CWRf 5441-01	34,407,832	2036	2.50%	\$1,415,000 - \$2,150,000	31,680,000	-	1,415,000	30,265,000	1,450,000
2013 CWRf 5441-02	73,305,000	2038	2.00%	\$3,010,000 - \$4,405,000	73,305,000	-	3,010,000	70,295,000	3,070,000
Total revolving loans					<u>127,516,461</u>	<u>-</u>	<u>5,875,000</u>	<u>121,641,461</u>	<u>6,000,000</u>

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	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type activities continued</b>									
Drain notes									
2006 Mallets Creek project	\$ 1,613,905	2028	1.625%	\$79,076 - \$95,652	\$ 866,639	\$ -	\$ 79,075	\$ 787,564	\$ 79,076
2009 Allen Creek Pioneer High School project	2,522,126	2031	2.5%	\$120,000 - \$156,126	1,766,126	-	115,000	1,651,126	120,000
2010 Stadium Blvd phase I 5337-01	165,000	2029	2.5%	\$10,000	110,000	-	10,000	100,000	10,000
2010 Stadium Blvd phase II 5337-02	916,204	2032	2.5%	\$43,245 - \$57,660	682,310	-	43,244	639,066	43,245
2010 Allen Creek West Park project 5434-01	994,635	2031	2.5%	\$48,050 - \$62,465	701,530	-	48,050	653,480	48,050
2010 Allen Creek Sylvan Ave project 5435-01	405,000	2030	2.5%	\$20,000 - \$25,000	270,000	-	20,000	250,000	20,000
2011 Swift Run cistern 5471-01	26,362	2032	2.5%	\$1,000 - \$2,862	20,862	-	1,000	19,862	1,000
2011 County Farm streambank 5469-01	349,699	2032	2.5%	\$15,000 - \$27,199	257,199	-	15,000	242,199	15,000
2011 Mallets Creek E Stadium Bridge project 5505-01	162,209	2033	2.5%	\$5,000 - \$12,209	127,209	-	5,000	122,209	5,000
2011 Mallets Creek Burns Park project 5464-01	1,052,556	2032	2.5%	\$51,574 - \$65,622	773,586	-	51,576	722,010	51,574
2011 Traver Creek cistern 5472-01	182,434	2032	2.5%	\$8,822 - \$17,019	136,116	-	8,822	127,294	8,822
2011 Allen Creek cistern I 5470-01	140,746	2032	2.5%	\$5,000 - \$10,746	110,746	-	5,000	105,746	5,000
2011 Allen Creek cistern II 5470-02	31,261	2032	2.5%	\$1,000 - \$2,761	25,761	-	1,000	24,761	1,000
2012 Leslie Park project 5516-01	648,479	2033	2.5%	\$27,129 - \$44,855	515,093	-	27,130	487,963	27,129
2012 Allen Creek Willard Street project 5511-01	123,819	2032	2.5%	\$5,000 - \$11,319	91,319	-	5,000	86,319	5,000
2012 SRF tree planting 5504-01	167,467	2033	2.5%	\$5,000 - \$14,967	139,967	-	5,000	134,967	5,000
2013 Huron River infrastructure I 5504-03	215,795	2034	2.5%	\$10,000 - \$18,295	178,295	-	10,000	168,295	10,000
2013 Huron River infrastructure II 5504-02	278,379	2035	2.0%	\$10,000 - \$18,379	248,379	-	10,000	238,379	10,000
2013 Allen Creek Miller Ave 5436-01	805,723	2034	2.0%	\$35,000 - \$51,373	666,373	-	35,000	631,373	35,000
2013 Allen Creek Madison Ave 5437-01	890,130	2034	2.0%	\$40,000 - \$50,466	720,466	-	40,000	680,466	40,000
2013 Allen Creek Fourth Ave I 5510-01	175,163	2033	2.0%	\$10,000 - \$10,163	145,163	-	5,000	140,163	10,000
2013 Allen Creek Forest Ave 5512-01	211,099	2034	2.0%	\$10,000 - \$16,099	171,099	-	10,000	161,099	10,000
2014 Allen Creek West Park Fairgrounds	2,430,000	2034	2.0 - 3.5%	\$100,000 - \$170,000	2,070,000	-	100,000	1,970,000	100,000
2014 Mallets Creek Stone School 5475-01	2,025,000	2035	2.5%	\$85,000 - \$123,322	1,759,423	-	85,000	1,674,423	85,000
2014 Mallets Creek Springwater 5508-01	332,447	2035	2.5%	\$15,000 - \$22,602	287,602	-	15,000	272,602	15,000
2015 Huron River Green Infrastructure (HRGI) - Tree Planting 5504-04	188,503	2036	2.5%	\$5,000 - \$13,503	173,503	-	5,000	168,503	5,000
2015 HRGI Geddes 5594-01	1,015,000	2037	2.5%	\$40,000 - \$60,502	975,000	-	40,000	935,000	40,000
2016 Allen Creek 5509-01	867,872	2037	2.5%	\$35,000 - \$52,872	832,872	-	35,000	797,872	35,000
2016 Mallets Creek Drain 5508-02	689,553	2037	2.5%	\$30,000 - \$44,553	664,553	-	30,000	634,553	30,000
2016 HRGI Tree Planting 5504-05	205,801	2037	2.5%	\$10,000 - \$15,801	195,801	-	10,000	185,801	10,000
2017 HRGI 5504-06	292,220	2037	2.5%	\$9,566 - \$19,134	94,631	197,589	10,000	282,220	9,566
2017 HRGI 5504-07	148,841	2039	2%	\$6,117 - \$8,156	-	148,841	-	148,841	6,117
Total drain notes					15,777,623	346,430	879,897	15,244,156	895,579
Total bonds and notes payable					200,714,084	346,430	14,069,897	186,990,617	13,395,579

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	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type activities continued</b>					
Less deferred amounts					
For issuance premiums	\$ 959,254	\$ -	\$ 140,404	\$ 818,850	\$ 122,602
For issuance discounts	(1,942)	-	(1,942)	-	-
Total bonds payable	201,671,396	346,430	14,208,359	187,809,467	13,518,181
Compensated absences	2,295,026	1,082,888	951,924	2,425,990	951,924
Total business-type activities	<u>\$ 203,966,422</u>	<u>\$ 1,429,318</u>	<u>\$ 15,160,283</u>	<u>\$ 190,235,457</u>	<u>\$ 14,470,105</u>
<b>Component units</b>					
<b>Downtown Development Authority</b>					
Compensated absences	\$ 202,535	\$ 23,473	\$ -	\$ 226,008	\$ 70,605
<b>Ann Arbor Housing Commission</b>					
Compensated absences	63,258	98,561	100,114	61,705	20,719
Total component units	<u>\$ 265,793</u>	<u>\$ 122,034</u>	<u>\$ 100,114</u>	<u>\$ 287,713</u>	<u>\$ 91,324</u>
	Beginning Balance	Additions	Reductions	Ending Balance	
Deferred amount on refunding - governmental activities	\$ (2,202,966)	\$ (682,524)	\$ (116,115)	\$ (2,769,375)	
Deferred amount on refunding - business-type activities	(2,851,657)	-	(188,112)	(2,663,545)	
Total	<u>\$ (5,054,623)</u>	<u>\$ (682,524)</u>	<u>\$ (304,227)</u>	<u>\$ (5,432,920)</u>	

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

Year Ending June 30,	Governmental Activities			
	Bonds		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2020	\$ 6,213,000	\$ 3,629,373	\$ -	\$ 147,126
2021	6,694,000	3,158,955	-	147,126
2022	6,868,000	2,993,560	-	147,126
2023	7,068,000	2,822,769	425,000	147,126
2024	6,989,000	2,641,994	435,000	135,438
2025-2029	38,015,000	10,030,488	2,360,000	491,290
2030-2034	33,555,000	4,295,368	2,130,000	148,493
2035-2036	4,860,000	181,198	-	-
	<u>\$ 110,262,000</u>	<u>\$ 29,753,705</u>	<u>\$ 5,350,000</u>	<u>\$ 1,363,725</u>

Year Ending June 30,	Business-type Activities	
	Principal	Interest
2020	\$ 13,395,579	\$ 4,014,707
2021	12,994,054	3,710,727
2022	13,279,837	3,412,543
2023	13,304,642	3,107,969
2024	13,595,712	2,799,793
2025-2029	55,593,243	10,000,609
2030-2034	42,511,586	4,400,259
2035-2039	22,315,964	745,873
	<u>\$ 186,990,617</u>	<u>\$ 32,192,480</u>

service payments. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities. The refunding resulted in a savings of \$4,220,339 and an economic gain of \$3,570,339.

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

**Refunding Bond**

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



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All funds of the City participate in the insurance program and make payments to the insurance fund based on estimates of the amounts needed to pay prior and current year claims and to establish a reserve for incurred but not reported (IBNR) losses. The IBNR reserve was \$1,427,091 at June 30, 2019 and is included in estimated claims payable. The total estimated claims payable of \$2,538,016 is reflected in the insurance fund at June 30, 2019. 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
2018	\$ 3,563,572	\$ 20,421,222	\$ 21,331,615	\$ 2,653,179
2019	2,653,179	20,756,767	20,871,930	2,538,016
<b>Total Claims</b>				
Claims			\$ 2,538,016	
Landfill claims payable			<u>6,640,734</u>	
Total claims			<u>\$ 9,178,750</u>	

**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, 2018, the date of the latest actuarial valuation, System membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	1,067
Inactive employees entitled to, but not yet receiving benefits	150
Active employees	<u>695</u>
	<u>1,912</u>

Benefits provided – The System provides retirement, disability, and death benefits. Retirement benefits for general plan members are calculated as 2.5 percent of the member's final three-year average salary or five-year average salary depending on hire date, times the member's years of service. Benefits for public safety plan members (police and fire) are calculated as 2.75 percent of the member's final three-year average salary or five-year average salary depending on hire date, times the member's years of service. Effective January 1, 2017, the Retirement System was amended and restated to add to the existing defined benefit plan (to be called the "Traditional

**City of Ann Arbor**  
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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 2019 was 23.1% to 29.71% 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, 2018 (and rolled forward to June 30, 2019), using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5%
Salary increases	General: 4.0% - 7.5%
	Police: 3.9% - 9.5%
	Fire: 3.9% - 9.3%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation
Mortality rate	RP-2000 Combined Table

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, 2019 (see the discussion of the System's investment allocation policy) are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Allocation Range</b>	<b>Long-term Expected Real Rate of Return</b>
<b>Equities</b>			
Domestic equities	31%	25% - 37%	5.4%
Developed foreign equities	12%	9% - 15%	5.8%
Emerging markets equities	6%	0% - 9%	7.6%
Private equities	3%	0% - 5%	7.0%
	<u>52%</u>	<u>34% - 66%</u>	
<b>Fixed income</b>			
Investment grade bonds	19%	15% - 24%	1.3%
TIPS	8%	0% - 10%	1.0%
High yield bonds	3%	1% - 5%	3.8%
Bank loans	2%	0% - 4%	3.4%
Emerging market debts	2%	0% - 4%	2.6%
	<u>34%</u>	<u>16% - 47%</u>	
<b>Other investments</b>			
Real estate	9%	2% - 12%	4.3%
Natural resources	3%	0% - 5%	6.2%
Hedge funds	2%	1% - 5%	2.8%
Cash	0%	<5%	0.3%
	<u>14%</u>	<u>3% - 27%</u>	
	<u>100%</u>		

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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 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:

<b>Total Pension Liability</b>	
Service cost	\$ 9,783,377
Interest on the total pension liability	40,055,937
Experience differences	(2,982,853)
Benefit payments and refunds	<u>(37,622,046)</u>
Net change in total pension liability	9,234,415
Total pension liability - beginning	<u>586,147,000</u>
Total pension liability - ending (a)	<u>\$ 595,381,415</u>
<b>Plan Fiduciary Net Position</b>	
Employer contributions	\$ 13,621,926
Employee contributions	3,264,590
Pension plan net investment income	30,599,351
Benefit payments and refunds	(37,622,046)
Pension plan administrative expense	(671,194)
Other	<u>(29,397)</u>
Net change in plan fiduciary net position	9,163,230
Plan fiduciary net position - beginning	<u>503,735,000</u>
Plan fiduciary net position - ending (b)	<u>512,898,230</u>
Net pension liability (a-b)	<u>\$ 82,483,185</u>
Plan fiduciary net position as a percentage of total pension liability	86.15%
Covered payroll	\$ 57,077,636
Net pension liability as a percentage of covered payroll	144.51%
Primary government	\$ 81,905,803
Fiduciary funds	<u>577,382</u>
	<u>\$ 82,483,185</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.

	1% Decrease	Current Discount Rate	1% Increase
Net pension liability	\$ 148,222,110	\$ 82,483,185	\$ 27,962,833

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, 2019 the employer recognized pension expense of \$22,255,656. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences in experience	\$ 6,263,000	\$ (2,133,789)	\$ 4,129,211
Deficit investment returns	196,642	-	196,642
<b>Total</b>	<b>\$ 6,459,642</b>	<b>\$ (2,133,789)</b>	<b>\$ 4,325,853</b>
Statement of Net Position	\$ 6,414,552	\$ (2,118,852)	\$ 4,295,700
Statement of Fiduciary Net Position	45,090	(14,937)	30,153
	<b>\$ 6,459,642</b>	<b>\$ (2,133,789)</b>	<b>\$ 4,325,853</b>

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

Year ended,	
2020	\$ 6,188,095
2021	(3,077,905)
2022	433,506
2023	782,157
	<u>\$ 4,325,853</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. Employees vest 100% in the defined contribution plan after five years of service. In accordance with these requirements, the City employees contributed \$199,828 towards the defined benefit component, and for the defined contributed plan, the City contributed \$316,059 and the employees contributed \$200,506 for the year ended June 30, 2019. 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, 2018, the date of the latest actuarial valuation, the plan membership consisted of the following:

	2018
Retirees and surviving spouses currently covered	1,052
Vested active participants	695
Total membership	1,747

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, 2019, the City's average contribution rate was 28.01 percent of covered payroll. Plan members are not required to contribute to the plan.

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The contribution requirements of plan members and the City are established and may be amended by the City Council. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the actuary. For fiscal year ended June 30, 2019, the City contributed approximately \$15,990,000 to the plan, including \$13,170,000 for current premiums and an additional \$2,820,000 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, 2019 are summarized below along with the Boards adopted asset allocation policy:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>
<b>Equities</b>		
Domestic equities	33.0%	5.4%
Developed foreign equities	12.0%	5.8%
Emerging markets equities	7.0%	7.6%
Private equities	3.0%	7.0%
<b>Fixed income</b>		
Investment grade bonds	12.0%	1.3%
TIPS	7.0%	1.0%
High yield bonds	6.0%	3.8%
Bank loans	4.0%	3.4%
Emerging market debts	3.0%	2.6%
<b>Other investments</b>		
Real estate	10.0%	4.3%
Natural resources	3.0%	6.2%
Cash	0.0%	0.3%

Rate of return – For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 6.83%. The money-weighted rate of return expresses

**City of Ann Arbor**  
**Notes to the Financial Statements**  
**June 30, 2019**

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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, 2019 were as follows:

Total OPEB liability	\$ 293,406,754
Plan fiduciary net position	<u>186,331,562</u>
Net OPEB liability	<u>\$ 107,075,192</u>

Plan fiduciary net position as a percentage of the total OPEB liability is 63.51%.

Actuarial assumptions – The total OPEB liability was determined by an actuarial valuation as of June 30, 2018 (and rolled forward to June 30, 2019), 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 Pre-65: 8.25% for 2019, decreasing .25% per year to an ultimate rate of 4.5% for 2031; Medical Post-65: 6.25% for 2019, decreasing .25% per year to an ultimate rate of 4.5% for 2031.

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.



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

<b>Total OPEB Liability</b>	
Service cost	\$ 2,623,066
Interest on the total OPEB liability	17,926,505
Experience differences	23,161,053
Changes in assumptions	1,500,000
Benefit payments and refunds	<u>(13,171,224)</u>
Net change in total OPEB liability	32,039,400
Total OPEB liability - beginning	<u>261,367,354</u>
Total OPEB liability - ending (a)	<u>\$ 293,406,754</u>
<b>Plan Fiduciary Net Position</b>	
Employer contributions	\$ 15,987,768
OPEB plan net investment income	11,824,566
Benefit payments and refunds	(13,171,224)
OPEB plan administrative expense	<u>(116,902)</u>
Net change in plan fiduciary net position	14,524,208
Plan fiduciary net position - beginning	<u>171,807,354</u>
Plan fiduciary net position - ending (b)	<u>186,331,562</u>
Net OPEB liability (a-b)	<u>\$ 107,075,192</u>
Plan fiduciary net position as a percentage of total OPEB liability	63.51%
Covered payroll	\$ 57,077,636
Net OPEB liability as a percentage of covered payroll	187.60%
Primary government	\$ 106,583,751
Fiduciary funds	<u>491,441</u>
	<u>\$ 107,075,192</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.

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	6.00%	7.00%	8.00%
Net OPEB liability	\$ 146,506,609	\$ 107,075,192	\$ 74,811,662

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:

	<u>1% Decrease</u>	<u>Healthcare Cost</u>	<u>1% Increase</u>
		<u>Trend Rates</u>	
Net OPEB liability	\$ 66,752,939	\$ 107,075,192	\$ 156,579,406

**City of Ann Arbor**  
**Notes to the Financial Statements**  
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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, 2019 the City recognized OPEB expense of \$16,125,596. The City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Differences in experience	\$ 17,137,215
Deficit investment returns	228,149
Total	\$ 17,365,364
Statement of Net Position	\$ 17,285,662
Statement of Fiduciary Net Position	79,702
	\$ 17,365,364

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

Year ended,		
2020	\$	6,080,125
2021		6,080,125
2022		5,145,826
2023		59,288
		\$ 17,365,364

**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 amount in the Elizabeth Dean fund is shown as restricted for endowment on the statement of net position. The corpus of the trust is and shall remain \$1,984,000. Fund balance at June 30, 2019 was \$2,185,344, representing the corpus of the trust and appreciation of investments from prior years. This amount is reflected in cash, equity in pooled cash, investments and accrued interest. The corpus of the trust is restricted to the limitations established by the trust and is considered nonspendable. The entire amount exceeding the corpus, \$1,984,000, is also restricted to the limitations established by the trust, but is available for expenditure and is restricted as to use.

**Note 14 - Significant Commitments**

As of June 30, 2019, the City had \$24,371,324 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.

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

**City of Ann Arbor**  
**Notes to the Financial Statements**  
**June 30, 2019**

reached between the City and Airport to advance \$1,150,000 at 4.09% with a 15-year repayment schedule shown below.

FY	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	
	Principal	Interest	Principal	Interest
2020	\$ 31,232	\$ 5,602	\$ 87,001	\$ 16,330
2021	32,637	4,197	90,596	12,736
2022	34,106	2,728	94,339	8,993
2023	35,641	1,194	98,237	5,094
2024	-	-	50,630	1,035
	<u>\$ 133,616</u>	<u>\$ 13,721</u>	<u>\$ 420,803</u>	<u>\$ 44,188</u>
Interest Rate	4.45%		4.09%	
	Total		Requirements	
	<u>Principal</u>	<u>Interest</u>		
	\$ 118,233	\$ 21,932	\$ 140,165	
	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>\$ 554,419</u>	<u>\$ 57,909</u>	<u>\$ 612,328</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
<b>Nonspendable</b>				
Long-term advances	\$ 333,802	\$ -	\$ -	\$ 333,802
Inventories and prepaids	52,970	-	-	52,970
Trust corpus	-	-	1,984,000	1,984,000
<b>Total nonspendable</b>	<u>386,772</u>	<u>-</u>	<u>1,984,000</u>	<u>2,370,772</u>
<b>Restricted</b>				
Debt service	-	-	628,649	628,649
Culture and recreation	-	-	18,497,102	18,497,102
Road maintenance and repairs	-	-	27,230,406	27,230,406
Road construction	-	6,074,796	-	6,074,796
Law enforcement	-	-	237,963	237,963
Energy projects	-	-	200,000	200,000
Indigent defense	-	-	146,932	146,932
Community television network	-	-	4,277,171	4,277,171
Major grants	-	-	436,918	436,918
Construction code	-	-	6,752,734	6,752,734
<b>Total restricted</b>	<u>-</u>	<u>6,074,796</u>	<u>58,407,875</u>	<u>64,482,671</u>
<b>Committed</b>				
Culture and recreation	-	-	80,254	80,254
Energy projects	-	-	168,894	168,894
Special assistance	-	-	14,679	14,679
County Mental Health millage	-	-	1,577,027	1,577,027
Cemetery perpetual care	-	-	107,062	107,062
Alternative transportation	-	-	726,772	726,772
<b>Total committed</b>	<u>-</u>	<u>-</u>	<u>2,674,688</u>	<u>2,674,688</u>
<b>Assigned</b>				
Capital projects	-	-	16,674,824	16,674,824
Future market needs	432,177	-	-	432,177
Affordable housing initiatives	211,848	-	-	211,848
Subsequent years expenditures and potential retirement payouts	4,893,386	-	-	4,893,386
<b>Total assigned</b>	<u>5,537,411</u>	<u>-</u>	<u>16,674,824</u>	<u>22,212,235</u>
<b>Unassigned</b>	<u>19,713,016</u>	<u>-</u>	<u>-</u>	<u>19,713,016</u>
<b>Total fund balances</b>	<u>\$ 25,637,199</u>	<u>\$ 6,074,796</u>	<u>\$ 79,741,387</u>	<u>\$ 111,453,382</u>

**City of Ann Arbor**  
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**June 30, 2019**

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Units</u>
<b>Capital assets</b>			
Capital assets not being depreciated	\$ 75,883,625	\$ 28,842,878	\$ 92,000
Capital assets - net of accumulated depreciation	<u>705,149,606</u>	<u>390,858,710</u>	<u>66,187</u>
<b>Total capital assets</b>	781,033,231	419,701,588	158,187
<b>Less:</b>			
Government obligation bonds	(115,612,000)	(3,670,000)	-
Revenue bonds	-	(46,435,000)	-
Revolving loans	-	(121,641,461)	-
Drain notes	-	(15,244,155)	-
Premiums	(3,688,367)	(818,850)	-
Discounts	117,103	-	-
Deferred amount on refunding	<u>2,769,375</u>	<u>2,663,545</u>	<u>-</u>
<b>Net investment in capital assets</b>	<u>\$ 664,619,342</u>	<u>\$ 234,555,667</u>	<u>\$ 158,187</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 tax payers 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 is 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, 2019, the City abated \$12,790 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, 2019, the City abated \$558,362 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.

**City of Ann Arbor**  
**Notes to the Financial Statements**  
**June 30, 2019**

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**Note 19 - Fund Reclassification**

The Police and Fire Relief Fund was previously classified as a special revenue fund and was reclassified to a private-purpose trust fund as these funds are held in trust for the benefit of surviving beneficiaries of police officers and firefighters. Therefore, the net position and related activities of this are no longer included in the primary government.

## **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, 2019**

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
<b>Revenues</b>				
Taxes				
Property taxes	\$ 57,852,604	\$ 57,852,604	\$ 58,071,685	\$ 219,081
Licenses and permits	1,814,308	1,814,308	2,215,402	401,094
State-shared revenue and grants	11,961,216	11,961,216	12,620,357	659,141
Contributions and donations	1,000	1,000	29,075	28,075
Charges for services	10,263,673	10,263,673	10,593,318	329,645
Fines and forfeitures	4,723,419	4,723,419	4,437,460	(285,959)
Interest income (loss)	685,942	685,942	1,613,515	927,573
Rental income	680,509	680,509	761,445	80,936
Other revenue	245,509	193,124	342,150	149,026
Sale of capital assets	-	-	36,500	36,500
Bond/note proceeds	-	5,350,000	5,350,000	-
Transfers in	741,778	941,778	945,310	3,532
Total revenues	<u>88,969,958</u>	<u>94,467,573</u>	<u>97,016,217</u>	<u>2,548,644</u>

**City of Ann Arbor**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
<b>Expenditures</b>				
General government				
Mayor and council	\$ 359,834	\$ 368,849	\$ 364,443	\$ (4,406)
Administration	1,233,177	1,299,245	1,265,003	(34,242)
Human resources	1,970,972	2,135,545	2,104,068	(31,477)
Attorney	2,220,828	2,836,400	2,775,664	(60,736)
Finance	7,878,888	8,035,529	7,588,217	(447,312)
Clerk/elections	1,286,985	1,352,287	1,330,861	(21,426)
Environmental coordination services	206,605	351,405	338,890	(12,515)
District court	4,757,396	4,785,004	4,730,193	(54,811)
Planning	1,434,969	1,436,103	1,426,601	(9,502)
Other unallocated	3,560,178	1,307,894	842,799	(465,095)
Municipal service charge	<u>(8,462,514)</u>	<u>(8,462,514)</u>	<u>(8,357,726)</u>	<u>104,788</u>
Total general government	<u>16,447,318</u>	<u>15,445,747</u>	<u>14,409,013</u>	<u>(1,036,734)</u>
Public safety				
Police department	28,516,331	29,140,031	28,994,961	(145,070)
Fire department	16,525,325	17,438,089	17,268,572	(169,517)
Building department	<u>1,809,371</u>	<u>1,701,968</u>	<u>1,649,834</u>	<u>(52,134)</u>
Total public safety	<u>46,851,027</u>	<u>48,280,088</u>	<u>47,913,367</u>	<u>(366,721)</u>
Public works				
Public services	7,500,788	8,204,987	7,422,892	(782,095)
Municipal service charge	<u>(3,540,237)</u>	<u>(3,540,237)</u>	<u>(3,441,855)</u>	<u>98,382</u>
Total public works	<u>3,960,551</u>	<u>4,664,750</u>	<u>3,981,037</u>	<u>(683,713)</u>



**City of Ann Arbor**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Public transportation				
Transportation	\$ 10,875,158	\$ 10,875,158	\$ 10,864,768	\$ (10,390)
Community development				
Community development	4,550,349	5,530,324	5,264,967	(265,357)
Municipal service charge	(2,575,792)	(2,653,792)	(2,559,978)	93,814
Total community and economic development	1,974,557	2,876,532	2,704,989	(171,543)
Recreation and culture				
Parks and recreation	8,447,387	8,636,437	8,343,014	(293,423)
Capital outlay	1,295,000	1,300,719	88,872	(1,211,847)
Transfers out	2,189,772	2,481,732	2,394,154	(87,578)
Total expenditures	92,040,770	94,561,163	90,699,214	(3,861,949)
Excess (deficiency) of revenues over expenditures	(3,070,812)	(93,590)	6,317,003	6,410,593
Fund balance - beginning of year	19,320,196	19,320,196	19,320,196	-
Fund balance - end of year	\$ 16,249,384	\$ 19,226,606	\$ 25,637,199	\$ 6,410,593

**City of Ann Arbor**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Street, Bridge, and Sidewalk Repair Millage**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
<b>Revenues</b>				
Taxes	\$ 11,203,670	\$ 11,203,670	\$ 11,527,693	\$ 324,023
Special assessments	-	243,822	44,783	(199,039)
Federal grants	-	-	-	-
Contributions and donations	5,306,123	7,920,226	974,334	(6,945,892)
Charges for services	-	2,568,209	1,737,599	(830,610)
Interest income	188,040	188,040	318,571	130,531
Other revenue	-	-	32,095	32,095
Transfers in	-	6,887,323	3,216,865	(3,670,458)
	<u>16,697,833</u>	<u>29,011,290</u>	<u>17,851,940</u>	<u>(11,159,350)</u>
Total revenues				
<b>Expenditures</b>				
Current				
Public works	15,304,514	4,987,236	4,046,795	(940,441)
Capital outlay	-	10,403,139	11,246,671	843,532
Transfers out	70,370	1,937,713	1,937,711	(2)
	<u>15,374,884</u>	<u>17,328,088</u>	<u>17,231,177</u>	<u>(96,911)</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	1,322,949	11,683,202	620,763	(11,062,439)
Fund balance - beginning of year	<u>5,454,033</u>	<u>5,454,033</u>	<u>5,454,033</u>	<u>-</u>
Fund balance - end of year	<u>\$ 6,776,982</u>	<u>\$ 17,137,235</u>	<u>\$ 6,074,796</u>	<u>\$ (11,062,439)</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, 2019**

Fiscal year ended June 30,	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>						
Service cost	\$ 9,783,377	\$ 9,403,000	\$ 8,869,000	\$ 8,729,000	\$ 9,760,000	\$ 9,802,000
Interest on the total pension liability	40,055,937	38,552,000	37,755,000	36,925,458	35,978,096	34,400,755
Experience differences	(2,982,853)	15,517,000	3,488,000	(3,826,000)	279,000	3,834,000
Other changes	-	4,342	30,337	-	-	-
Benefit payments and refunds	<u>(37,622,046)</u>	<u>(36,715,000)</u>	<u>(35,436,000)</u>	<u>(33,960,032)</u>	<u>(32,667,512)</u>	<u>(32,011,444)</u>
Net change in total pension liability	9,234,415	26,761,342	14,706,337	7,868,426	13,349,584	16,025,311
Total pension liability - beginning	<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>	<u>507,436,000</u>
Total pension liability - ending (a)	<u>\$ 595,381,415</u>	<u>\$ 586,147,000</u>	<u>\$ 559,385,658</u>	<u>\$ 544,679,321</u>	<u>\$ 536,810,895</u>	<u>\$ 523,461,311</u>
<b>Plan Fiduciary Net Position</b>						
Employer contributions	\$ 13,621,926	\$ 13,446,000	\$ 13,253,000	\$ 13,352,412	\$ 13,091,474	\$ 11,227,290
Employee contributions	3,264,590	3,185,000	3,325,000	3,139,266	3,013,353	2,948,177
Pension plan net investment income	30,599,351	33,235,000	54,243,000	2,434,339	20,144,251	60,253,683
Benefit payments and refunds	(37,622,046)	(36,715,000)	(35,436,000)	(33,960,032)	(32,667,512)	(32,011,444)
Pension plan administrative expense	(671,194)	(694,000)	(762,000)	(719,561)	(683,980)	(644,051)
Other	<u>(29,397)</u>	<u>299,982</u>	<u>30,337</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	9,163,230	12,756,982	34,653,337	(15,753,576)	2,897,586	41,773,655
Plan fiduciary net position - beginning	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	<u>-</u>	<u>(295,640)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - ending (b)	<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>\$ 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	86.15%	85.94%	87.82%	83.83%	88.00%	89.73%
Covered payroll	\$ 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	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, 2019**

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%

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            Actuarially determined contribution 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.

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 percentage of payroll, closed

Remaining amortization period    24 years

Asset valuation method            5-year smoothed market

Inflation                            3.5%

Salary increases                    General: 4.0% - 7.5%

    Police: 3.8% - 9.5%

    Fire: 3.9% - 9.3%

Investment rate of return            7% net of pension plan investment expense, including inflation

Retirement age                    50 to 60 dependent on years of service

Mortality                            RP-2000 Combined Mortality Tables

**City of Ann Arbor**  
**Required Supplementary Information**  
**City of Ann Arbor Employees' Retirement System**  
**Schedule of Investment Returns**  
**June 30, 2019**

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

(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, 2019**

Fiscal year ended June 30,	2019	2018	2017
<b>Total OPEB Liability</b>			
Service cost	\$ 2,623,066	\$ 3,331,000	\$ 3,071,000
Interest	17,926,505	17,099,000	17,058,000
Differences between expected and actual experience	23,161,053	-	-
Changes in assumptions	1,500,000	-	-
Other	-	1,181,354	-
Benefit payments	<u>(13,171,224)</u>	<u>(14,273,000)</u>	<u>(13,207,000)</u>
Net change in total OPEB liability	32,039,400	7,338,354	6,922,000
Total OPEB liability - beginning	<u>261,367,354</u>	<u>254,029,000</u>	<u>247,107,000</u>
Total OPEB liability - ending (a)	<u>\$ 293,406,754</u>	<u>\$ 261,367,354</u>	<u>\$ 254,029,000</u>
<b>Plan Fiduciary Net Position</b>			
Employer contributions	\$ 15,987,768	\$ 17,724,000	\$ 16,820,000
Net investment income	11,824,566	11,114,000	17,225,000
Benefit payments and refunds	(13,171,224)	(14,273,000)	(13,207,000)
Administrative expense	(116,902)	(97,000)	(130,000)
Other	<u>-</u>	<u>354</u>	<u>(153,000)</u>
Net change in plan fiduciary net position	14,524,208	14,468,354	20,555,000
Plan fiduciary net position - beginning	<u>171,807,354</u>	<u>157,339,000</u>	<u>136,784,000</u>
Plan fiduciary net position - ending (b)	<u>\$ 186,331,562</u>	<u>\$ 171,807,354</u>	<u>\$ 157,339,000</u>
Net OPEB liability (a-b)	<u>\$ 107,075,192</u>	<u>\$ 89,560,000</u>	<u>\$ 96,690,000</u>
Plan fiduciary net position as a percentage of total OPEB liability	63.51%	65.73%	61.94%
Covered payroll	\$ 57,077,636	\$ 55,458,000	\$ 53,583,000
Net OPEB liability as a percentage of covered payroll	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, 2019**

Actuarial Valuation Date	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
6/30/2017	\$ 11,168,000	\$ 16,819,824	\$ (5,651,824)	\$ 53,583,000	31.39%
6/30/2018	9,683,000	17,724,000	(8,041,000)	55,458,000	31.96%
6/30/2019	9,234,000	15,987,768	(6,753,768)	57,077,636	28.01%

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            Actuarially determined contribution 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.

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    28 years  
Asset valuation method            5-year smoothed market  
Actuarial assumptions:  
Investment rate of return            7.0%  
Projected salary increase            3.5%  
Inflation rate                        3.5%  
Post-retirement benefits increases    None  
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                            RP-2000 Mortality Combined Healthy Tables  
Healthcare cost trend rates        Medical Pre-65: 8.25%, decreasing .25% per year to an ultimate rate of 4.5%; Medical Post-65: 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, 2019**

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

(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, 2019**

	Special Revenue Funds							
	Energy Projects	Community Television Network	Homeland Security Fund	Major Streets	Local Streets	Court Facilities	Open Space & Parkland Preservation	Bandemer
<b>Assets</b>								
Cash and cash equivalents	\$ 32,070	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equity in pooled cash and investments	280,953	3,799,607	288	15,166,802	7,720,938	8,905	11,502,066	79,399
Investments	-	-	-	-	-	-	-	-
Receivables								
Taxes, net	-	-	-	-	-	-	225	-
Accounts, net	-	498,487	-	793,017	-	-	-	855
Special assessments	236,535	-	-	-	-	-	-	-
Accrued interest and other	-	-	-	-	-	-	-	-
Loans	3,840	-	-	-	-	-	-	-
Due from other units of government	-	-	-	1,623,539	452,863	-	-	-
Total assets	<u>\$ 553,398</u>	<u>\$ 4,298,094</u>	<u>\$ 288</u>	<u>\$ 17,583,358</u>	<u>\$ 8,173,801</u>	<u>\$ 8,905</u>	<u>\$ 11,502,291</u>	<u>\$ 80,254</u>
<b>Liabilities</b>								
Accounts payable	\$ 18	\$ 3,746	\$ -	\$ 563,701	\$ 608,399	\$ -	\$ 35,507	\$ -
Accrued and other liabilities	-	17,177	-	43,056	15,587	-	666	-
Due to other funds	-	-	-	-	-	-	-	-
Due to other units of government	-	-	-	-	-	-	-	-
Total liabilities	<u>18</u>	<u>20,923</u>	<u>-</u>	<u>606,757</u>	<u>623,986</u>	<u>-</u>	<u>36,173</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>								
Unavailable revenue	184,486	-	-	-	-	-	-	-
<b>Fund Balances</b>								
Non-spendable	-	-	-	-	-	-	-	-
Restricted for								
Culture and recreation	-	-	-	-	-	-	11,466,118	-
Law enforcement	-	-	288	-	-	8,905	-	-
Road maintenance and repairs	-	-	-	16,976,601	7,549,815	-	-	-
Debt service	-	-	-	-	-	-	-	-
Other purposes	200,000	4,277,171	-	-	-	-	-	-
Committed for								
Culture and recreation	-	-	-	-	-	-	-	80,254
Other purposes	168,894	-	-	-	-	-	-	-
Assigned to capital projects	-	-	-	-	-	-	-	-
Total fund balances	<u>368,894</u>	<u>4,277,171</u>	<u>288</u>	<u>16,976,601</u>	<u>7,549,815</u>	<u>8,905</u>	<u>11,466,118</u>	<u>80,254</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 553,398</u>	<u>\$ 4,298,094</u>	<u>\$ 288</u>	<u>\$ 17,583,358</u>	<u>\$ 8,173,801</u>	<u>\$ 8,905</u>	<u>\$ 11,502,291</u>	<u>\$ 80,254</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2019**

	Special Revenue Funds							
	Construction Code	Drug Enforcement	Federal Equitable Sharing Forfeiture	Parks Memorial & Contribution	Metro Expansion	Special Assistance	Open Space Endowment	Cemetery Perpetual Care
<b>Assets</b>								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equity in pooled cash and investments	7,442,047	46,735	165,879	1,056,361	2,712,235	14,493	888,581	107,062
Investments	-	-	-	-	-	-	-	-
Receivables								
Taxes, net	-	-	-	-	-	-	-	-
Accounts, net	16,648	-	-	-	-	186	-	-
Special assessments	-	-	-	-	-	-	-	-
Accrued interest and other	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-
Due from other units of government	-	-	-	-	-	-	-	-
Total assets	<u>\$ 7,458,695</u>	<u>\$ 46,735</u>	<u>\$ 165,879</u>	<u>\$ 1,056,361</u>	<u>\$ 2,712,235</u>	<u>\$ 14,679</u>	<u>\$ 888,581</u>	<u>\$ 107,062</u>
<b>Liabilities</b>								
Accounts payable	\$ 145,974	\$ -	\$ -	\$ 955	\$ 6,257	\$ -	\$ -	\$ -
Accrued and other liabilities	40,822	-	-	-	1,988	-	-	-
Due to other funds	-	-	-	-	-	-	-	-
Due to other units of government	-	-	-	-	-	-	-	-
Total liabilities	<u>186,796</u>	<u>-</u>	<u>-</u>	<u>955</u>	<u>8,245</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>								
Unavailable revenue	519,165	-	-	-	-	-	-	-
<b>Fund Balances</b>								
Non-spendable	-	-	-	-	-	-	-	-
Restricted for								
Culture and recreation	-	-	-	1,055,406	-	-	888,581	-
Law enforcement	-	46,735	165,879	-	-	-	-	-
Road maintenance and repairs	-	-	-	-	2,703,990	-	-	-
Debt service	-	-	-	-	-	-	-	-
Other purposes	6,752,734	-	-	-	-	-	-	-
Committed for								
Culture and recreation	-	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	14,679	-	107,062
Assigned to capital projects	-	-	-	-	-	-	-	-
Total fund balances	<u>6,752,734</u>	<u>46,735</u>	<u>165,879</u>	<u>1,055,406</u>	<u>2,703,990</u>	<u>14,679</u>	<u>888,581</u>	<u>107,062</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,458,695</u>	<u>\$ 46,735</u>	<u>\$ 165,879</u>	<u>\$ 1,056,361</u>	<u>\$ 2,712,235</u>	<u>\$ 14,679</u>	<u>\$ 888,581</u>	<u>\$ 107,062</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2019**

	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
<b>Assets</b>							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equity in pooled cash and investments	124,392	813,026	16,156	5,082,680	350,967	1,623,266	146,932
Investments	-	-	-	-	-	-	-
Receivables							
Taxes, net	-	-	-	(260)	-	-	-
Accounts, net	-	-	-	99,648	123	-	-
Special assessments	-	8,793	-	-	-	-	-
Accrued interest and other	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-
Due from other units of government	-	-	-	-	282,974	-	-
Total assets	<u>\$ 124,392</u>	<u>\$ 821,819</u>	<u>\$ 16,156</u>	<u>\$ 5,182,068</u>	<u>\$ 634,064</u>	<u>\$ 1,623,266</u>	<u>\$ 146,932</u>
<b>Liabilities</b>							
Accounts payable	\$ -	\$ 80,390	\$ -	\$ 378,156	\$ 176,611	\$ 45,894	\$ -
Accrued and other liabilities	-	5,864	-	42,651	1,660	345	-
Due to other funds	-	-	-	-	-	-	-
Due to other units of government	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>86,254</u>	<u>-</u>	<u>420,807</u>	<u>178,271</u>	<u>46,239</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>							
Unavailable revenue	-	8,793	-	-	18,875	-	-
<b>Fund Balances</b>							
Non-spendable	-	-	-	-	-	-	-
Restricted for							
Culture and recreation	124,392	-	-	4,761,261	-	-	-
Law enforcement	-	-	16,156	-	-	-	-
Road maintenance and repairs	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Other purposes	-	-	-	-	436,918	-	146,932
Committed for							
Culture and recreation	-	-	-	-	-	-	-
Other purposes	-	726,772	-	-	-	1,577,027	-
Assigned to capital projects	-	-	-	-	-	-	-
Total fund balances	<u>124,392</u>	<u>726,772</u>	<u>16,156</u>	<u>4,761,261</u>	<u>436,918</u>	<u>1,577,027</u>	<u>146,932</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 124,392</u>	<u>\$ 821,819</u>	<u>\$ 16,156</u>	<u>\$ 5,182,068</u>	<u>\$ 634,064</u>	<u>\$ 1,623,266</u>	<u>\$ 146,932</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2019**

	Debt Service Fund		Capital Projects Funds		Permanent Fund	Total Nonmajor Governmental Funds
	General Debt Service	2019-A Capital Improvements Bonds	Maintenance Facility	General Capital Improvements	Elizabeth R. Dean Trust	
<b>Assets</b>						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,070
Equity in pooled cash and investments	628,647	-	1,700,609	2,047,186	169,609	63,695,821
Investments	-	14,248,861	-	-	2,003,272	16,252,133
Receivables						
Taxes, net	2	-	-	925	-	892
Accounts, net	-	-	-	437	-	1,409,401
Special assessments	-	-	-	-	-	245,328
Accrued interest and other	-	-	-	-	12,463	12,463
Loans	-	-	-	-	-	3,840
Due from other units of government	-	-	-	-	-	2,359,376
Total assets	<u>\$ 628,649</u>	<u>\$ 14,248,861</u>	<u>\$ 1,700,609</u>	<u>\$ 2,048,548</u>	<u>\$ 2,185,344</u>	<u>\$ 84,011,324</u>
<b>Liabilities</b>						
Accounts payable	\$ -	\$ -	\$ 123,733	\$ 229,959	\$ -	\$ 2,399,300
Accrued and other liabilities	-	-	2,846	706	-	173,368
Due to other funds	-	37,305	-	-	-	37,305
Due to other units of government	-	928,645	-	-	-	928,645
Total liabilities	<u>-</u>	<u>965,950</u>	<u>126,579</u>	<u>230,665</u>	<u>-</u>	<u>3,538,618</u>
<b>Deferred Inflows of Resources</b>						
Unavailable revenue	-	-	-	-	-	731,319
<b>Fund Balances</b>						
Non-spendable	-	-	-	-	1,984,000	1,984,000
Restricted for						
Culture and recreation	-	-	-	-	201,344	18,497,102
Law enforcement	-	-	-	-	-	237,963
Road maintenance and repairs	-	-	-	-	-	27,230,406
Debt service	628,649	-	-	-	-	628,649
Other purposes	-	-	-	-	-	11,813,755
Committed for						
Culture and recreation	-	-	-	-	-	80,254
Other purposes	-	-	-	-	-	2,594,434
Assigned to capital projects	-	13,282,911	1,574,030	1,817,883	-	16,674,824
Total fund balances	<u>628,649</u>	<u>13,282,911</u>	<u>1,574,030</u>	<u>1,817,883</u>	<u>2,185,344</u>	<u>79,741,387</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 628,649</u>	<u>\$ 14,248,861</u>	<u>\$ 1,700,609</u>	<u>\$ 2,048,548</u>	<u>\$ 2,185,344</u>	<u>\$ 84,011,324</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, 2019**

	Special Revenue Funds							
	Energy Projects	Community Television Grant	Homeland Security Grant	Major Streets	Local Streets	Court Facilities	Open Space & Parkland Preservation	Bandemer
<b>Revenues</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,528,887	\$ -
Licenses, permits and registration	-	1,991,113	-	-	-	-	-	-
Federal grants	-	-	41,222	60,540	-	-	141,120	-
State-shared revenues and grants	-	-	-	10,240,692	3,302,514	-	-	-
Local contributions and donations	-	-	-	723,618	-	-	-	-
Charges for services	86,071	-	-	813,661	192,422	-	-	1,169
Fines and forfeitures	-	-	-	-	-	63,739	-	-
Investment income	19,224	123,012	(14)	456,995	222,812	348	384,465	2,432
Other revenue	11,291	301	-	456,462	242	-	4,305	7,650
<b>Total revenues</b>	<b>116,586</b>	<b>2,114,426</b>	<b>41,208</b>	<b>12,751,968</b>	<b>3,717,990</b>	<b>64,087</b>	<b>3,058,777</b>	<b>11,251</b>
<b>Expenditures</b>								
<b>Current</b>								
General government	63,355	1,912,532	-	-	-	-	-	-
Public safety	-	-	41,222	-	-	-	-	-
Public works	-	-	-	7,432,769	2,206,993	-	-	-
Community and economic development	-	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-	695,287	1,881
Capital outlay	-	108,239	-	127,217	-	-	400,167	-
<b>Debt service</b>								
Principal retirement	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Payment to refunded bonds escrow agent	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>63,355</b>	<b>2,020,771</b>	<b>41,222</b>	<b>7,559,986</b>	<b>2,206,993</b>	<b>-</b>	<b>1,095,454</b>	<b>1,881</b>
Excess (deficiency) of revenues over expenditures	53,231	93,655	(14)	5,191,982	1,510,997	64,087	1,963,323	9,370
<b>Other financing sources (uses)</b>								
Transfers in	5,916	-	-	41,016	-	160,900	-	-
Transfers out	(65,738)	-	-	(1,276,301)	(227,141)	(225,000)	(1,259,131)	-
Issuance of debt	-	-	-	-	-	-	-	-
Premium on issuance of debt	-	-	-	-	-	-	-	-
Payment to refunded bonds escrow agent	-	-	-	-	-	-	-	-
<b>Total other financing sources and uses</b>	<b>(59,822)</b>	<b>-</b>	<b>-</b>	<b>(1,235,285)</b>	<b>(227,141)</b>	<b>(64,100)</b>	<b>(1,259,131)</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>(6,591)</b>	<b>93,655</b>	<b>(14)</b>	<b>3,956,697</b>	<b>1,283,856</b>	<b>(13)</b>	<b>704,192</b>	<b>9,370</b>
Fund balance - beginning of year	375,485	4,183,516	302	13,019,904	6,265,959	8,918	10,761,926	70,884
Fund balance - end of year	\$ 368,894	\$ 4,277,171	\$ 288	\$ 16,976,601	\$ 7,549,815	\$ 8,905	\$ 11,466,118	\$ 80,254



**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, 2019**

	Special Revenue Funds							
	Construction Code	Drug Enforcement	Federal Equitable Sharing Forfeiture	Parks Memorial & Contributions	Metro Expansion	Special Assistance	Open Space Endowment	Cemetery Perpetual Care
<b>Revenues</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits and registration	4,472,001	-	-	-	-	-	-	-
Federal grants	-	-	-	-	-	-	-	-
State-shared revenues and grants	-	-	-	-	398,388	-	-	-
Local contributions and donations	-	-	-	314,150	-	5,232	-	-
Charges for services	-	-	-	62,809	-	-	-	1,500
Fines and forfeitures	-	21,915	88,662	-	-	-	-	-
Investment income	230,320	1,609	4,375	34,374	79,172	424	26,896	1,810
Other revenue	1,426	1,390	-	-	-	-	-	-
<b>Total revenues</b>	<b>4,703,747</b>	<b>24,914</b>	<b>93,037</b>	<b>411,333</b>	<b>477,560</b>	<b>5,656</b>	<b>26,896</b>	<b>3,310</b>
<b>Expenditures</b>								
<b>Current</b>								
General government	-	-	-	-	-	-	-	-
Public safety	3,873,865	19,298	29,073	-	-	-	-	-
Public works	-	-	-	-	219,154	-	-	-
Community and economic development	-	-	-	-	-	2,863	-	-
Recreation and culture	-	-	-	5,516	-	-	-	-
Capital outlay	-	-	-	5,641	-	-	-	-
<b>Debt service</b>								
Principal retirement	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Payment to refunded bonds escrow agent	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>3,873,865</b>	<b>19,298</b>	<b>29,073</b>	<b>11,157</b>	<b>219,154</b>	<b>2,863</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of revenues over expenditures	829,882	5,616	63,964	400,176	258,406	2,793	26,896	3,310
<b>Other financing sources (uses)</b>								
Transfers in	-	-	-	-	-	-	95,468	-
Transfers out	-	-	-	(104,244)	-	-	-	-
Issuance of debt	-	-	-	-	-	-	-	-
Premium on issuance of debt	-	-	-	-	-	-	-	-
Payment to refunded bonds escrow agent	-	-	-	-	-	-	-	-
<b>Total other financing sources and uses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(104,244)</b>	<b>-</b>	<b>-</b>	<b>95,468</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>829,882</b>	<b>5,616</b>	<b>63,964</b>	<b>295,932</b>	<b>258,406</b>	<b>2,793</b>	<b>122,364</b>	<b>3,310</b>
Fund balance - beginning of year	5,922,852	41,119	101,915	759,474	2,445,584	11,886	766,217	103,752
Fund balance - end of year	\$ 6,752,734	\$ 46,735	\$ 165,879	\$ 1,055,406	\$ 2,703,990	\$ 14,679	\$ 888,581	\$ 107,062

**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, 2019**

	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
<b>Revenues</b>							
Taxes	\$ -	\$ -	\$ -	\$ 5,823,063	\$ -	\$ 2,198,572	\$ -
Licenses, permits and registration	-	-	-	-	-	-	-
Federal grants	-	-	-	-	346,040	-	-
State-shared revenues and grants	-	-	20,135	96,196	250,198	-	146,932
Local contributions and donations	-	75	-	-	-	-	-
Charges for services	-	5,375	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-
Investment income	2,731	25,967	228	215,576	6,261	-	-
Other revenue	-	-	-	19,714	46,138	-	-
Total revenues	<u>2,731</u>	<u>31,417</u>	<u>20,363</u>	<u>6,154,549</u>	<u>648,637</u>	<u>2,198,572</u>	<u>146,932</u>
<b>Expenditures</b>							
Current							
General government	-	8,996	-	-	373,156	65,824	-
Public safety	-	-	21,001	-	20,875	-	-
Public works	-	428,243	-	-	345,391	250,721	-
Community and economic development	-	-	-	-	-	-	-
Recreation and culture	-	-	-	3,985,488	34,000	-	-
Capital outlay	9,211	-	-	619,686	383,576	-	-
Debt service							
Principal retirement	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Payment to refunded bonds escrow agent	-	-	-	-	-	-	-
Total expenditures	<u>9,211</u>	<u>437,239</u>	<u>21,001</u>	<u>4,605,174</u>	<u>1,156,998</u>	<u>316,545</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(6,480)</u>	<u>(405,822)</u>	<u>(638)</u>	<u>1,549,375</u>	<u>(508,361)</u>	<u>1,882,027</u>	<u>146,932</u>
<b>Other financing sources (uses)</b>							
Transfers in	-	565,344	-	66,751	140,797	-	-
Transfers out	(30,339)	-	-	(11,463)	-	(305,000)	-
Issuance of debt	-	-	-	-	-	-	-
Premium on issuance of debt	-	-	-	-	-	-	-
Payment to refunded bonds escrow agent	-	-	-	-	-	-	-
Total other financing sources and uses	<u>(30,339)</u>	<u>565,344</u>	<u>-</u>	<u>55,288</u>	<u>140,797</u>	<u>(305,000)</u>	<u>-</u>
Net change in fund balance	<u>(36,819)</u>	<u>159,522</u>	<u>(638)</u>	<u>1,604,663</u>	<u>(367,564)</u>	<u>1,577,027</u>	<u>146,932</u>
Fund balance - beginning of year	<u>161,211</u>	<u>567,250</u>	<u>16,794</u>	<u>3,156,598</u>	<u>804,482</u>	<u>-</u>	<u>-</u>
Fund balance - end of year	<u>\$ 124,392</u>	<u>\$ 726,772</u>	<u>\$ 16,156</u>	<u>\$ 4,761,261</u>	<u>\$ 436,918</u>	<u>\$ 1,577,027</u>	<u>\$ 146,932</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, 2019**

	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	
<b>Revenues</b>						
Taxes	\$ 2,117	\$ -	\$ -	\$ -	\$ -	\$ 10,552,639
Licenses, permits and registration	-	-	-	-	-	6,463,114
Federal grants	-	-	-	-	-	588,922
State-shared revenues and grants	-	-	-	-	-	14,455,055
Local contributions and donations	-	-	393,383	-	-	1,436,458
Charges for services	4,181,335	-	-	49,032	-	5,393,374
Fines and forfeitures	-	-	-	-	-	174,316
Investment income	9,861	55,136	146,115	72,925	90,240	2,213,294
Other revenue	69	-	-	1,598	-	550,586
<b>Total revenues</b>	<b>4,193,382</b>	<b>55,136</b>	<b>539,498</b>	<b>123,555</b>	<b>90,240</b>	<b>41,827,758</b>
<b>Expenditures</b>						
<b>Current</b>						
General government	-	-	-	12,838	-	2,436,701
Public safety	-	-	-	-	-	4,005,334
Public works	-	-	-	63,302	-	10,946,573
Community and economic development	-	-	171,769	-	-	174,632
Recreation and culture	-	-	-	-	26,541	4,748,713
Capital outlay	-	145,929	2,622,553	1,206,362	-	5,628,581
<b>Debt service</b>						
Principal retirement	5,393,000	-	-	-	-	5,393,000
Interest and fiscal charges	2,430,211	-	-	-	-	2,430,211
Payment to refunded bonds escrow agent	646,298	-	-	-	-	646,298
<b>Total expenditures</b>	<b>8,469,509</b>	<b>145,929</b>	<b>2,794,322</b>	<b>1,282,502</b>	<b>26,541</b>	<b>36,410,043</b>
Excess (deficiency) of revenues over expenditures	(4,276,127)	(90,793)	(2,254,824)	(1,158,947)	63,699	5,417,715
<b>Other financing sources (uses)</b>						
Transfers in	4,432,667	-	-	946,960	-	6,455,819
Transfers out	-	-	-	(14,530)	-	(3,518,887)
Issuance of debt	37,175,000	-	14,780,000	-	-	51,955,000
Premium on issuance of debt	2,031,297	-	757,735	-	-	2,789,032
Payment to refunded bonds escrow agent	(39,206,297)	-	-	-	-	(39,206,297)
<b>Total other financing sources and uses</b>	<b>4,432,667</b>	<b>-</b>	<b>15,537,735</b>	<b>932,430</b>	<b>-</b>	<b>18,474,667</b>
<b>Net change in fund balance</b>	<b>156,540</b>	<b>(90,793)</b>	<b>13,282,911</b>	<b>(226,517)</b>	<b>63,699</b>	<b>23,892,382</b>
Fund balance - beginning of year	472,109	1,664,823	-	2,044,400	2,121,645	55,849,005
Fund balance - end of year	\$ 628,649	\$ 1,574,030	\$ 13,282,911	\$ 1,817,883	\$ 2,185,344	\$ 79,741,387

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Energy Projects**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Charges for services	\$ 66,238	\$ 66,238	\$ 86,071	\$ 19,833
Investment income	2,412	2,412	19,224	16,812
Other revenue	-	-	11,291	11,291
Transfers in	5,913	5,913	5,916	3
Total revenues	<u>74,563</u>	<u>74,563</u>	<u>122,502</u>	<u>47,939</u>
<b>Expenditures</b>				
Current				
General government	172,028	172,028	63,355	(108,673)
Transfers out	66,238	66,238	65,738	(500)
Total expenditures	<u>238,266</u>	<u>238,266</u>	<u>129,093</u>	<u>(109,173)</u>
Excess (deficiency) of revenues over expenditures	(163,703)	(163,703)	(6,591)	157,112
Fund balance - beginning of year	<u>375,485</u>	<u>375,485</u>	<u>375,485</u>	<u>-</u>
Fund balance - end of year	<u>\$ 211,782</u>	<u>\$ 211,782</u>	<u>\$ 368,894</u>	<u>\$ 157,112</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Community Television Network**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
<b>Revenues</b>				
Licenses and permits	\$ 2,278,500	\$ 2,278,500	\$ 1,991,113	\$ (287,387)
Investment income	37,171	37,171	123,012	85,841
Other revenue	450	450	301	(149)
Total revenues	<u>2,316,121</u>	<u>2,316,121</u>	<u>2,114,426</u>	<u>(201,695)</u>
<b>Expenditures</b>				
Current				
General government	2,078,826	2,078,826	1,912,532	(166,294)
Capital outlay	<u>200,000</u>	<u>200,000</u>	<u>108,239</u>	<u>(91,761)</u>
Total expenditures	<u>2,278,826</u>	<u>2,278,826</u>	<u>2,020,771</u>	<u>(258,055)</u>
Excess of revenues over expenditures	37,295	37,295	93,655	56,360
Fund balance - beginning of year	<u>4,183,516</u>	<u>4,183,516</u>	<u>4,183,516</u>	<u>-</u>
Fund balance - end of year	<u>\$ 4,220,811</u>	<u>\$ 4,220,811</u>	<u>\$ 4,277,171</u>	<u>\$ 56,360</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Homeland Security Grant**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Federal grants	\$ -	\$ 41,222	\$ 41,222	\$ -
Investment income (loss)	-	-	(14)	(14)
Total revenues	-	41,222	41,208	(14)
<b>Expenditures</b>				
Current				
Public safety	-	41,222	41,222	-
Deficiency of revenues over expenditures	-	-	(14)	(14)
Fund balance - beginning of year	302	302	302	-
Fund balance - end of year	\$ 302	\$ 302	\$ 288	\$ (14)

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Major Streets**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
<b>Revenues</b>				
Federal grants	\$ -	\$ 75,010	\$ 60,540	\$ (14,470)
State-shared revenue	8,982,446	8,982,446	10,240,692	1,258,246
Local contributions	-	-	723,618	723,618
Charges for services	800,700	852,903	813,661	(39,242)
Interest income	123,703	123,703	456,995	333,292
Other revenue	240,000	240,000	456,462	216,462
Transfers in	37,552	181,172	41,016	(140,156)
	<u>10,184,401</u>	<u>10,455,234</u>	<u>12,792,984</u>	<u>2,337,750</u>
<b>Expenditures</b>				
Current				
Public works	11,114,221	10,410,558	7,432,769	(2,977,789)
Capital outlay	3,000	105,316	127,217	21,901
Transfers out	1,167,180	1,254,182	1,276,301	22,119
	<u>12,284,401</u>	<u>11,770,056</u>	<u>8,836,287</u>	<u>(2,933,769)</u>
Excess (deficiency) of revenues over expenditures	(2,100,000)	(1,314,822)	3,956,697	5,271,519
Fund balance - beginning of year	<u>13,019,904</u>	<u>13,019,904</u>	<u>13,019,904</u>	<u>-</u>
Fund balance - end of year	<u>\$ 10,919,904</u>	<u>\$ 11,705,082</u>	<u>\$ 16,976,601</u>	<u>\$ 5,271,519</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Local Streets**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
State-shared revenues and grants	\$ 2,474,388	\$ 2,474,388	\$ 3,302,514	\$ 828,126
Charges for services	193,024	193,024	192,422	(602)
Interest income	44,121	44,121	222,812	178,691
Other revenue	1,000	1,000	242	(758)
Total revenues	<u>2,712,533</u>	<u>2,712,533</u>	<u>3,717,990</u>	<u>1,005,457</u>
<b>Expenditures</b>				
Current				
Public works	4,690,889	4,325,445	2,206,993	(2,118,452)
Capital outlay	-	92,226	-	(92,226)
Transfers out	221,644	321,644	227,141	(94,503)
Total expenditures	<u>4,912,533</u>	<u>4,739,315</u>	<u>2,434,134</u>	<u>(2,305,181)</u>
Excess (deficiency) of revenues over expenditures	(2,200,000)	(2,026,782)	1,283,856	3,310,638
Fund balance - beginning of year	<u>6,265,959</u>	<u>6,265,959</u>	<u>6,265,959</u>	<u>-</u>
Fund balance - end of year	<u>\$ 4,065,959</u>	<u>\$ 4,239,177</u>	<u>\$ 7,549,815</u>	<u>\$ 3,310,638</u>



**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Court Facilities**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
<b>Revenues</b>				
Fines and forfeitures	\$ 90,000	\$ 60,000	\$ 63,739	\$ 3,739
Investment income	-	-	348	348
Transfers in	<u>135,000</u>	<u>165,000</u>	<u>160,900</u>	<u>(4,100)</u>
Total revenues	<u>225,000</u>	<u>225,000</u>	<u>224,987</u>	<u>(13)</u>
<b>Expenditures</b>				
Transfers out	<u>225,000</u>	<u>225,000</u>	<u>225,000</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	-	(13)	(13)
Fund balance - beginning of year	<u>8,918</u>	<u>8,918</u>	<u>8,918</u>	<u>-</u>
Fund balance - end of year	<u><u>\$ 8,918</u></u>	<u><u>\$ 8,918</u></u>	<u><u>\$ 8,905</u></u>	<u><u>\$ (13)</u></u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Open Space & Parkland Preservation**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 2,494,382	\$ 2,494,382	\$ 2,528,887	\$ 34,505
Federal grants	-	511,070	141,120	(369,950)
Investment income	112,602	112,602	384,465	271,863
Other revenue	-	-	4,305	4,305
	<u>2,606,984</u>	<u>3,118,054</u>	<u>3,058,777</u>	<u>(59,277)</u>
Total revenues				
<b>Expenditures</b>				
Current				
Recreation and culture	172,278	831,218	695,287	(135,931)
Capital outlay	-	1,357,600	400,167	(957,433)
Transfers out	<u>1,163,663</u>	<u>1,259,131</u>	<u>1,259,131</u>	<u>-</u>
	<u>1,335,941</u>	<u>3,447,949</u>	<u>2,354,585</u>	<u>(1,093,364)</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	1,271,043	(329,895)	704,192	1,034,087
Fund balance - beginning of year	<u>10,761,926</u>	<u>10,761,926</u>	<u>10,761,926</u>	<u>-</u>
Fund balance - end of year	<u>\$ 12,032,969</u>	<u>\$ 10,432,031</u>	<u>\$ 11,466,118</u>	<u>\$ 1,034,087</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Bandemer**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
<b>Revenues</b>				
Charges for services	\$ -	\$ -	\$ 1,169	\$ 1,169
Investment income	600	600	2,432	1,832
Other revenue	<u>6,900</u>	<u>6,900</u>	<u>7,650</u>	<u>750</u>
Total revenues	<u>7,500</u>	<u>7,500</u>	<u>11,251</u>	<u>3,751</u>
<b>Expenditures</b>				
Current				
Recreation and culture	1,834	1,834	1,881	47
Capital outlay	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
Total expenditures	<u>11,834</u>	<u>11,834</u>	<u>1,881</u>	<u>(9,953)</u>
Excess (deficiency) of revenues over expenditures	(4,334)	(4,334)	9,370	13,704
Fund balance - beginning of year	<u>70,884</u>	<u>70,884</u>	<u>70,884</u>	<u>-</u>
Fund balance - end of year	<u>\$ 66,550</u>	<u>\$ 66,550</u>	<u>\$ 80,254</u>	<u>\$ 13,704</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Construction Code**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
<b>Revenues</b>				
Licenses and permits	\$ 3,288,400	\$ 3,288,400	\$ 4,472,001	\$ 1,183,601
Investment income	39,362	39,362	230,320	190,958
Other revenue	300	300	1,426	1,126
Total revenues	<u>3,328,062</u>	<u>3,328,062</u>	<u>4,703,747</u>	<u>1,375,685</u>
<b>Expenditures</b>				
Current				
Public safety	<u>3,315,063</u>	<u>3,923,157</u>	<u>3,873,865</u>	<u>(49,292)</u>
Excess (deficiency) of revenues over expenditures	12,999	(595,095)	829,882	1,424,977
Fund balance - beginning of year	<u>5,922,852</u>	<u>5,922,852</u>	<u>5,922,852</u>	<u>-</u>
Fund balance - end of year	<u>\$ 5,935,851</u>	<u>\$ 5,327,757</u>	<u>\$ 6,752,734</u>	<u>\$ 1,424,977</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Drug Enforcement**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Fines and forfeitures	\$ 500	\$ 21,914	\$ 21,915	\$ 1
Investment income	1,154	1,154	1,609	455
Other revenue	-	-	1,390	1,390
	<u>1,654</u>	<u>23,068</u>	<u>24,914</u>	<u>1,846</u>
<b>Expenditures</b>				
Current				
Public safety	<u>17,894</u>	<u>39,308</u>	<u>19,298</u>	<u>(20,010)</u>
Excess (deficiency) of revenues over expenditures	(16,240)	(16,240)	5,616	21,856
Fund balance - beginning of year	<u>41,119</u>	<u>41,119</u>	<u>41,119</u>	<u>-</u>
Fund balance - end of year	<u>\$ 24,879</u>	<u>\$ 24,879</u>	<u>\$ 46,735</u>	<u>\$ 21,856</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Federal Equitable Sharing Forfeiture**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Fines and forfeitures	\$ 10,000	\$ 88,663	\$ 88,662	\$ (1)
Investment income	<u>1,021</u>	<u>1,021</u>	<u>4,375</u>	<u>3,354</u>
Total revenues	11,021	89,684	93,037	3,353
<b>Expenditures</b>				
Current				
Public safety	<u>46,912</u>	<u>125,575</u>	<u>29,073</u>	<u>(96,502)</u>
Excess (deficiency) of revenues over expenditures	(35,891)	(35,891)	63,964	99,855
Fund balance - beginning of year	<u>101,915</u>	<u>101,915</u>	<u>101,915</u>	<u>-</u>
Fund balance - end of year	<u>\$ 66,024</u>	<u>\$ 66,024</u>	<u>\$ 165,879</u>	<u>\$ 99,855</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Parks & Memorial Contributions**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Local contributions and donations	\$ 30,000	\$ 336,700	\$ 314,150	\$ (22,550)
Charges for services	-	49,975	62,809	12,834
Investment income	9,973	9,973	34,374	24,401
Total revenues	<u>39,973</u>	<u>396,648</u>	<u>411,333</u>	<u>14,685</u>
<b>Expenditures</b>				
Current				
Recreation and culture	24,973	27,450	5,516	(21,934)
Capital outlay	-	39,134	5,641	(33,493)
Transfers out	15,000	81,751	104,244	22,493
Total expenditures	<u>39,973</u>	<u>148,335</u>	<u>115,401</u>	<u>(32,934)</u>
Excess of revenues over expenditures	-	248,313	295,932	47,619
Fund balance - beginning of year	<u>759,474</u>	<u>759,474</u>	<u>759,474</u>	<u>-</u>
Fund balance - end of year	<u>\$ 759,474</u>	<u>\$ 1,007,787</u>	<u>\$ 1,055,406</u>	<u>\$ 47,619</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Metro Expansion**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
<b>Revenues</b>				
State-shared revenue and grants	\$ 390,000	\$ 390,000	\$ 398,388	\$ 8,388
Investment income	<u>16,910</u>	<u>16,910</u>	<u>79,172</u>	<u>62,262</u>
Total revenues	<u>406,910</u>	<u>406,910</u>	<u>477,560</u>	<u>70,650</u>
<b>Expenditures</b>				
Current				
Public works	<u>406,910</u>	<u>406,910</u>	<u>219,154</u>	<u>(187,756)</u>
Excess of revenues over expenditures	-	-	258,406	258,406
Fund balance - beginning of year	<u>2,445,584</u>	<u>2,445,584</u>	<u>2,445,584</u>	<u>-</u>
Fund balance - end of year	<u>\$ 2,445,584</u>	<u>\$ 2,445,584</u>	<u>\$ 2,703,990</u>	<u>\$ 258,406</u>



**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Special Assistance**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Local contributions	\$ 5,000	\$ 5,000	\$ 5,232	\$ 232
Investment income	<u>62</u>	<u>62</u>	<u>424</u>	<u>362</u>
Total revenues	<u>5,062</u>	<u>5,062</u>	<u>5,656</u>	<u>594</u>
<b>Expenditures</b>				
Current				
Community and economic development	<u>5,000</u>	<u>5,000</u>	<u>2,863</u>	<u>(2,137)</u>
Excess of revenues over expenditures	62	62	2,793	2,731
Fund balance - beginning of year	<u>11,886</u>	<u>11,886</u>	<u>11,886</u>	<u>-</u>
Fund balance - end of year	<u>\$ 11,948</u>	<u>\$ 11,948</u>	<u>\$ 14,679</u>	<u>\$ 2,731</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Open Space Endowment**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
<b>Revenues</b>				
Interest income	\$ 7,350	\$ 7,350	\$ 26,896	\$ 19,546
Transfers in	-	-	95,468	95,468
Total revenues	<u>7,350</u>	<u>7,350</u>	<u>122,364</u>	<u>115,014</u>
<b>Expenditures</b>				
Current				
Recreation and culture	<u>20,000</u>	<u>20,000</u>	-	<u>(20,000)</u>
Excess (deficiency) of revenues over expenditures	(12,650)	(12,650)	122,364	135,014
Fund balance - beginning of year	<u>766,217</u>	<u>766,217</u>	<u>766,217</u>	-
Fund balance - end of year	<u>\$ 753,567</u>	<u>\$ 753,567</u>	<u>\$ 888,581</u>	<u>\$ 135,014</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Cemetery Perpetual Care**  
**For the Year Ended June 30, 2019**

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	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Charges for services	\$ 3,000	\$ 3,000	\$ 1,500	\$ (1,500)
Investment income	<u>980</u>	<u>980</u>	<u>1,810</u>	<u>830</u>
Total revenues	3,980	3,980	3,310	(670)
Fund balance - beginning of year	<u>103,752</u>	<u>103,752</u>	<u>103,752</u>	<u>-</u>
Fund balance - end of year	<u>\$ 107,732</u>	<u>\$ 107,732</u>	<u>\$ 107,062</u>	<u>\$ (670)</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Art in Public Places**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Final
				Budget
<b>Revenues</b>				
Investment income	\$ -	\$ -	\$ 2,731	\$ 2,731
<b>Expenditures</b>				
Current				
Public services	-	52,159	-	(52,159)
Capital outlay	-	1,075	9,211	8,136
Transfers out	-	-	30,339	30,339
Total expenditures	-	53,234	39,550	(13,684)
Excess (deficiency) of revenues over expenditures	-	(38,234)	(36,819)	1,415
Fund balance - beginning of year	161,211	161,211	161,211	-
Fund balance - end of year	\$ 161,211	\$ 122,977	\$ 124,392	\$ 1,415

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Alternative Transportation**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Charges for services	\$ -	\$ -	\$ 5,375	\$ 5,375
Investment income	3,058	3,058	25,967	22,909
Other revenue	-	300,000	75	(299,925)
Transfers in	565,341	1,179,596	565,344	(614,252)
Total revenues	<u>568,399</u>	<u>1,482,654</u>	<u>596,761</u>	<u>(885,893)</u>
<b>Expenditures</b>				
Current				
General government	20,249	20,249	8,996	(11,253)
Public works	672,087	511,874	428,243	(83,631)
Total expenditures	<u>692,336</u>	<u>532,123</u>	<u>437,239</u>	<u>(94,884)</u>
Excess (deficiency) of revenues over expenditures	(123,937)	950,531	159,522	(791,009)
Fund balance - beginning of year	<u>567,250</u>	<u>567,250</u>	<u>567,250</u>	<u>-</u>
Fund balance - end of year	<u>\$ 443,313</u>	<u>\$ 1,517,781</u>	<u>\$ 726,772</u>	<u>\$ (791,009)</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Michigan Justice Training**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
<b>Revenues</b>				
State-shared revenue	\$ 21,000	\$ 21,000	\$ 20,135	\$ (865)
Investment income	<u>73</u>	<u>73</u>	<u>228</u>	<u>155</u>
Total revenues	21,073	21,073	20,363	(710)
<b>Expenditures</b>				
Current				
Public safety	<u>21,000</u>	<u>21,001</u>	<u>21,001</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	73	72	(638)	(710)
Fund balance - beginning of year	<u>16,794</u>	<u>16,794</u>	<u>16,794</u>	<u>-</u>
Fund balance - end of year	<u>\$ 16,867</u>	<u>\$ 16,866</u>	<u>\$ 16,156</u>	<u>\$ (710)</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Parks Maintenance & Capital Improvement Millage**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Final Budget
<b>Revenues</b>				
Taxes	\$ 5,804,831	\$ 5,804,831	\$ 5,823,063	\$ 18,232
State-shared revenue	-	-	96,196	96,196
Investment income	54,070	54,070	215,576	161,506
Other revenue	1,100	1,100	19,714	18,614
Transfers in	-	66,751	66,751	-
	<u>5,860,001</u>	<u>5,926,752</u>	<u>6,221,300</u>	<u>294,548</u>
<b>Expenditures</b>				
Current				
Recreation and culture	6,307,175	4,954,893	3,985,488	(969,405)
Capital outlay	-	544,552	619,686	75,134
Transfers out	-	-	11,463	11,463
	<u>6,307,175</u>	<u>5,499,445</u>	<u>4,616,637</u>	<u>(882,808)</u>
Excess (deficiency) of revenues over expenditures	(447,174)	427,307	1,604,663	1,177,356
Fund balance - beginning of year	<u>3,156,598</u>	<u>3,156,598</u>	<u>3,156,598</u>	<u>-</u>
Fund balance - end of year	<u>\$ 2,709,424</u>	<u>\$ 3,583,905</u>	<u>\$ 4,761,261</u>	<u>\$ 1,177,356</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Major Grants**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
<b>Revenues</b>				
Federal grants	\$ -	\$ 3,524,744	\$ 346,040	\$ (3,178,704)
State-shared revenue and grants	-	459,843	250,198	(209,645)
Investment income	-	-	6,261	6,261
Other revenue	-	52,132	46,138	(5,994)
Transfers in	-	1,139,478	140,797	(998,681)
	<u>-</u>	<u>5,176,197</u>	<u>789,434</u>	<u>(4,386,763)</u>
Total revenues				
<b>Expenditures</b>				
Current				
General government	-	582,802	373,156	(209,646)
Public safety	-	20,876	20,875	(1)
Public works	-	468,580	345,391	(123,189)
Recreation and culture	-	54,215	34,000	(20,215)
Capital outlay	-	240,172	383,576	143,404
	<u>-</u>	<u>1,366,645</u>	<u>1,156,998</u>	<u>(209,647)</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	-	3,809,552	(367,564)	(4,177,116)
Fund balance - beginning of year	<u>804,482</u>	<u>804,482</u>	<u>804,482</u>	<u>-</u>
Fund balance - end of year	<u>\$ 804,482</u>	<u>\$ 4,614,034</u>	<u>\$ 436,918</u>	<u>\$ (4,177,116)</u>



**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**County Mental Health Millage**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 2,200,000	\$ 2,200,000	\$ 2,198,572	\$ (1,428)
<b>Expenditures</b>				
Current				
General government	75,000	75,000	65,824	(9,176)
Public works	115,000	115,000	250,721	135,721
Capital outlay	200,000	200,000	-	(200,000)
Transfers out	105,000	305,000	305,000	-
Total expenditures	495,000	695,000	621,545	(73,455)
Excess of revenues over expenditures	1,705,000	1,505,000	1,577,027	72,027
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ 1,705,000	\$ 1,505,000	\$ 1,577,027	\$ 72,027

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Michigan Indigent Defense**  
**For the Year Ended June 30, 2019**

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	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>	
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>	<u>Final</u>
<b>Revenues</b>					
State-shared revenue and grants	\$ -	\$ 146,932	\$ 146,932	\$ -	
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Fund balance - end of year	<u>\$ -</u>	<u>\$ 146,932</u>	<u>\$ 146,932</u>	<u>\$ -</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 Fund – 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, 2019**

	Central Store	Fleet Services	Information Technology	Project Management	Risk	Wheeler Center	Total
<b>Assets</b>							
Current assets							
Cash	\$ -	\$ -	\$ -	\$ 200	\$ 25,926	\$ -	\$ 26,126
Equity in pooled cash and investments	2,060,640	13,900,449	3,766,866	2,723,664	11,949,331	236,889	34,637,839
Accounts receivable, net	-	327	45,453	104,860	-	398	151,038
Inventories	545,961	486,335	-	-	-	-	1,032,296
Prepaid items	-	-	437,610	-	2,708,286	-	3,145,896
Total current assets	<u>2,606,601</u>	<u>14,387,111</u>	<u>4,249,929</u>	<u>2,828,724</u>	<u>14,683,543</u>	<u>237,287</u>	<u>38,993,195</u>
Noncurrent assets							
Capital assets, net of accumulated depreciation	-	90,005	-	-	-	-	90,005
Capital assets not being depreciated	9,201	9,817,813	529,461	19,897	-	-	10,376,372
Total noncurrent assets	<u>9,201</u>	<u>9,907,818</u>	<u>529,461</u>	<u>19,897</u>	<u>-</u>	<u>-</u>	<u>10,466,377</u>
Total assets	<u>2,615,802</u>	<u>24,294,929</u>	<u>4,779,390</u>	<u>2,848,621</u>	<u>14,683,543</u>	<u>237,287</u>	<u>49,459,572</u>
<b>Liabilities</b>							
Current liabilities							
Accounts payable	49,049	453,758	134,480	85,896	723,251	8,133	1,454,567
Accrued and other liabilities	-	-	633	-	-	-	633
Deposits	-	-	25,670	343,210	-	-	368,880
Estimated claims payable, current	-	-	-	-	455,968	-	455,968
Total current liabilities	<u>49,049</u>	<u>453,758</u>	<u>160,783</u>	<u>429,106</u>	<u>1,179,219</u>	<u>8,133</u>	<u>2,280,048</u>
Noncurrent liabilities							
Estimated claims payable, net	-	-	-	-	2,082,048	-	2,082,048
Total liabilities	<u>49,049</u>	<u>453,758</u>	<u>160,783</u>	<u>429,106</u>	<u>3,261,267</u>	<u>8,133</u>	<u>4,362,096</u>
<b>Net Position</b>							
Net investment in capital assets	9,201	9,907,818	529,461	19,897	-	-	10,466,377
Unrestricted	<u>2,557,552</u>	<u>13,933,353</u>	<u>4,089,146</u>	<u>2,399,618</u>	<u>11,422,276</u>	<u>229,154</u>	<u>34,631,099</u>
Total net position	<u>\$ 2,566,753</u>	<u>\$ 23,841,171</u>	<u>\$ 4,618,607</u>	<u>\$ 2,419,515</u>	<u>\$ 11,422,276</u>	<u>\$ 229,154</u>	<u>\$ 45,097,476</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, 2019**

	Central Stores	Fleet Services	Information Technology	Project Management	Risk	Wheeler Center	Total
<b>Operating revenue</b>							
Charges for services	\$ 837,903	\$ 8,247,802	\$ 7,925,646	\$ 3,417,498	\$ 31,416,325	\$ 435,200	\$ 52,280,374
<b>Operating expenses</b>							
Personnel services	199,375	1,532,881	3,739,703	2,206,640	770,483	41,644	8,490,726
Municipal service charge	27,264	186,492	558,504	120,300	414,408	25,440	1,332,408
Information technology charges	3,972	72,012	418,529	440,259	41,084	-	975,856
Other expenses	531,267	2,253,771	2,836,357	569,281	28,740,462	341,690	35,272,828
Depreciation	2,254	2,076,015	193,526	14,871	-	-	2,286,666
Total operating expenses	<u>764,132</u>	<u>6,121,171</u>	<u>7,746,619</u>	<u>3,351,351</u>	<u>29,966,437</u>	<u>408,774</u>	<u>48,358,484</u>
Operating income (loss)	<u>73,771</u>	<u>2,126,631</u>	<u>179,027</u>	<u>66,147</u>	<u>1,449,888</u>	<u>26,426</u>	<u>3,921,890</u>
<b>Nonoperating revenue (expenses)</b>							
Investment income	68,440	393,174	132,043	74,704	447,664	8,453	1,124,478
Gain on sale of assets	-	315,482	-	-	-	-	315,482
Total nonoperating revenues (expenses)	<u>68,440</u>	<u>708,656</u>	<u>132,043</u>	<u>74,704</u>	<u>447,664</u>	<u>8,453</u>	<u>1,439,960</u>
Income (loss) before contributions and transfers out	142,211	2,835,287	311,070	140,851	1,897,552	34,879	5,361,850
Capital contributions	-	400,737	-	-	-	-	400,737
Transfers out	(43,656)	(680,618)	-	(40,320)	-	-	(764,594)
Change in net position	98,555	2,555,406	311,070	100,531	1,897,552	34,879	4,997,993
Net position - beginning of year	<u>2,468,198</u>	<u>21,285,765</u>	<u>4,307,537</u>	<u>2,318,984</u>	<u>9,524,724</u>	<u>194,275</u>	<u>40,099,483</u>
Net position - end of year	<u>\$ 2,566,753</u>	<u>\$ 23,841,171</u>	<u>\$ 4,618,607</u>	<u>\$ 2,419,515</u>	<u>\$ 11,422,276</u>	<u>\$ 229,154</u>	<u>\$ 45,097,476</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2019**

	Central Stores	Fleet Services	Information Technology	Project Management	Risk	Wheeler Center	Total
<b>Cash flows from operating activities</b>							
Payments to suppliers	\$ (770,655)	\$ (2,152,390)	\$ (4,469,247)	\$ (1,194,103)	\$ (29,151,475)	\$ (364,184)	\$ (38,102,054)
Payments to employees	(199,375)	(1,532,881)	(3,739,703)	(2,206,640)	(770,483)	(41,644)	(8,490,726)
Payments received for interfund services	<u>837,903</u>	<u>8,247,475</u>	<u>7,945,638</u>	<u>3,370,561</u>	<u>31,416,325</u>	<u>435,271</u>	<u>52,253,173</u>
Net cash provided by operating activities	<u>(132,127)</u>	<u>4,562,204</u>	<u>(263,312)</u>	<u>(30,182)</u>	<u>1,494,367</u>	<u>29,443</u>	<u>5,660,393</u>
<b>Cash flows from noncapital financing activities</b>							
Transfers to other funds	<u>(43,656)</u>	<u>(680,618)</u>	<u>-</u>	<u>(40,320)</u>	<u>-</u>	<u>-</u>	<u>(764,594)</u>
<b>Cash flows from capital and related financing activities</b>							
Contributions received to be used for capital purchases	-	400,737	-	-	-	-	400,737
Purchases/construction of capital assets	-	(1,684,374)	(134,584)	-	-	-	(1,818,958)
Proceeds from sale of capital assets	<u>-</u>	<u>181,729</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>181,729</u>
Net cash used by capital and related financing activities	<u>-</u>	<u>(1,101,908)</u>	<u>(134,584)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,236,492)</u>
<b>Cash flows from investing activities</b>							
Interest received	<u>68,440</u>	<u>393,174</u>	<u>132,043</u>	<u>74,704</u>	<u>447,664</u>	<u>8,453</u>	<u>1,124,478</u>
Net change in cash and cash equivalents	<u>(107,343)</u>	<u>3,172,852</u>	<u>(265,853)</u>	<u>4,202</u>	<u>1,942,031</u>	<u>37,896</u>	<u>4,783,785</u>
Cash and cash equivalents - beginning of year	<u>2,167,983</u>	<u>10,727,597</u>	<u>4,032,719</u>	<u>2,719,662</u>	<u>10,033,226</u>	<u>198,993</u>	<u>29,880,180</u>
Cash and cash equivalents - end of year	<u>\$ 2,060,640</u>	<u>\$ 13,900,449</u>	<u>\$ 3,766,866</u>	<u>\$ 2,723,864</u>	<u>\$ 11,975,257</u>	<u>\$ 236,889</u>	<u>\$ 34,663,965</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>							
Operating income (loss)	\$ 73,771	\$ 2,126,631	\$ 179,027	\$ 66,147	\$ 1,449,888	\$ 26,426	\$ 3,921,890
Adjustments to reconcile operating income to net cash from operating activities							
Depreciation and amortization expense	2,254	2,076,015	193,526	14,871	-	-	2,286,666
Changes in assets and liabilities							
Receivables (net)	-	(327)	19,992	(46,937)	-	71	(27,201)
Inventories	(217,241)	(15,284)	-	-	-	-	(232,525)
Prepaid items	-	-	(317,933)	-	263,148	-	(54,785)
Accounts payable	9,089	375,169	(363,912)	(53,214)	(103,506)	2,946	(133,428)
Accrued and other liabilities	-	-	318	-	-	-	318
Deposits	-	-	25,670	(11,049)	-	-	14,621
Estimated claims payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(115,163)</u>	<u>-</u>	<u>(115,163)</u>
Net cash provided by operating activities	<u>\$ (132,127)</u>	<u>\$ 4,562,204</u>	<u>\$ (263,312)</u>	<u>\$ (30,182)</u>	<u>\$ 1,494,367</u>	<u>\$ 29,443</u>	<u>\$ 5,660,393</u>

## FIDUCIARY FUNDS

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.

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.

**City of Ann Arbor**  
**Other Supplementary Information**  
**Combining Statement of Fiduciary Net Position**  
**June 30, 2019**

	Private-purpose	Pension and Other Employee		Total
	Trust Fund	Benefits Trust Funds		
	Police and Fire Relief Fund	Employee Retirement System	Retiree Health Care Trust Fund	
<b>Assets</b>				
Equity in pooled cash and investments	\$ 2,736	\$ 780,172	\$ 716,018	\$ 1,498,926
Investments, at fair value:				
Equities	-	282,431,146	105,014,227	387,445,373
Fixed income	-	160,143,898	53,977,280	214,121,178
Other	676,359	73,735,780	26,502,098	100,914,237
Receivables				
Accrued interest and other	-	283,464	217,234	500,698
Due from other funds	-	73,144	-	73,144
Capital assets, net	-	339,260	-	339,260
Total assets	<u>679,095</u>	<u>517,786,864</u>	<u>186,426,857</u>	<u>704,892,816</u>
<b>Deferred Outflows of Resources</b>				
Deferred amount of pension expense related to net pension liability	-	45,090	-	45,090
Deferred amount of OPEB expense related to net OPEB liability	-	79,702	-	79,702
Total deferred outflows of resources	<u>-</u>	<u>124,792</u>	<u>-</u>	<u>124,792</u>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	-	3,267,977	95,295	3,363,272
Mortgage payable, due in one year	-	31,232	-	31,232
Mortgage payable, due in more than one year	-	102,384	-	102,384
Net pension liability	-	577,382	-	577,382
Net OPEB liability	-	491,441	-	491,441
Total liabilities	<u>-</u>	<u>4,470,416</u>	<u>95,295</u>	<u>4,565,711</u>
<b>Deferred Inflows of Resources</b>				
Deferred amount on net pension liability	-	14,937	-	14,937
<b>Net Position</b>				
Restricted for police and fire relief	679,095	-	-	679,095
Restricted for pensions	-	513,426,303	-	513,426,303
Restricted for other employee benefits	-	-	186,331,562	186,331,562
Total net position	<u>\$ 679,095</u>	<u>\$ 513,426,303</u>	<u>\$ 186,331,562</u>	<u>\$ 700,436,960</u>



**City of Ann Arbor**  
**Other Supplementary Information**  
**Combining Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2019**

	Private-purpose	Pension and Other Employee		Total
	Trust Fund	Benefits Trust Funds		
	Police and Fire Relief Fund	Employee Retirement System	Retiree Health Care Trust Fund	
<b>Additions</b>				
Investment income:				
From investing activities:				
Appreciation in fair value of investments	\$ -	\$ 27,304,092	\$ 8,738,562	\$ 36,042,654
Interest and dividends	18,843	3,908,473	3,296,314	7,223,630
Total investment income	18,843	31,212,565	12,034,876	43,266,284
Investment management fees	-	(558,750)	(212,385)	(771,135)
Net investment income from investing activities	18,843	30,653,815	11,822,491	42,495,149
From securities lending activities:				
Gross earnings	-	9,803	9,854	19,657
Borrower rebates received (paid)	-	(6,626)	(6,901)	(13,527)
Securities lending fees	-	(951)	(877)	(1,828)
Net investment income from securities and lending activities	-	2,226	2,076	4,302
Total net investment income	18,843	30,656,041	11,824,567	42,499,451
Contributions:				
Employer	-	13,937,985	15,987,768	29,925,753
Plan member	-	3,465,096	-	3,465,096
Total contributions:	-	17,403,081	15,987,768	33,390,849
Total additions	18,843	48,059,122	27,812,335	75,890,300
<b>Deductions</b>				
Benefits	100,000	37,258,219	13,171,225	50,529,444
Refunds of contributions	-	370,953	-	370,953
Administrative expenses	-	1,050,001	116,902	1,166,903
Total deductions	100,000	38,679,173	13,288,127	52,067,300
Change in net position	(81,157)	9,379,949	14,524,208	23,823,000
Net position - beginning of year	760,252	504,046,354	171,807,354	676,613,960
Net position - end of year	\$ 679,095	\$ 513,426,303	\$ 186,331,562	\$ 700,436,960

**City of Ann Arbor**  
**Other Supplementary Information**  
**Combining Statement of Assets and Liabilities**  
**Agency Funds**  
**June 30, 2019**

	Treasurer's Delinquent Tax	Treasurer's Current Tax	15th District Court	Payroll	Total
<b>Assets</b>					
Cash	\$ -	\$ -	\$ 221,991	\$ -	\$ 221,991
Equity in pooled cash and investments	<u>22,714</u>	<u>-</u>	<u>-</u>	<u>4,054</u>	<u>26,768</u>
Total assets	<u>\$ 22,714</u>	<u>\$ -</u>	<u>\$ 221,991</u>	<u>\$ 4,054</u>	<u>\$ 248,759</u>
<b>Liabilities</b>					
Due to others	\$ -	\$ -	\$ -	\$ 4,054	\$ 4,054
Due to other units of government	22,714	-	171,948	-	194,662
Deposits	<u>-</u>	<u>-</u>	<u>50,043</u>	<u>-</u>	<u>50,043</u>
Total liabilities	<u>\$ 22,714</u>	<u>\$ -</u>	<u>\$ 221,991</u>	<u>\$ 4,054</u>	<u>\$ 248,759</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2019**

	Beginning Balance	Additions	Deductions	Ending Balance
<b>Treasurer's Delinquent Tax Fund</b>				
Assets				
Equity in pooled cash and investments	\$ 116,193	\$ 403,432	\$ 496,911	\$ 22,714
Liabilities				
Due to others	\$ 9,949	\$ 840,745	\$ 850,694	\$ -
Due to other governments	106,244	282,575	366,105	22,714
Total liabilities	\$ 116,193	\$ 1,123,320	\$ 1,216,799	\$ 22,714
<b>Treasurer's Current Tax Fund</b>				
Assets				
Cash	\$ 5,176	\$ 577,313,547	\$ 577,318,723	\$ -
Equity in pooled cash and investments	-	14,201,209	14,201,209	-
Investments	-	318,572,310	318,572,310	-
Total assets	\$ 5,176	\$ 910,087,066	\$ 910,092,242	\$ -
Liabilities				
Due to others	\$ 5,176	\$ 359,331,934	\$ 359,337,110	\$ -
Due to other governments	-	96,766	96,766	-
Total liabilities	\$ 5,176	\$ 359,428,700	\$ 359,433,876	\$ -

**City of Ann Arbor**  
**Other Supplementary Information**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2019**

	Beginning Balance	Additions	Deductions	Ending Balance
<b>15th District Court Fund</b>				
Assets				
Cash	\$ 366,655	\$ 131,744	\$ 276,408	\$ 221,991
Liabilities				
Due to other governments	\$ 72,381	\$ 101,410	\$ 1,843	\$ 171,948
Deposits	294,274	-	244,231	50,043
Total liabilities	<u>\$ 366,655</u>	<u>\$ 101,410</u>	<u>\$ 246,074</u>	<u>\$ 221,991</u>
<b>Payroll Fund</b>				
Assets				
Equity in pooled cash and investments	<u>\$ 8,592</u>	<u>\$ 77,764,973</u>	<u>\$ 77,769,511</u>	<u>\$ 4,054</u>
Liabilities				
Due to others	<u>\$ 8,592</u>	<u>\$ 131,346,151</u>	<u>\$ 131,350,689</u>	<u>\$ 4,054</u>
<b>Total - All Agency Funds</b>				
Assets				
Cash	\$ 371,831	\$ 577,445,291	\$ 577,595,131	\$ 221,991
Equity in pooled cash and investments	124,785	92,369,614	92,467,631	26,768
Investments	-	318,572,310	318,572,310	-
Total assets	<u>\$ 496,616</u>	<u>\$ 988,387,215</u>	<u>\$ 988,635,072</u>	<u>\$ 248,759</u>
Liabilities				
Due to others	\$ 23,717	\$ 491,518,830	\$ 491,538,493	\$ 4,054
Due to other governments	178,625	480,751	464,714	194,662
Deposits	294,274	-	244,231	50,043
Total liabilities	<u>\$ 496,616</u>	<u>\$ 491,999,581</u>	<u>\$ 492,247,438</u>	<u>\$ 248,759</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Balance Sheet**  
**Component Unit - SmartZone Local Development Finance Authority**  
**June 30, 2019**

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	SmartZone Local Development Finance Authority
<b>Assets</b>	
Equity in pooled cash and investments	\$ 3,911,400
Loans receivable	<u>471,164</u>
Total assets	<u>\$ 4,382,564</u>
 <b>Liabilities</b>	
Accounts payable	\$ 432,950
Unearned revenue	<u>471,164</u>
Total liabilities	904,114
 <b>Fund Balance</b>	
Committed for community and economic development	<u>3,478,450</u>
Total liabilities and fund balance	<u>\$ 4,382,564</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, 2019**

	<u>SmartZone Local Development Finance Authority</u>
<b>Revenues</b>	
Taxes	\$ 3,899,557
Investment income	153,860
Other revenue	<u>25,538</u>
Total revenues	<u>4,078,955</u>
<b>Expenditures</b>	
Current	
Community and economic development	<u>3,397,851</u>
Excess of revenues over expenditures	681,104
Fund balance - beginning of year	<u>2,797,346</u>
Fund balance - end of year	<u><u>\$ 3,478,450</u></u>

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Governmental activities</b>										
Net investment in capital assets	\$ 579,020,698	\$ 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
Restricted	118,723,718	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
Unrestricted	43,955,179	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)
<b>Total governmental activities net position</b>	<b>\$ 741,699,595</b>	<b>\$ 755,320,881</b>	<b>\$ 774,702,770</b>	<b>\$ 790,256,535</b>	<b>\$ 798,951,521</b>	<b>\$ 755,710,642</b>	<b>\$ 754,024,835</b>	<b>\$ 754,963,832</b>	<b>\$ 666,822,341</b>	<b>\$ 667,020,151</b>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 145,084,736	\$ 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
Restricted	17,245,077	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
Unrestricted	59,771,622	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
<b>Total business-type activities net position</b>	<b>\$ 222,101,435</b>	<b>\$ 238,462,102</b>	<b>\$ 255,101,446</b>	<b>\$ 267,858,799</b>	<b>\$ 282,377,517</b>	<b>\$ 287,114,860</b>	<b>\$ 298,974,576</b>	<b>\$ 313,669,415</b>	<b>\$ 316,297,410</b>	<b>\$ 334,707,096</b>
<b>Primary government</b>										
Net investment in capital assets	\$ 724,105,434	\$ 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
Restricted	135,968,795	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
Unrestricted	103,726,801	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
<b>Total primary government net position</b>	<b>\$ 963,801,030</b>	<b>\$ 993,782,983</b>	<b>\$ 1,029,804,216</b>	<b>\$ 1,058,115,334</b>	<b>\$ 1,081,329,038</b>	<b>\$ 1,042,825,502</b>	<b>\$ 1,052,999,411</b>	<b>\$ 1,068,633,247</b>	<b>\$ 983,119,751</b>	<b>\$ 1,001,727,247</b>

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)**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Expenses</b>										
<b>Governmental activities:</b>										
General government	\$ 17,333,282	\$ 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
Public safety	43,010,456	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
Public works	17,933,743	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
Community and economic development	3,996,830	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
Culture and recreation	7,945,806	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
Other - Public Transportation	9,682,798	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
Debt service	3,297,914	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
Unallocated depreciation	141,823	44,331	-	-	-	-	-	-	-	-
<b>Total governmental activities expenses</b>	<b>103,342,652</b>	<b>105,697,079</b>	<b>102,826,711</b>	<b>105,132,794</b>	<b>119,868,288</b>	<b>124,604,723</b>	<b>130,081,712</b>	<b>133,819,563</b>	<b>145,574,356</b>	<b>150,137,816</b>
<b>Business-type activities:</b>										
Water	16,861,582	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
Sewer	14,242,272	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
Parking	2,879,139	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
Market	155,993	156,059	168,977	234,078	229,133	-	-	-	-	-
Golf courses	1,646,340	1,649,866	1,554,083	1,443,008	-	-	-	-	-	-
Airport	670,736	744,629	568,629	670,743	676,228	746,680	670,167	791,342	727,902	909,745
Stormwater	3,031,318	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
Solid Waste	11,770,761	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
<b>Total business-type activities expenses</b>	<b>51,258,141</b>	<b>54,680,476</b>	<b>52,446,619</b>	<b>57,168,795</b>	<b>52,992,081</b>	<b>57,201,451</b>	<b>63,705,253</b>	<b>62,000,036</b>	<b>62,317,939</b>	<b>75,396,908</b>
<b>Total primary government expenses</b>	<b>\$ 154,600,793</b>	<b>\$ 160,377,555</b>	<b>\$ 155,273,330</b>	<b>\$ 162,301,589</b>	<b>\$ 172,860,369</b>	<b>\$ 181,806,174</b>	<b>\$ 193,786,965</b>	<b>\$ 195,819,599</b>	<b>\$ 207,892,295</b>	<b>\$ 225,534,724</b>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
<b>Charges for services:</b>										
General government	\$ 8,527,479	\$ 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
Public safety	7,272,976	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
Public works	3,158,923	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
Community and economic development	-	-	35,269	-	293,533	657	-	-	-	-
Culture and Recreation	2,372,364	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
Other - Public Transportation	97,513	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
Operating grants and contributions	9,998,747	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
Capital grants and contributions	1,239,229	3,621,001	346,046	493,900	974,291	865,776	638,182	1,025,460	4,086,170	2,480,753
<b>Total governmental activities program revenues</b>	<b>32,667,231</b>	<b>38,688,651</b>	<b>39,339,591</b>	<b>39,699,927</b>	<b>40,410,796</b>	<b>41,089,123</b>	<b>44,295,997</b>	<b>45,240,749</b>	<b>51,119,835</b>	<b>51,825,979</b>
<b>Business-type activities:</b>										
<b>Charges for services:</b>										
Water	19,905,769	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
Sewer	19,292,506	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
Parking	2,941,159	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
Market	144,591	148,687	253,850	148,942	198,989	-	-	-	-	-
Golf courses	1,164,840	1,171,776	1,304,135	1,146,989	-	-	-	-	-	-
Airport	782,039	847,728	834,238	855,286	869,591	888,809	924,141	923,228	935,786	1,137,674
Stormwater	5,954,788	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
Solid Waste	1,517,653	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
Capital grants and contributions	2,204,638	951,818	1,256,394	4,925,869	1,963,610	4,645,758	600,945	359,981	54,384	118,425
<b>Total business-type activities program revenues</b>	<b>53,907,983</b>	<b>59,594,746</b>	<b>58,810,667</b>	<b>64,062,479</b>	<b>61,033,123</b>	<b>62,409,428</b>	<b>62,118,485</b>	<b>69,474,852</b>	<b>71,838,246</b>	<b>78,369,503</b>
<b>Total primary government program revenues</b>	<b>\$ 86,575,214</b>	<b>\$ 98,283,397</b>	<b>\$ 98,150,258</b>	<b>\$ 103,762,406</b>	<b>\$ 101,443,919</b>	<b>\$ 103,498,551</b>	<b>\$ 106,414,482</b>	<b>\$ 114,715,601</b>	<b>\$ 122,958,081</b>	<b>\$ 130,195,482</b>
<b>Net (Expense) Revenue</b>										
Governmental activities	\$ (70,675,421)	\$ (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)
Business-type activities	2,649,842	4,914,270	6,364,048	6,893,684	8,041,142	5,207,977	(1,586,768)	7,474,816	9,520,307	2,972,595
<b>Total primary government net expense</b>	<b>\$ (68,025,579)</b>	<b>\$ (62,094,158)</b>	<b>\$ (57,123,072)</b>	<b>\$ (58,539,183)</b>	<b>\$ (71,416,450)</b>	<b>\$ (78,307,623)</b>	<b>\$ (87,372,483)</b>	<b>\$ (81,103,998)</b>	<b>\$ (84,934,214)</b>	<b>\$ (95,339,242)</b>



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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes, levied for general purposes	\$ 60,655,729	\$ 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
Property taxes, levied for designated purpose	7,454,130	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
Property taxes, levied for debt services	2,274,782	2,265,030	668,745	569,490	2,129	2,129	2,340	2,129	2,091	2,117
State-shared revenues and grants (unrestricted)	9,456,109	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
Investment income	4,308,095	2,523,944	2,567,568	(410,361)	1,621,594	1,262,302	1,558,594	10,347	655,430	5,269,825
Transfers	4,140,628	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
Other	215,199	835,982	2,428,146	145,399	5,235,131	150,905	320,426	500,138	162,745	351,982
Total governmental activities	<u>88,504,672</u>	<u>80,629,714</u>	<u>83,638,709</u>	<u>79,900,731</u>	<u>88,392,484</u>	<u>86,166,967</u>	<u>84,099,898</u>	<u>89,517,821</u>	<u>89,315,670</u>	<u>99,269,899</u>
Business-type activities:										
Taxes										
Property taxes, levied for general purposes	11,677,513	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
Investment income	1,545,547	515,730	1,188,581	(245,003)	1,241,705	1,293,959	1,774,739	(11,349)	472,977	4,361,262
Transfers	(4,140,628)	(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)
Other	-	-	484,311	(504,477)	(673,069)	67,250	59,648	98,767	35,500	13,750
Total business-type activities	<u>9,082,432</u>	<u>11,446,397</u>	<u>10,275,296</u>	<u>6,713,949</u>	<u>8,465,022</u>	<u>8,258,735</u>	<u>13,446,482</u>	<u>7,220,022</u>	<u>11,053,347</u>	<u>15,437,091</u>
Total primary government	<u>\$ 97,587,104</u>	<u>\$ 92,076,111</u>	<u>\$ 93,914,005</u>	<u>\$ 86,614,680</u>	<u>\$ 96,857,506</u>	<u>\$ 94,425,702</u>	<u>\$ 97,546,380</u>	<u>\$ 96,737,843</u>	<u>\$ 100,369,017</u>	<u>\$ 114,706,990</u>
Change in Net Position										
Governmental activities	\$ 17,829,251	\$ 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
Business-type activities	11,732,274	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
Total primary government	<u>\$ 29,561,525</u>	<u>\$ 29,981,953</u>	<u>\$ 36,790,933</u>	<u>\$ 28,075,497</u>	<u>\$ 25,441,056</u>	<u>\$ 16,118,079</u>	<u>\$ 10,173,897</u>	<u>\$ 15,633,845</u>	<u>\$ 15,434,803</u>	<u>\$ 19,367,748</u>

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)**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Reserved	\$ 199,238	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	12,288,378	-	-	-	-	-	-	-	-	-
Nonspendable (1)	-	1,032,509	960,336	915,645	853,157	765,634	619,311	540,869	462,384	386,772
Assigned (1)	-	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
Unassigned (1)	-	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
Total General Fund	<u>\$ 12,487,616</u>	<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>
All Other Governmental Funds										
Reserved	\$ 19,102,850	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	67,567,542	-	-	-	-	-	-	-	-	-
Capital projects funds	38,031,543	-	-	-	-	-	-	-	-	-
Undesignated	320,340	-	-	-	-	-	-	-	-	-
Nonspendable (1)	-	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
Restricted (1)	-	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
Committed (1)	-	-	4,617,556	6,088,188	3,203,628	3,984,155	4,584,590	5,494,990	929,257	2,674,688
Assigned (1)	-	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
Total all other governmental funds	<u>\$ 125,022,275</u>	<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>

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

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

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Revenues</b>										
Taxes	\$ 70,384,641	\$ 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
Special Assessments/improvement charges	54,713	103,790	48,843	43,102	44,636	52,373	-	93,373	63,746	136,227
Licenses, fees & permits	5,108,409	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
Federal grants	2,583,511	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
State shared revenues and grants	17,277,839	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
Charges for services	10,393,128	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
Fines & penalties	4,138,282	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
Interest and penalties	515,190	516,159	828	11,189	800	211	-	2,604	-	-
Investment income	3,071,842	1,851,927	2,057,540	(305,700)	1,162,205	928,186	1,190,815	3,926	535,299	4,145,380
Rental	404,147	421,742	463,191	653,879	587,361	637,366	634,819	661,086	735,822	761,445
Contributions and donations	260,470	280,971	369,920	295,289	521,305	981,965	334,247	3,343,936	3,775,006	2,439,867
Intra-governmental sales	318,696	361,245	208,243	157,956	266,970	213,511	2,627,905	297,201	306,526	412,620
Miscellaneous	316,652	1,181,503	719,712	1,529,283	1,182,138	678,652	594,470	432,973	402,002	512,211
<b>Total Revenues</b>	<b>114,827,520</b>	<b>118,902,383</b>	<b>116,894,576</b>	<b>115,431,622</b>	<b>118,956,957</b>	<b>121,179,604</b>	<b>127,160,017</b>	<b>128,940,812</b>	<b>136,989,242</b>	<b>147,147,240</b>
<b>Expenditures</b>										
General government	16,323,784	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
Public Safety	43,654,317	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
Public Works	16,353,447	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
Community and economic development	4,014,989	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
Culture and recreation	7,498,717	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
Public transportation	9,682,798	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
Capital outlay	49,765,312	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
Debt service:										
Principal	3,345,000	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
Interest	2,773,143	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
Payment to Refunding Bond Escrow Agent	-	-	-	-	-	-	-	555,599	-	646,298
<b>Total expenditures</b>	<b>153,411,507</b>	<b>154,665,298</b>	<b>137,344,551</b>	<b>133,182,429</b>	<b>125,852,569</b>	<b>126,008,924</b>	<b>131,700,103</b>	<b>138,617,695</b>	<b>149,228,369</b>	<b>140,008,569</b>
Excess of revenues over (under) expenditures	(38,583,987)	(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
<b>Other Financing Sources (Uses):</b>										
Transfers in	11,227,633	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
Transfers out	(5,914,937)	(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)
Sale of property, plant and equipment	13,855	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	49,420,000	-	2,670,000	9,085,000	-	16,235,000	17,710,000	24,030,000	-	57,305,000
Bond premium (discount)	(93,674)	-	33,375	141,075	-	(135,652)	416,162	479,365	-	2,789,032
<b>Total other financing sources (uses)</b>	<b>54,652,877</b>	<b>1,192,386</b>	<b>5,899,071</b>	<b>13,371,343</b>	<b>9,468,708</b>	<b>5,231,406</b>	<b>12,038,793</b>	<b>6,907,881</b>	<b>2,678,432</b>	<b>23,691,477</b>
<b>Net change in fund balances</b>	<b>\$ 16,068,890</b>	<b>\$ (34,570,529)</b>	<b>\$ (14,550,904)</b>	<b>\$ (4,379,464)</b>	<b>\$ 2,573,096</b>	<b>\$ 402,086</b>	<b>\$ 7,498,707</b>	<b>\$ (2,769,002)</b>	<b>\$ (9,560,695)</b>	<b>\$ 30,830,148</b>
Debt service as a percentage of noncapital expenditures	6.4%	8.8%	8.7%	9.4%	12.0%	8.5%	8.0%	8.2%	7.8%	7.3%

**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
2010	\$ 4,595,490,848	\$ 263,449,000		\$ 4,858,939,848	\$ 5,876,316,600	\$ 11,752,633,200	16.7970
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

Notes:

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

Source: City of Ann Arbor Financial Services, Assessing Unit

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

	Fiscal Year	City of Ann Arbor Direct Rate							Overlapping Rates					Total	
		General Operating	Refuse Collection	Transportation*	Employee Benefits	Debt Service	Parks	Major Street Repair	Total Direct Tax Rate	Ann Arbor Area Transportation Authority	Ann Arbor Public Schools**	Ann Arbor District Library	Washtenaw County		Washtenaw Community College
Principal Residence Exemption (PRE)	2010	6.1682	2.4670	2.0560	2.0560	0.4806	1.5748	1.9944	16.7970	-	17.4132	1.5500	5.7418	3.6856	45.1876
Non-PRE	2010	6.1682	2.4670	2.0560	2.0560	0.4806	1.5748	1.9944	16.7970	-	30.9625	1.5500	5.7418	3.6856	58.7369
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

\* Represents millage collected for Ann Arbor Transportation Authority.

\*\* Includes Washtenaw Intermediate School Ann Arbor District millage of 5.3641 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, 4.1442 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	2019			2010		
		Taxable Value	Rank	Percentage of Total City Taxable Value	Taxable Value	Rank	Percentage of Total City Taxable Value
Briarwood Shopping Complex	Shopping Center	\$ 41,443,085	1	0.72%	\$ 41,852,283	1	0.86%
CPI Foundry, LLC	Apartments	39,520,987	2	0.69%			
Brixmor Arborland LLC	Shopping Center	38,931,300	3	0.67%	32,520,896	3	0.67%
Campus Investors 601 Forest	Apartments	32,534,560	4	0.56%			
BVK HSRE Ann Arbor, LLC	Apartments	29,526,302	5	0.51%	26,907,819	4	0.55%
DTE Electric Company	Utility	27,663,000	6	0.48%			
Orion North Star, LLC (Winwood)	Apartments	24,946,800	7	0.43%	18,168,847	9	0.37%
Varsity at Ann Arbor, LLC	Apartments	19,688,146	8	0.34%			
DTE Gas Company	Utility	17,529,600	9	0.30%			
Packard Square, LLC	Apartments	16,641,256	10	0.29%			
Detroit Edison	Utility				33,738,131	2	0.69%
Ann Arbor Campus Housing, LLC	Apartments				26,907,819	4	0.55%
HUB Eisenhower Property (Transwestern)	Office Building				26,169,606	5	0.54%
McMullen Properties LLC	Office Building				20,729,140	6	0.42%
Maple Village Shopping	Shopping Center				19,104,389	7	0.39%
McKinley Associates	Apartments & Office				18,328,741	8	0.38%
Green Road Investments	Office Building				17,688,814	10	0.36%
<b>Total</b>		<b>\$ 288,425,036</b>		<b>5.00%</b>	<b>\$ 282,116,485</b>		<b>5.41%</b>

Source: City of Ann Arbor Financial Services, Assessing Unit

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

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year *	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years (Real)	Collections in Subsequent Years (Personal)	Total Collections to Date	
		Amount	Percentage of Levy			Amount	Percentage of Levy
2010	\$ 81,663,316	\$ 79,228,933	97.02%	\$ 2,317,119	\$ 111,951	\$ 81,658,003	99.99%
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%

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)

**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			
2010	\$ 124,855	\$ 430	\$ 3,500	\$ 23,365	\$ -	\$ 94,215	\$ 9,445	\$ 255,810	1.94%	\$ 2,232
2011	121,565	310	3,500	21,315	-	98,412	12,317	257,419	1.91%	2,281
2012	118,053	220	3,500	19,190	-	102,180	1,470	244,613	1.72%	2,147
2013	122,752	140	4,060	16,965	86	106,572	35,981	286,556	1.89%	2,515
2014	119,725	60	-	14,550	192	128,643	9,932	273,102	1.76%	2,397
2015	115,624	35	-	12,140	106	159,195	13,827	300,927	1.74%	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	1.47%	2,675
2019	119,183	-	-	3,761	-	168,805	15,232	306,981	1.48%	2,694

Note: For fiscal years 2018 & 2019 percent of personal income, the divisor used was for 2017 since 2018 & 2019 Personal income is not available at this time.

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

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



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

Fiscal Year	General Bonded Debt Outstanding				Net General Bonded Debt	Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Less: Restricted Resources	Less: Self-supported Portion				
2010	\$ 148,220	\$ 1,324	\$ 430	\$ 146,466	3.05%	\$ 1,298	
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	

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, 2019**  
*(dollars in thousands)*  
**(Unaudited)**

Government Unit	Net Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
<b>DIRECT DEBT</b>			
General obligation bonds	\$ 119,183	100.00%	\$ 119,183
City direct debt	<u>\$ 119,183</u>		<u>\$ 119,183</u>
<b>OVERLAPPING DEBT</b>			
Ann Arbor School District	\$ 159,485	64.00%	\$ 102,070
Washtenaw Community College	9,245	35.63%	3,294
Washtenaw County at Large	28,028	34.81%	9,757
Overlapping debt	<u>\$ 196,758</u>		<u>\$ 115,121</u>
Total direct & overlapping debt			<u>\$ 234,304</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 2019**

Assessed value of real and personal property	\$ 7,527,133,725
Debt limit (10% of assessed value)	752,713,373
Debt applicable to limit:	
Net direct debt	119,183,000
Less: Special Assessment bonds (general obligation portion)	-
Total net debt applicable to limit	119,183,000
Legal debt margin	\$ 633,530,373

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt limit	\$ 587,631,660	\$ 549,528,970	\$ 526,820,590	\$ 529,497,464	548,205,147	544,734,050	611,857,370	664,362,240	713,435,510	752,713,373
Total net debt applicable to limit	125,415,000	120,935,000	121,015,000	127,272,000	119,588,000	115,624,000	111,919,000	108,284,000	103,060,000	119,183,000
Legal debt margin	\$ 462,216,660	\$ 428,593,970	\$ 405,805,590	\$ 402,225,464	\$ 428,617,147	\$ 429,110,050	\$ 499,938,370	\$ 556,078,240	\$ 610,375,510	\$ 633,530,373
Total net debt applicable to the limit as a percentage of debt limit	21.34%	22.01%	22.97%	24.04%	21.81%	21.23%	18.29%	16.30%	14.45%	15.83%

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

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

Fiscal Year	Operating Revenue (1)	Operating Expenses (2)	Net Revenue Available For Debt Service	Debt Service			Coverage
				Principal	Interest	Total	
Water Supply System:							
2010	\$ 20,386,564	\$ 12,440,872	\$ 7,945,692	\$ 3,870,000	\$ 1,890,994	\$ 5,760,994	1.4
2011	21,364,070	13,058,877	8,305,193	4,045,000	1,738,552	5,783,552	1.4
2012	22,301,008	12,562,435	9,738,573	4,584,250	1,669,928	6,254,178	1.6
2013	23,688,291	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
Sewage Disposal System:							
2010	19,851,400	10,306,331	9,545,069	2,040,000	2,054,391	4,094,391	2.3
2011	21,810,673	10,120,854	11,689,819	2,355,000	1,990,078	4,345,078	2.7
2012	21,593,098	10,177,877	11,415,221	2,696,000	1,851,394	4,547,394	2.5
2013	21,377,410	10,585,422	10,791,988	2,688,460	1,772,419	4,460,879	2.4
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

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

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

Year	Population (1)	Personal income (2)	Per Capita Personal Income (2)	Median Age (1)	Education Level in Years of Schooling (1)	School Enrollment (3)	Unemployment Rate % (4)
2010	112,852	\$ 13,496,000	\$ 39,085	27.8	16.5	16,536	8.1
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	N/A	N/A	27.8	16.5	17,669	3.6
2019	113,934	N/A	N/A	27.8	16.5	17,950	3.5

Sources:

- (1) U. S. Census Bureau
- (2) Bureau of Economic Analysis, Ann Arbor Metropolitan Statistical Area, CA04 Personal Income and Employment Summary  
<http://www.bea.gov/>  
\*Note: 2018 & 2019 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 2018  
[http://stats.bls.gov/eag/eag.mi\\_annarbor\\_msa.htm](http://stats.bls.gov/eag/eag.mi_annarbor_msa.htm)

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

Employers	2019			2010		
	Employees	Rank	Percentage of Total Top City Employers	Employees	Rank	Percentage of Total Top City Employers
University of Michigan	33,225	1	63.83%	26,241	1	42.27%
Trinity Health System (formerly St. Joseph's Health System)	7,435	2	14.28%	5,670	3	9.13%
U.S. Government	3,060	3	5.88%			
Ann Arbor Public Schools	2,225	4	4.27%	2,659	5	4.28%
Integrated Health Associates, Inc.	1,442	5	2.77%			
Washtenaw County	1,264	6	2.43%	1,345	7	2.17%
Thompson-Reuters	1,155	7	2.22%			
Domino's Pizza	812	8	1.56%			
City of Ann Arbor	742	9	1.43%	766	9	1.23%
NSF International	693	10	1.33%			
Univ. of Mich Hospitals & Health System				19,614	2	31.60%
Washtenaw Community College				2,773	4	4.47%
Veterans Administration Medical Center				1,600	6	2.58%
Borders Group, Inc.				825	8	1.33%
Glacier Hills Inc.				582	10	0.94%
<b>Total</b>	<b>52,053</b>		<b>100.00%</b>	<b>62,075</b>		<b>100.00%</b>

Source: Crain's Detroit Business, December 24, 2018 Edition, 2019 Book of Lists and Business Week (Prime Numbers: Top 100 Employers, January 2010 Edition)

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

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>General government</b>										
Financial Services	49	48	45	48	61	61	61	60	61	61
Community Services	35	33	34	32	34	57	59	63	65	67
Parks & Recreation	19	20	20	20	24	24	24	24	23	37
City Administrator Services	31	31	30	31	34	34	34	34	37	63
Mayor & Council	1	1	1	1	1	1	1	1	1	1
<b>Police</b>										
Officers	152	150	118	118	119	122	122	122	122	124
Civilians	30	27	46	28	27	27	27	27	27	26
<b>Fire</b>										
Firefighters & Officers	94	89	81	81	85	86	86	86	86	84
Civilians			1	1	1	1	1	1	1	3
<b>Public Services</b>										
Project Management	15	15	13	13	12	12	16	16	17	30
Water	26	26	26	26	26	26	26	26	27	27
Wastewater Treatment	35	35	35	35	35	35	35	35	35	36
Field Operations	135	129	126	124	120	120	117	117	117	90
Other	79	75	74	74	61	61	59	62	63	36
15th District Court	39	37	36	34	34	34	34	34	35	35
Retirement System	4	4	4	4	4	4	4	4	4	4
Downtown Development Authority	3	3	4	4	4	4	4	4	6	6
City Attorney	14	13	13	12	12	12	12	13	13	13
<b>Per Budget Book</b>	<b>761</b>	<b>736</b>	<b>706</b>	<b>686</b>	<b>694</b>	<b>721</b>	<b>722</b>	<b>729</b>	<b>740</b>	<b>743</b>

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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Police</b>										
Physical arrests	1,605	2,630	2,610	2,395	1,462	1,461	1,542	1,289	1,467	1,678
Parking violations	137,271	86,780	95,990	87,898	92,184	108,759	118,041	117,221	102,981	99,079
Traffic violations	NA	16,729	10,638	14,676	14,053	12,205	12,548	11,022	9,515	8,748
<b>Fire</b>										
Emergency responses	4,985	5,808	5,843	6,180	6,646	6,572	6,947	7,234	7,214	8,504
Fire extinguished	226	281	431	418	283	220	259	205	206	260
Inspections (1st inspections)	508	913	1,962	1,769	1,164	1,218	1,339	1,182	1,257	1,140
<b>Refuse Collection</b>										
Refuse collected (tons/day)	NA	NA	71.25	72.30	72.84	72.87	72.52	73.21	151.22	140.69
Recyclables collected (tons/day)	31.00	30.82	37.10	38.13	39.54	40.17	40.31	40.27	36.32	35.89
<b>Other Public works</b>										
Street resurfacing and reconstruction	6.92	4.72	6.20	6.60	5.286	6.13	5.905	3.91	3.71	7.35
Capital Preventative Maintenance (miles) (a)					0	2.12	7.696	55.387	42.444	1.69
Potholes repaired (tons)	394.60	500.00	392.78	359.35	636.50	570.92	482.32	397.60	648.43	733.88
<b>Parks and Recreation</b>										
Athletic field permits issued	893	1,067	1,032	956	929	866	733	692	987	629
Community center admissions	11,000	11,500	11,500	11,500	12,000	12,000	12,500	19,750	19,750	21,524
<b>Water</b>										
Connections	28,202	28,266	28,333	28,376	28,387	28,418	28,452	28,496	28,565	28,592
Water main breaks	85	96	72	102	120	91	65	73	66	106
Average daily consumption (millions of gallons)	12.699	13.782	14.600	14.870	14.091	13.576	13.824	13.902	14.080	13.580
Peak daily consumption (millions of gallons)	17.927	21.415	27.115	28.100	23.120	19.174	20.131	21.262	21.717	22.820
<b>Wastewater</b>										
Average daily sewage treatment (millions of gallons)	17.745	17.680	18.100	16.700	17.758	16.999	16.810	17.900	18.300	18.095

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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police										
Station	1	1	1	1	1	1	1	1	1	1
Zone Offices	2	2	2	2	2	2	2	1	1	1
Patrol units	35	37	36	36	37	35	35	36	35	35
Fire Stations	5	5	5	5	5	5	5	5	5	5
Refuse Collection										
Collection Trucks	28	27	26	27	27	27	26	26	27	28
Other Public works										
Streets (miles)	295.13	295.13	295.13	296.7	296.83	296.83	296.83	296.83	297.65	297.65
Streetlights	7,134	7,134	7,139	7,194	7,194	7,497	7,562	7,567	7,572	7,592
Traffic signals	158	158	158	158	158	159	159	159	159	159
Parks and Recreation										
Acreage	2,044	2,045	2,045	2,095	2,074	2,074	2,110	2,110	2,110	2,187
Playgrounds	73	77	77	77	77	77	79	79	80	80
Baseball/softball diamonds	34	34	34	34	34	34	34	34	34	34
Soccer/football fields	25	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)	484.7	472.0	464	501	489.5	488	455	456	459	461
Fire hydrants	3,555	2,909	2,960	3,711	3,733	3,741	3,178	3,239	3,887	3,947
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)	404.6	364.0	363.7	369	362	362	362	362	364	367
Storm sewers (miles)	412.6	320.1	322.4	264	264	266	294	294	328	298
Treatment capacity (millions of gallons)	50.0	48.0	48.0	48.0	48.0	48.0	48.0	48.0	48.0	48.0

Source: Various services areas within City of Ann Arbor



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## **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**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ann Arbor, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise City of Ann Arbor's basic financial statements, and have issued our report thereon dated October 18, 2019. 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Ann Arbor's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Ann Arbor's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not

identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **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*.

### **Purpose of this Report**

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

*Yeo & Yeo, P.C.*

Ann Arbor, MI  
October 18, 2019