

# City of Ann Arbor, Michigan

## Comprehensive Annual Financial Report



150 Years of Service to our Community

Fiscal Year Ended June 30, 2002

**CITY OF ANN ARBOR**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

County of Washtenaw  
State of Michigan

Fiscal Year Ended June 30, 2002



Issued by:

Finance Department  
100 N. Fifth Avenue  
Ann Arbor, Michigan 48107  
(734) 994-2730

CITY OF ANN ARBOR  
COMPREHENSIVE ANNUAL FINANCIAL REPORT

June 30, 2002

TABLE OF CONTENTS

	Page Number
INTRODUCTORY SECTION	
Title Page	
Table of Contents	I
Letter of Transmittal	1
Certificate of Achievement for Excellence in Financial Reporting	5
List of Officials	6
Organization Chart	7
FINANCIAL SECTION	
Independent Auditors' Report	8
MANAGEMENT'S DISCUSSION AND ANALYSIS	10
BASIC FINANCIAL STATEMENTS	
Statement of Net Assets	20
Statement of Activities	22
Balance Sheet - Governmental Funds	23
Reconciliation of the Balance Sheet to the Statement of Net Assets - Governmental Funds	25
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	26
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities - Governmental Funds	28
Statement of Net Assets - Proprietary Funds	29
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	31
Statement of Cash Flows - Proprietary Funds	32
Statement of Fiduciary Net Assets - Fiduciary Funds	34
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	35
Notes To The Basic Financial Statements	36
OTHER REQUIRED SUPPLEMENTAL INFORMATION	
Budgetary Compliance	65
Budgetary Comparison Schedule - General Fund	68
Budgetary Comparison Schedule - Major Streets Fund	72
Budgetary Comparison Schedule - Local Streets Fund	73

Schedule of Funding Progress	74
Schedule of Employee Contributions	75

COMBINING STATEMENTS

Combining Balance Sheet - Other Governmental Funds (Non-Major)	78
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Other Governmental Funds (Non-Major)	81
Statement of Revenues, Expenditures, and Changes in Fund Balances Budgetary Comparisons	84
Combining Statement of Net Assets - Internal Service Funds	90
Combining Statement of Revenue, Expenses, and Changes in Fund Net Assets - Internal Service Funds	91
Combining Statement of Cash Flows - Internal Service Funds	92
Combining Statement of Fiduciary Net Assets	94
Combining Statement of Changes in Fiduciary Net Assets	95
Combining Statement of Change in Assets and Liabilities	96
Capital Assets – Schedule by Function and Activity	100
Capital Assets – Schedule of Changes by Function and Activity	101
Capital Assets – Schedule by Source	102

STATISTICAL SECTION

TABLES

General governmental expenditures by function - last ten fiscal years	I	103
General governmental revenues by source - last ten fiscal years	II	104
Property tax levies and collections - last ten fiscal years	III	105
Assessed and estimated actual value of taxable property - last ten fiscal years	IV	106
Property tax rates - direct and overlapping governments - last ten fiscal years	V	107
Special assessment levies and collections - last ten fiscal years	VI	108
Ratio of net general bonded debt to assessed value and net bonded debt per capita - last ten fiscal years	VII	109
Computation of legal debt margin	VIII	110
Computation of net direct, indirect and overlapping debt of primary government and component units	IX	111
Ratio of annual debt service expenditures for general bonded debt to total general governmental expenditures - last ten fiscal years	X	112
Revenue bond coverage enterprise funds - last ten fiscal years	XI	113
Demographic statistics - last ten fiscal years	XII	114
Property value, construction and bank deposits - last ten fiscal years	XIII	115
Principal taxpayers	XIV	116
Miscellaneous statistics	XV	117
Community profile/information	XVI	118





**CITY OF ANN ARBOR, MICHIGAN**  
100 North Fifth Avenue, P.O. Box 8647, Ann Arbor, Michigan 48107

November 29, 2002

**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, 2002, is submitted. Staff in the Finance Department 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, 2002.

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.

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 compliment 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 and Council type of government. The Council is comprised of the Mayor and ten Council Members. The City is divided into five wards, two Council Members are elected from each ward. The Council has the authority to appoint a City Administrator to serve as the administrative agent of the City. 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: Administrative Support, Community Services, Public Safety, Public Works, and Other.

## FACTORS AFFECTING FINANCIAL CONDITIONS

The information presented in the financial statements should be considered on a broad perspective within the specific environment of the City.

### Local Economy

The City remains in good financial condition, as is demonstrated by the financial statements and schedules included in this report. The assessed value of the taxable property (2001) increased by 6.52% over the 2000 valuation. The City provides a full range of services including: police, fire, refuse collection and disposal, recycling collection and processing, recreation, social services by contract, public improvements, planning and zoning, and general administrative services. These services are enjoyed by the citizens and transients of the City. Ann Arbor was recognized in *Money Magazine* as the 11<sup>th</sup> best place to live. The City is surrounded by three higher educational centers 1) The University of Michigan, 2) Concordia College, and 3) Cleary College. Additionally, located within a 10 mile radius are two other higher educational centers. Over 69% of the residents have completed four or more years of college.

The City of Ann Arbor has the largest population base in Washtenaw County and serves as the County Seat. The 2000 Census identified 114,061 residents in Ann Arbor, representing 35% of the population base in Washtenaw County. The median household income of our citizens is \$33,344. Personal income in the City has risen in recent years, which is an indication of a healthy economy.

The City is endowed with several major corporations located within its boundaries. During the fiscal year 2001-02, the City made a major commitment to Pfizer Pharmaceutical Company by granting a five-year industrial facility tax exemption on personal property and 12 years on real property. The City anticipates that Pfizer's expansion will further stimulate the economy. In addition, Ann Arbor is home to one of the largest employers in the County, the University of Michigan, that employs 16,800 people. Ann Arbor is also known for its excellent technology infrastructure that has attracted several large technology firms to the area.

The City makes major investments in the maintenance of its infrastructure. 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.

### 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. Facing legal and political limits on the amount of property taxes that can be levied in Ann Arbor, the City Council provided the newly hired administrator with instructions to improve upon the cost reduction steps that began with the 2001-2002 budget cycle. From a high of 1,024 full-time equivalent (FTE) positions approved in the 1999-

2000 budget, the current year fiscal plan includes only 952 FTE positions. It is anticipated that spending on personnel costs, as a percentage of overall budget, will continue to be reduced in future budgets.

By reducing personnel expenditures, available funds will be used to make long overdue investments in municipal facilities. Timely execution of current plans will have a new, centralized maintenance facility on-line in 2004 and a new or substantially remodeled city hall in place 12-18 months later.

Reductions in staffing levels are accompanied by certain reorganizations designed to maintain the City's long-standing commitment to outstanding customer service. Employee teams have been working to identify strategies that will help assure quality and consistency in the service provided. Significant new leadership training programs are in the design stages and will be implemented early in 2003.

The long-term financial health of the City will benefit from our dramatically improved ability to live within the existing financial resources while finally implementing significant portions of our long-term capital plan.

### **Cash Management Policies and Practices**

Cash balances are invested according to the City's investment policy and State law. Certain cash balances are pooled in an investment fund. The cash resources of the Pension Trust Fund and certain other funds are invested separately. Short-term investments are generally restricted to: 1) certificates of deposit; 2) commercial paper of corporations rated A-1 and P-1; 3) U.S. Treasury bills; and 4) savings accounts. U.S. Treasury notes are usually purchased with cash available for longer periods of time. Maturities are intended to correspond with cash flow needs.

### **Risk Management**

As permitted by State law, the City is self-insured (up to certain limits) for employee medical expenses, workers' compensation, unemployment claims, general liability, and property damage. Funding for claims and insurance is provided through an Internal Service Insurance Fund. This fund receives revenues from the operating accounts. The City contracts with several insurance providers to administer the medical program for its employees.

### **Pension and Other Post-employment Benefits**

The City provides a defined benefit pension plan and post-employment healthcare benefit plan for all permanent employees. The pension system is administered by City staff and a seven member Trustee Board. The assets of the defined benefit pension plan on June 30, 2002 were \$371,086,116, and the post-employment healthcare plan was \$19,069,542. The annual actuarial valuations, applicable to the defined benefit pension plan continue to reflect a favorable trend in the funding of those plans.

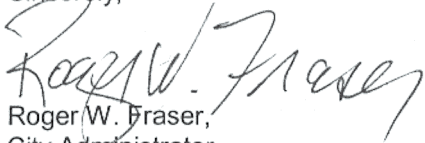
## AWARDS AND ACKNOWLEDGEMENTS

4

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, 2001. To be awarded a certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards.

The City has been awarded this certificate annually since 1985. Such reports 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 report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Sincerely,

A handwritten signature in black ink that reads "Roger W. Fraser". The signature is written in a cursive style with a large, sweeping initial "R".

Roger W. Fraser,  
City Administrator

# 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, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Thomas Greer*  
President

*Jeffrey L. Escoe*  
Executive Director

**City of Ann Arbor  
List of Officials**

**MAYOR**

John Hieftje

**COUNCIL MEMBERS**

Jean Carlberg  
Christopher S. Easthope  
Kim Groome  
Heidi Cowing Herrell  
Marcia Higgins  
Robert M. Johnson  
Joan Lowenstein  
Michael Reid  
Margie Teall  
Wendy Ann Wood

**CITY ADMINISTRATOR**

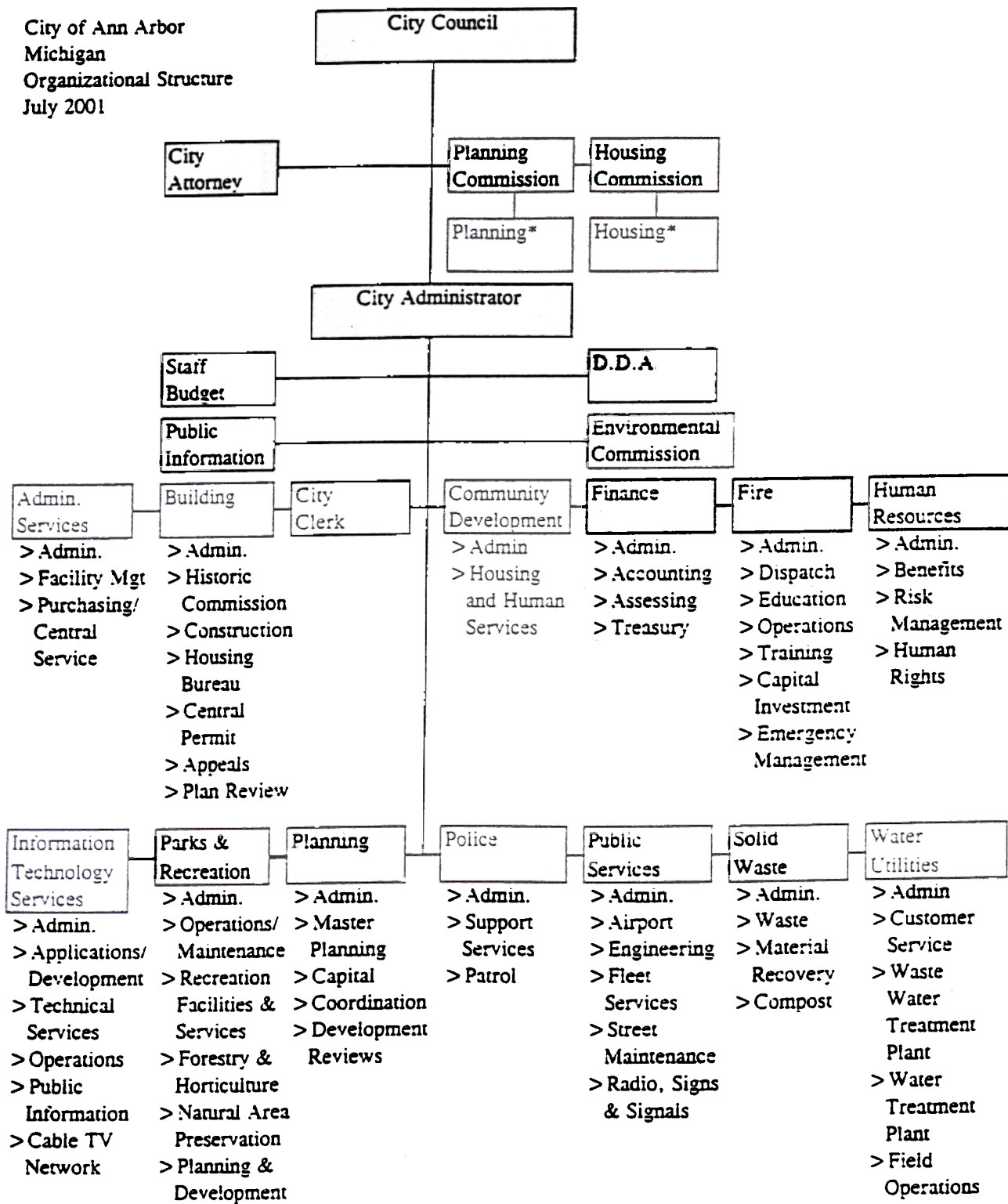
Roger Fraser

**FINANCE DIRECTOR**

Brenda L. Smith

# City Organization

City of Ann Arbor  
Michigan  
Organizational Structure  
July 2001



**Department**  
> Division

\* These departments cannot fit into a departmental scheme due to Charter-directed reporting relationships. The departments are shown in the organizational chart to reflect their day-to-day interaction with the organization.

## Financial Section





## INDEPENDENT AUDITORS' REPORT

November 29, 2002

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Ann Arbor, Michigan*, as of and for the year ended June 30, 2002, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Ann Arbor's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Ann Arbor Housing Commission (a discretely presented component unit), which represents 35% and 43%, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report was furnished to us, and our opinion, insofar as it relates to the amounts included for the Ann Arbor Housing Commission discretely presented component unit, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ann Arbor, Michigan, as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 18, the City adopted the provisions of Governmental Accounting Standards Board Statement Nos. 34, 36, 37 and 38 and GASB Interpretation 6 as of and for the year ended June 30, 2002. This results in a change to the City's format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2002, on our consideration of the City of Ann Arbor, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants, in a separately issued single audit report. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the historical pension supplementary information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit and the report of the other auditors, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink, appearing to read "Lehmann Johnson". The signature is written in a cursive, flowing style.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Ann Arbor, Michigan, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2002. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-4 of this report.

### FINANCIAL HIGHLIGHTS

- The assets of the City exceed its liabilities at the close of the most recent fiscal year by \$761,532,190. Of this amount, \$73,118,197 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$20,463,346 during the year.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$59,315,744, an increase of \$5,402,473 in comparison with the prior year. The increase in fund balance is primarily due to conservation of resources and increases in revenues from the tax levy. Of the fund balance amount, \$46,232,156 is available for spending at the government's discretion (unreserved fund balance).
- The general fund recognized a loss of \$2,503,672. At the end of the current fiscal year, unreserved general fund balance was \$6,488,557, or 8.62 % of the total general fund expenditures. The total fund balance for the general fund was \$7,617,414.
- The City's total bonded debt increased by \$5,890,698, (new issues less retirements), during the current fiscal year. The increase in total debt was due to several bond issues that occurred at fiscal year end.

### 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. Two components of the government-wide statements include:

- The Statement of Net Assets 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 Assets 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, fee and charges, state shared revenues; and state and federal grants finance most of these activities.
- Business-type activities - The City assesses fees and charges to cover the cost of services provided in these business-type activities. Business-type activity areas include water and sewer systems, parking facilities, golf courses, and airport.
- Component units - Included in the component units for the City is the Downtown Development Authority and the Ann Arbor Housing Commission. Although the Downtown Development Authority and the Ann Arbor Housing Commission are separate legal entities, the City is financially accountable 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 20-22 of this report.

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

The City maintains twenty-nine 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, major and local street funds. Data from the other twenty-six 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 23-28 of this report.

Proprietary funds. The City maintains twelve different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The 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; park services headquarters; and insurance funds. Because internal funds benefit predominantly governmental rather than business-type functions, they have been included within governmental activities in the governmental-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, and parking system funds, each of which are considered major funds of the City.

The basic proprietary fund financial statements can be located on pages 29-33 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 fund statement information is contained in the combining section of the CAFR.

The basic fiduciary fund financial statements can be located on pages 34-35 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 36-63 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to the 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 65-75 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 78-102 of this report.

#### 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 \$761,532,190 at June 30, 2002. [Because this is the first year of implementation of Government Accounting Standards Board Statement No. 34, which requires this new reporting model, the following tables present only current year data. In future years, when prior-year information is available, comparative analysis of government-wide data will be presented.

### City of Ann Arbor's Net Assets

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 81,103,685	\$ 53,562,135	\$ 134,665,820
Capital assets	602,703,567	172,905,484	775,609,051
Total assets	683,807,252	226,467,619	910,274,871
Long-term liabilities outstanding	37,621,003	87,047,570	124,668,573
Other liabilities	17,277,773	6,796,335	24,074,108
Total liabilities	54,898,776	93,843,905	148,742,681
Net assets:			
Invested in capital assets, net of related debt	580,089,833	87,975,478	668,065,311
Restricted	17,869,882	4,655,000	22,524,882
Unrestricted	30,948,761	39,993,236	70,941,997
<b>Total net assets</b>	<b><u>\$ 628,908,476</u></b>	<b><u>\$ 132,623,714</u></b>	<b><u>\$ 761,532,190</u></b>

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

An additional portion of the City's net assets (\$22,524,882) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$70,941,997 may be used to meet the government's ongoing obligations to citizens and creditors.

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

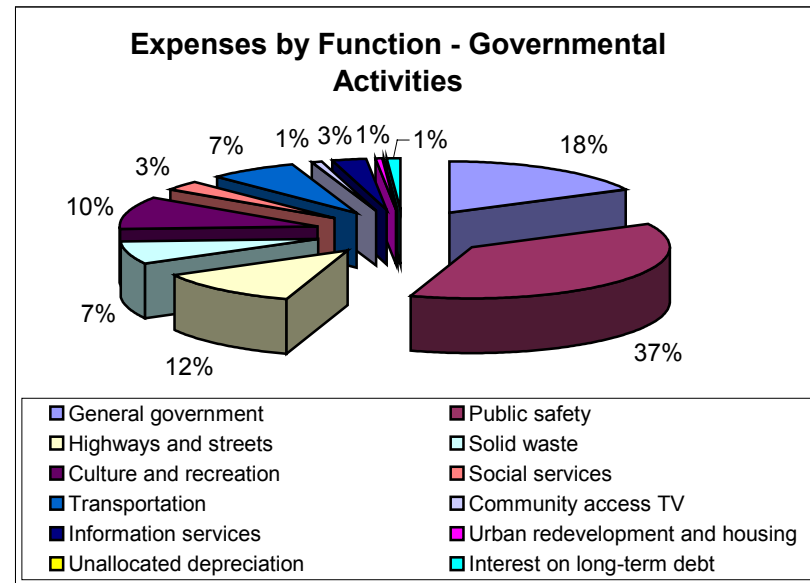
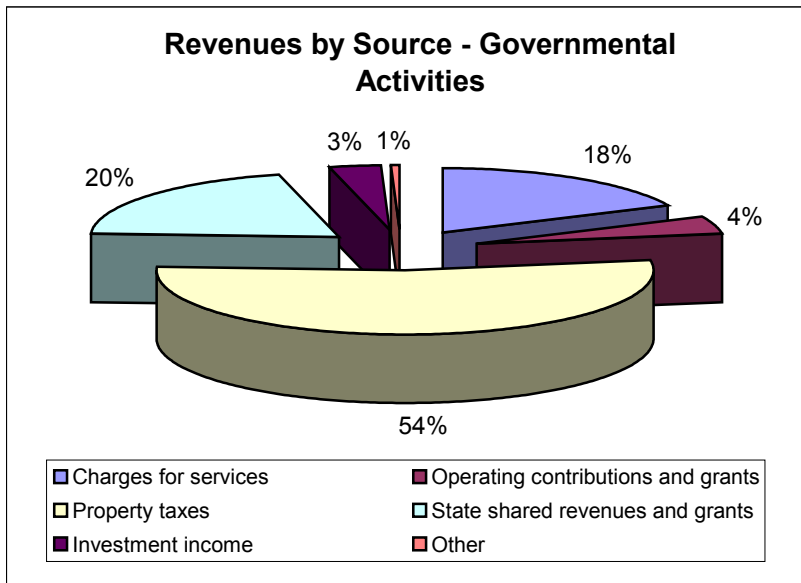
**City of Ann Arbor's Changes in Net Assets**

	Governmental Activities	Business-type Activities	Total
Revenue:			
Program revenue:			
Charges for services	\$ 19,624,720	\$ 45,298,634	\$ 64,923,354
Operating contributions and grants	4,653,491		4,653,491
General revenue:			
Property taxes	58,095,088		58,095,088
State shared revenues and grants	21,877,296		21,877,296
Investment income	3,659,707	1,589,314	5,248,733
Other	591,049	90,103	681,152
Total revenue	<u>108,501,351</u>	<u>46,978,051</u>	<u>155,479,402</u>
Expenses:			
Governmental activities:			
General government	17,518,453		17,518,453
Public safety	37,281,246		37,281,246
Highways and streets	11,670,492		11,670,492
Solid waste	7,381,695		7,381,695
Culture and recreation	10,019,656		10,019,656
Social services	3,108,694		3,108,694
Transportation (payment to AATA)	7,137,843		7,137,843
Community access television	952,185		952,185
Information services	2,621,118		2,621,118
Urban redevelopment and housing	657,168		657,168
Unallocated depreciation	14,840		14,840
Interest on long-term debt	1,029,598		1,029,598
Business-type activities:			
Water		13,262,228	13,262,228
Sewer		14,282,194	14,282,194
Parking		3,695,555	3,695,555
Market		97,002	97,002
Golf courses		1,452,657	1,452,657
Airport		639,529	639,529
Stormwater		1,753,065	1,753,065
Hydropower		440,838	440,838
Total expenses	<u>99,392,988</u>	<u>35,623,068</u>	<u>135,016,056</u>
Increase in net assets before transfers	9,108,363	11,354,983	20,463,346
Transfers	1,813,700	(1,813,700)	
Increase in net assets	10,922,063	9,541,283	20,463,346
Net assets, beginning of year	<u>617,986,413</u>	<u>123,082,431</u>	<u>741,068,844</u>
<b>Net assets, end of year</b>	<b><u>\$ 628,908,476</u></b>	<b><u>\$ 132,623,714</u></b>	<b><u>\$ 761,532,190</u></b>

The City's net assets increased by \$20,463,346 during the current fiscal year.

Governmental activities. Governmental activities for the City's net assets increased by \$10,922,063, accounting for 53% of the total growth in the net assets of the City. Key elements of this increase are as follows:

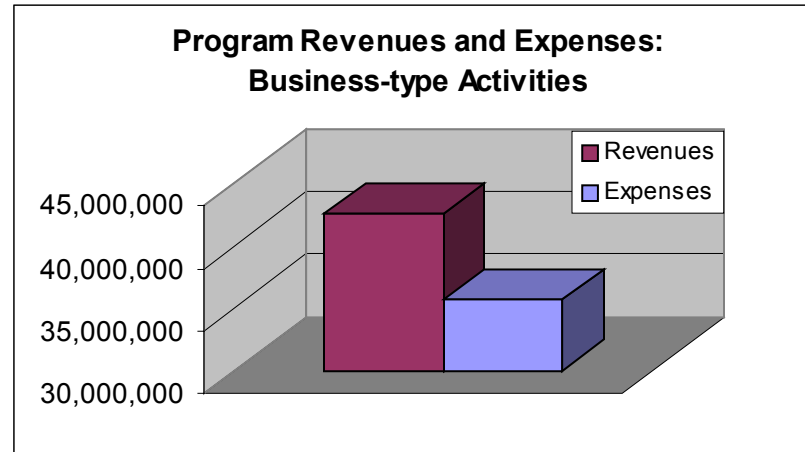
- Property taxes increased by approximately 5.48% during the year. Most of this increase is due to increased taxable values and residential growth.
- Intergovernmental revenue, primarily state shared revenue, increased by approximately 7.25% during the year because of the population growth as documented by the 2000 census.
- Investment income decreased approximately 39%, due in part to a lower volume of invested funds and due to a lower interest rate environment.





Business-type activities. Business-type activities increased the City's net assets by \$9,541,283, accounting for 47% of the total growth in the government's net assets for the current year. Key elements of this increase are as follows:

- Charges for services for business-type activities increased by \$5,088,385, or roughly 13.5% compared to the prior year. This is a result of increases in water and sewer rate activities.
- Expenses decreased by \$1,665,302, or 5% compared to the prior year, as a result of a change in depreciation methods.
- Investment income decreased by approximately \$915,623, or 57.6% compared to the prior fiscal year as a result of a lower interest rate environment.



### 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 \$59,315,744, an increase of \$5,402,473 in comparison with the prior year. Of the amount, \$46,232,156 constitutes unreserved fund balance, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$6,488,557, while total fund balance was \$7,617,414. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 8.62 percent of total general fund expenditures.

The fund balance of the City's general fund decreased by \$2,503,672 during the current fiscal year. This is primarily attributable to severance costs associated with pension ordinance amendments that included an Early Retirement Window option as previously discussed above, relative to government-wide governmental activities.

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, storm sewer, hydroelectric power systems, parking system, market, golf courses, and airport, at the end of the year amounted to \$39,993,236. The water, sanitary, storm, hydroelectric systems, parking system, market, and airport had an increase in net assets for the year of \$9,693,871, whereas, the Golf Course fund had a decrease of \$152,588. Other factors concerning the finances of these funds have been addressed in the discussion of the City's business-type activities.

#### General Fund Budgetary Highlights

Differences between the original and final budgets for expenditures resulted in a 4.00 percent increase. The increase in expenditures was primarily precipitated by the impact of the Early Retirement Window severance pay.

During the year, general fund revenues fell short of budgetary estimates and expenditures were less than budgetary estimates, resulting in an actual decrease in fund balance that was less than the final amended budget amount of \$579,023.

Budget to actual comparisons for the City's major and local street funds were generally favorable.

#### Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental/business-type activities as of June 30, 2002, amounted to \$775,609,051 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, improvements, and machinery and equipment. The total increase in the City's investment in capital assets for the current fiscal year was 2.9 percent.

Major capital asset events during the current fiscal year included a variety of street construction projects at a combined cost of approximately \$6,326,392.

#### City of Ann Arbor's Capital Assets (net of depreciation)

	Governmental Activities	Business-type Activities	Total
Land	\$ 18,573,233	\$ 6,775,561	\$ 25,348,794
Construction in progress	949,409	41,084,031	42,033,440
Buildings	23,275,214	130,522,167	153,739,779
Leasehold improvements	453,561		453,561
Improvements other than buildings	1,441,331	45,423,934	46,922,867
Machinery and equipment	28,824,418	57,559,646	86,384,064
Infrastructure	638,430,720		638,430,720
Less: Accumulated depreciation	<u>(109,244,319)</u>	<u>(108,459,855)</u>	<u>(217,704,174)</u>
<b>Total capital assets net of depreciation</b>	<b><u>\$ 602,703,567</u></b>	<b><u>\$ 172,905,484</u></b>	<b><u>\$ 775,609,051</u></b>

Additional information on the City's capital assets can be located in note 7 on pages 48-49 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$113,680,000. Of that amount, \$67,825,000 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).

### City of Ann Arbor's Outstanding Debt

	Governmental Activities	Business-type Activities	Total
Capital Projects Bonds	\$ 17,770,000	\$	\$ 17,770,000
General Obligation Portion of Special Assessment Bonds	1,250,000		1,250,000
General Obligation Portion of Special Revenue Bonds	9,096,349		9,096,349
Special Assessment Bonds	2,730,000		2,730,000
Ann Arbor Building Authority Bonds		33,040,000	33,040,000
Lease Contracts Payable		1,200,000	1,200,000
Revenue Bonds		45,855,000	45,855,000
Other Long-term Debt	815,889	4,895,005	5,710,894
<b>Total outstanding debt</b>	<b>\$ 31,662,238</b>	<b>\$ 84,990,005</b>	<b>\$ 116,652,243</b>

The City's total debt increased by \$5,890,698 or 5.32 percent during the fiscal year. The City issued new debt in the following categories:

#### New Bonds

•	Limited Tax General Obligation Developmental Bonds (LTGO)	\$ 4,925,000	
•	LTGO Special Assessment Bonds	525,000	
•	LTGO	290,000	
•	Water Revenue Bonds	5,210,000	
•	LTGO Ann Arbor Building Authority Bonds	3,600,000	
	Total New Bonds	\$14,440,000	

#### Other New Debt

##### New Capital Leases:

•	Traver Creek Bonds	\$ 520,000	
•	Golf Course Tractors	62,028	
	Total Other New Debt	\$ 582,028	

The City has an AA rating for general obligations bonds and a AAA rating for revenue bonds from Standard & Poor's. Moody's rated the City's general obligation bonds at an Aa3 and the revenue bonds at an Aaa.

State statutes limit the amount of the general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City is \$342,285,479, 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 and Tables VII, VIII, IX, and X in the statistical section of this report.

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

The following factors were considered in preparing the City's budget for fiscal year 2002-03:

- The unemployment for the City is currently 2.9 percent, which is unchanged from the unemployment rate a year ago. This compares favorably to the state's average unemployment rate of 6.0 percent and the national average rate of 5.48 percent.
- Property tax revenues are projected to increase to 6.43 percent in 2003.
- Inflationary trends in the region compare favorably to national indices.

#### 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 or requests for additional financial information should be addressed to the City Finance Department, 100 North Fifth Avenue, P.O. box 8647, Ann Arbor, Michigan 48107-8647.

# Basic Financial Statements

CITY OF ANN ARBOR  
FISCAL YEAR END  
JUNE 30, 2002  
(CAFR)

CITY OF ANN ARBOR  
STATEMENT OF NET ASSETS  
June 30, 2002

	Primary Government			Component Units -	
	Governmental Activities	Business-type Activities	Total	Ann Arbor Housing Commission	Downtown Development Authority
<b>ASSETS</b>					
Cash	\$7,428,373	\$1,707,350	\$9,135,723	\$877,946	\$5,212,896
Equity in pooled cash and investments (Note 4)	55,515,158	23,871,978	79,387,136		6,421,440
Investments, at fair value (Note 4)	5,297,550		5,297,550	308,058	4,889,624
Restricted assets:					
Cash		5,937,518	5,937,518		
Cash with fiscal agents		1,508,562	1,508,562		
Cash and cash equivalents, held at County of Washtenaw		200,670	200,670		
Equity in pooled cash and investments (Note 4)		2,097,297	2,097,297		
Investments, at fair value (Note 4)		10,492,711	10,492,711		
Receivables:					
Accounts		453,531	453,531		
Interest receivable		29,030	29,030		
Less: Allowance for uncollectibles		(453,531)	(453,531)		
Receivables:					
Taxes	116,347		116,347		89,603
Accounts	3,675,359	6,360,811	10,036,170	32,087	364,518
Special assessments	2,093,151		2,093,151		
Accrued interest and dividends	52,470		52,470		987
Improvement charges	34,958	704,940	739,898		
Loans	857,703		857,703		
Unbilled district costs	284,808		284,808		
Less: Allowance for uncollectibles	(544,043)	(54,378)	(598,421)		(71,178)
Internal balances	906,823	(906,823)			
Due from component units (Note 6)	162,864	86,214	249,078		
Due from primary government (Note 6)					3,055,490
Due from other governments	4,033,000		4,033,000	97,584	
Prepaid items	87,219	15,957	103,176		65,119
Deferred charges		1,095,410	1,095,410	26,649	44,221
Inventory, at cost	1,101,945	414,888	1,516,833	12,700	
Property, plant and equipment, at cost:					
Land	18,573,233	6,775,561	25,348,794	844,637	
Buildings	23,275,214	130,522,167	153,797,381	16,358,950	
Leasehold improvements	453,561		453,561		
Improvements other than buildings	1,441,331	45,423,934	46,865,265		
Machinery, equipment, and vehicles	28,824,418	57,559,646	86,384,064	520,815	
Infrastructure	638,430,720		638,430,720		
Less: Accumulated depreciation	(109,244,319)	(108,459,855)	(217,704,174)	(8,047,279)	
Construction in progress	949,409	41,084,031	42,033,440		
<b>Total Assets</b>	<b>683,807,252</b>	<b>226,467,619</b>	<b>910,274,871</b>	<b>11,032,147</b>	<b>20,072,720</b>

(Continued)

CITY OF ANN ARBOR  
STATEMENT OF NET ASSETS  
June 30, 2002

	Primary Government			Component Units -	
	Governmental Activities	Business-type Activities	Total	Ann Arbor Housing Commission	Downtown Development Authority
<b>LIABILITIES</b>					
<b>Liabilities:</b>					
Accounts payable	\$4,975,860	\$1,068,158	\$6,044,018	\$132,150	\$1,111,436
Estimated claims payable (Note 18)	5,202,689		5,202,689		
Accrued liabilities	2,125,853	330,546	2,456,399	13,612	15,667
Accrued interest payable	355,899	269	356,168		138,548
Payable from restricted assets:					
Accounts payable		732,215	732,215		
Accrued liabilities		4,092	4,092		
Accrued interest payable		1,459,945	1,459,945		
Due to component units (Note 6)		3,055,490	3,055,490		
Due to primary government (Note 6)				97,576	151,502
Due to other governments	212,245		212,245	9,939	424,850
Deposits	1,337,581	145,620	1,483,201	84,942	
Deferred revenue	3,067,646		3,067,646	8,710	
Non-current liabilities:					
Due within one year:					
Accrued compensated absences	1,073,903	147,444	1,221,347	66,117	
Bonds payable	2,085,000	5,849,691	7,934,691		
Other debt payable	415,639	575,398	991,037		
Due in more than one year:					
Accrued compensated absences	13,933,366	1,970,120	15,903,486	52,444	
Bonds payable	19,652,845	76,983,960	96,636,805		9,096,349
Other debt payable	460,250	1,520,957	1,981,207		
<b>Total Liabilities</b>	<b>54,898,776</b>	<b>93,843,905</b>	<b>148,742,681</b>	<b>465,490</b>	<b>10,938,352</b>
<b>NET ASSETS</b>					
Invested in Capital Assets, net of related debt	580,089,833	87,975,478	668,065,311		
Restricted for:					
Capital Projects	13,899,243		13,899,243	9,677,123	4,230,966
Debt Service	1,794,439	4,655,000	6,449,439		
Endowment	2,176,200		2,176,200		
Unrestricted	30,948,761	39,993,236	70,941,997	889,534	4,903,402
<b>Total Net Assets</b>	<b>\$628,908,476</b>	<b>\$132,623,714</b>	<b>\$761,532,190</b>	<b>\$10,566,657</b>	<b>\$9,134,368</b>

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

CITY OF ANN ARBOR  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2002

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units		
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	Governmental Activities	Primary Government Business-type Activities	Total	Ann Arbor Housing Commission	Downtown Development Authority
Primary Government:									
Governmental activities:									
General government	\$ 17,518,453	\$ 4,900,842	\$	\$	(\$12,617,611)	\$	(\$12,617,611)	\$	\$
Public safety	37,281,245	9,776,870	425,373		(27,079,002)		(27,079,002)		
Highways and streets	11,670,492	1,251,790	1,427,908		(8,990,794)		(8,990,794)		
Solid waste	7,381,695	268,088			(7,113,607)		(7,113,607)		
Culture and Recreation	10,019,656	2,071,114	600,875		(7,347,667)		(7,347,667)		
Social services	3,108,694		2,199,335		(909,359)		(909,359)		
Transportation (payment to AATA)	7,137,843	71,760			(7,066,083)		(7,066,083)		
Community access television	952,185	1,284,256			332,071		332,071		
Information services	2,621,118				(2,621,118)		(2,621,118)		
Urban redevelopment and housing	657,168				(657,168)		(657,168)		
Unallocated depreciation	14,840				(14,840)		(14,840)		
Interest on long-term debt	1,029,598				(1,029,598)		(1,029,598)		
Total governmental activities	<u>99,392,988</u>	<u>19,624,720</u>	<u>4,653,491</u>		<u>(75,114,777)</u>		<u>(75,114,777)</u>		
Business-type activities:									
Water	13,262,228	17,437,552				4,175,324	4,175,324		
Sewer	14,282,194	16,111,883				1,829,689	1,829,689		
Parking	3,695,555	6,957,734				3,262,179	3,262,179		
Market	97,002	74,926				(22,076)	(22,076)		
Golf courses	1,452,657	1,282,804				(169,853)	(169,853)		
Airport	639,529	703,886				64,357	64,357		
Stormwater	1,753,065	2,421,378				668,313	668,313		
Hydropower	440,838	308,471				(132,367)	(132,367)		
Total business-type activities	<u>35,623,068</u>	<u>45,298,634</u>				<u>9,675,566</u>	<u>9,675,566</u>		
Total primary government	<u>\$ 135,016,056</u>	<u>\$ 64,923,354</u>	<u>\$ 4,653,491</u>	<u>\$</u>	<u>\$ (75,114,777)</u>	<u>\$ 9,675,566</u>	<u>\$ (65,439,211)</u>		
Component units:									
Housing Commission	\$10,613,718	\$755,402	\$9,720,278					(138,038)	
Downtown Development Authority	11,262,535	9,208,177							(2,054,358)
Total component units	<u>\$21,876,253</u>	<u>\$9,963,579</u>	<u>\$9,720,278</u>					<u>(138,038)</u>	<u>(2,054,358)</u>
General revenues:									
Taxes:									
Property taxes, levied for general purpose					55,094,195		55,094,195		2,885,713
Property taxes, levied for debt service					2,707,538		2,707,538		
Special assessments					293,355		293,355		
State-shared revenues and grants					21,877,296		21,877,296		
Investment income					3,659,707	1,589,314	5,249,021	35,777	527,578
Gain on sale of assets					138,683	90,103	228,786		
Other					452,366		452,366	68,011	109,000
Transfers					1,813,700	(1,813,700)			-
Total general revenues					<u>86,036,840</u>	<u>(134,283)</u>	<u>85,902,557</u>	<u>103,788</u>	<u>3,522,291</u>
Change in net assets					10,922,063	9,541,283	20,463,346	(34,250)	1,467,933
Net assets at beginning of year					617,986,413	123,082,431	741,068,844	10,600,907	7,666,435
Net assets at end of year					<u>\$ 628,908,476</u>	<u>\$ 132,623,714</u>	<u>\$ 761,532,190</u>	<u>\$10,566,657</u>	<u>\$9,134,368</u>

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



CITY OF ANN ARBOR  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2002

ASSETS	General	Major Streets	Local Streets	Other Governmental Funds	Total Governmental Funds
Cash	\$5,371,859	\$46,865	\$	\$1,951,181	\$7,369,905
Equity in pooled cash and investments (Note 4)	2,496,459	5,257,431	1,339,874	41,760,455	50,854,219
Investments, at fair value (Note 4)	1,589,187			3,708,363	5,297,550
Receivables:					
Taxes	116,347				116,347
Accounts	3,349,460	140,576		148,478	3,638,514
Special assessments				2,093,151	2,093,151
Accrued interest and dividends				52,470	52,470
Improvement charges				34,958	34,958
Loans				857,703	857,703
Unbilled district costs				284,808	284,808
Less: Allowance for uncollectibles	(366,273)	(119,863)		(53,604)	(539,740)
Due from other funds (Note 6)	3,469,183	24,957		678,013	4,172,153
Due from component units (Note 6)	148,476				148,476
Due from other governments	1,818,528	902,213	255,374	1,056,885	4,033,000
Prepaid items	26,276				26,276
Inventory, at cost	209,800			2,567	212,367
<b>Total Assets</b>	<b>\$18,229,302</b>	<b>\$6,252,179</b>	<b>\$1,595,248</b>	<b>\$52,575,428</b>	<b>\$78,652,157</b>

(Continued)

CITY OF ANN ARBOR  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2002

	General	Major Streets	Local Streets	Other Governmental Funds	Total Governmental Funds
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>					
<b>Liabilities:</b>					
Accounts payable	\$2,161,165	\$282,055	\$11,669	\$2,270,915	\$4,725,804
Accrued liabilities	1,813,780	101,928	20,364	122,805	2,058,877
Due to other funds (Note 6)	4,149,327			2,745,441	6,894,768
Due to other governments	207,365			4,880	212,245
Deposits	1,313,392	10,000		14,189	1,337,581
Deferred revenue				3,067,646	3,067,646
Accrued compensated absences (Note 9)	966,859	46,656		25,977	1,039,492
<b>Total Liabilities</b>	<b>10,611,888</b>	<b>440,639</b>	<b>32,033</b>	<b>8,251,853</b>	<b>19,336,413</b>
<b>Fund balances:</b>					
Reserved for prepaid items and deferred charges	26,276				26,276
Reserved for encumbrances	892,781	100,146		5,193,697	6,186,624
Reserved for landfill				149,299	149,299
Reserved for endowment				2,176,200	2,176,200
Reserved for inventories	209,800			2,567	212,367
Reserved for debt service				1,794,439	1,794,439
Reserved for Material Recovery Facility equipment replacement				463,530	463,530
Reserved for recycling vehicle replacement				1,383,294	1,383,294
Reserved for Material Recovery Facility capital repair				77,088	77,088
Reserved for compost equipment				302,757	302,757
Reserved for radio equipment				86,192	86,192
Reserved for groundwater monitoring				225,522	225,522
<b>Unreserved balances:</b>					
Designated for subsequent year's expenditures	982,011			2,527,377	3,509,388
Designated for information services projects				321,977	321,977
Designated for capital improvements				13,724,712	13,724,712
Undesignated	5,506,546	5,711,394	1,563,215		12,781,155
Undesignated, non-major special revenue funds				15,894,924	15,894,924
<b>Total Fund Balances</b>	<b>7,617,414</b>	<b>5,811,540</b>	<b>1,563,215</b>	<b>44,323,575</b>	<b>59,315,744</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$18,229,302</b>	<b>\$6,252,179</b>	<b>\$1,595,248</b>	<b>\$52,575,428</b>	<b>\$78,652,157</b>

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

CITY OF ANN ARBOR  
GOVERNMENTAL FUNDS  
RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS  
JUNE 30, 2002

Fund balances of governmental funds	\$	59,315,744
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets net of depreciation have not been included as financial resources in governmental fund activity.</p>		599,457,683
<p>Long-term debt and compensated absences are not due and payable in the current period and therefore have not been included in the governmental funds.</p>		
Bonds payable		(22,553,734)
Compensated absences		(13,687,419)
<p>Accrued interest payable for the current portion of interest due on Bonds has not been reported in the governmental funds.</p>		(355,349)
<p>Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net assets.</p>		6,731,551
Net assets of governmental activities	\$	628,908,476

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

CITY OF ANN ARBOR  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2002

	General	Special Revenue		Other Governmental Funds	Total Governmental Funds
		Major Streets	Local Streets		
Revenues:					
Taxes	\$55,094,195	\$	\$	\$2,707,538	\$57,801,733
Special assessments/improvement charges				293,355	293,355
Licenses, permits and registrations	2,856,377				2,856,377
Federal grants	131,043			2,344,016	2,475,059
State shared revenues and grants	14,518,898	5,549,255	1,551,623	2,435,952	24,055,728
Charges for services	5,749,176	1,822		1,500,542	7,251,540
Fines and forfeits	5,128,826			192,907	5,321,733
Interest and penalties				120,128	120,128
Investment income	875,209	209,996	66,785	2,203,605	3,355,595
Rentals	7,645			45,718	53,363
Contributions and donations				50,176	50,176
Sale of property and equipment	14,142			1,085	15,227
Intra-governmental sales		83,826			83,826
Miscellaneous	233,450	3,702		266,123	503,275
<b>Total Revenues</b>	<b>84,608,961</b>	<b>5,848,601</b>	<b>1,618,408</b>	<b>12,161,145</b>	<b>104,237,115</b>
Expenditures:					
Current:					
Mayor and Council	188,159				188,159
Administration	570,458			472,350	1,042,808
Clerk/Elections	541,088				541,088
Planning	755,769				755,769
Law enforcement	20,103,286			498,457	20,601,743
Fire department	11,323,225				11,323,225
District court	2,971,281				2,971,281
Building department	2,229,316				2,229,316
Highways and streets	1,732,738	4,431,153	1,258,929	6,253,694	13,676,514
Social services	1,764,162			1,331,285	3,095,447
Parks and recreation	6,711,046			2,919,147	9,630,193
Historic district commission	39,530				39,530
Public transportation	7,137,843				7,137,843
Solid waste	6,745,547			110,240	6,855,787
General government	12,488,046				12,488,046
Community access television				952,185	952,185
Urban redevelopment and housing				657,168	657,168
Information services				2,525,747	2,525,747
Capital outlay		28,978	10,648	1,071,352	1,110,978
Debt service:					
Principal retirement				2,544,562	2,544,562
Interest and fiscal charges				1,066,153	1,066,153
<b>Total Expenditures</b>	<b>75,301,494</b>	<b>4,460,131</b>	<b>1,269,577</b>	<b>20,402,340</b>	<b>101,433,542</b>
Excess of Revenues over (under) Expenditures	9,307,467	1,388,470	348,831	(8,241,195)	2,803,573

(Continued)

CITY OF ANN ARBOR  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2002

	General	Special Revenue		Other Governmental Funds	Total Governmental Funds
		Major Streets	Local Streets		
Other Financing Sources (Uses):					
Operating transfers in	2,261,962	468,640	155,000	14,087,960	16,973,562
Operating transfers out	(14,073,101)	(40,055)	(10,991)	(1,002,381)	(15,126,528)
Bond proceeds				815,000	815,000
Bond issuance costs				(12,225)	(12,225)
Total Other Financing Sources (Uses)	(11,811,139)	428,585	144,009	13,888,354	2,649,809
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	(2,503,672)	1,817,055	492,840	5,647,159	5,453,382
Fund Balances - July 1, 2001, as restated	10,121,086	3,994,485	1,070,375	38,727,325	53,913,271
Residual Equity Transfers Out (Note 10)				(50,909)	(50,909)
Fund Balances - June 30, 2002	\$7,617,414	\$5,811,540	\$1,563,215	\$44,323,575	\$59,315,744

See accompanying notes to financial statements.

CITY OF ANN ARBOR  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2002

Net change in fund balances - total governmental funds	\$	5,402,473
<p>Amounts reported for governmental activities in the statement of activities differs from the amounts reported in the statement of revenue, expenditures, and changes in fund balances because:</p>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense.		8,800,209
Depreciation in the current period.		(6,043,557)
Governmental funds report revenue from sale of assets. However, an adjustment is needed to reflect gain on sale of fixed assets		(12,649)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.		(802,775)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		2,544,562
Accrued Interest for Debt. This is the net change in accrued interest for the current period.		39,844
The changes in accrual for compensated absences expenses reported in the statement of activities require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		1,368,054
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities.		(374,098)
Change in net assets of governmental activities		<u>10,922,063</u>

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

CITY OF ANN ARBOR  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2002

Business-Type Activities  
Enterprise Funds

	Water Supply System	Sewage Disposal System	Parking System	Market	Golf Courses	Airport	Stormwater Sewer System	Hydroelectric Power System	Total	Governmental Activities Internal Service Funds
<b>ASSETS</b>										
<b>Current Assets:</b>										
Cash	\$1,125,300	\$	\$34,959	\$29,575	\$371,338	\$123,062	\$23,116	\$	\$1,707,350	\$58,468
Equity in pooled cash and investments	4,842,552	14,087,429	1,646,732	467,372		242,559	1,070,499	1,514,835	23,871,978	4,660,939
<b>Receivables:</b>										
Accounts	3,113,752	2,646,169	23,855	489	8,179	58,236	471,358	38,773	6,360,811	36,845
Improvement charges	330,617	351,757					22,566		704,940	
Less: Allowance for uncollectibles	(17,195)	(11,168)	(16,513)	(489)	(2,557)	(1,994)	(4,462)		(54,378)	(4,303)
Due from other funds	235,278	638,953			11,141	7,632	28,220		921,224	3,754,027
Due from component units			86,214						86,214	14,388
Prepaid items			7,828				8,129		15,957	60,943
Deferred charges	453,388	109,667	502,939		18,450		10,966		1,095,410	
Inventory, at cost	309,600	68,910			36,378				414,888	889,578
<b>Total Current Assets</b>	<b>10,393,292</b>	<b>17,891,717</b>	<b>2,286,014</b>	<b>496,947</b>	<b>442,929</b>	<b>429,495</b>	<b>1,630,392</b>	<b>1,553,608</b>	<b>35,124,394</b>	<b>9,470,885</b>
<b>Restricted Assets:</b>										
Cash	1,160,818	1,773,288	3,003,379				33		5,937,518	
Cash with fiscal agents		1,507,668	894						1,508,562	
Cash and cash equivalents, held at County of Washtenaw		200,670							200,670	
Equity in pooled cash and investments			1,998,629		309		98,359		2,097,297	
Investments	6,929,651		3,563,060						10,492,711	
<b>Receivables:</b>										
Accounts			453,531						453,531	
Interest receivable	28,310		720						29,030	
Less: Allowance for uncollectibles			(453,531)						(453,531)	
Due from unrestricted assets	1,851,186	7,239,491					416,424	443,708	9,950,809	
<b>Total Restricted Assets</b>	<b>9,969,965</b>	<b>10,721,117</b>	<b>8,566,682</b>		<b>309</b>		<b>514,816</b>	<b>443,708</b>	<b>30,216,597</b>	
<b>Property, Plant and Equipment, at cost:</b>										
Land	411,900	339,582	4,522,293	84,120	693,739	708,927	15,000		6,775,561	194,707
Buildings	34,240,533	52,964,159	35,408,010	332,206	514,921	1,871,570		5,190,768	130,522,167	489,810
Improvements other than buildings	35,353,473	5,116,953	523,891		2,296,177	143,404	1,990,036		45,423,934	62,407
Machinery and equipment	10,386,409	45,465,803	172,578		635,379	316,900	582,577		57,559,646	10,943,133
Less: Accumulated depreciation	(26,344,460)	(63,293,658)	(11,748,037)	(111,273)	(1,017,122)	(1,915,406)	(614,340)	(3,415,559)	(108,459,855)	(8,444,173)
Construction in progress	8,637,086	9,082,279	22,092,926				1,271,740		41,084,031	
<b>Net Property, Plant and Equipment</b>	<b>62,684,941</b>	<b>49,675,118</b>	<b>50,971,661</b>	<b>305,053</b>	<b>3,123,094</b>	<b>1,125,395</b>	<b>3,245,013</b>	<b>1,775,209</b>	<b>172,905,484</b>	<b>3,245,884</b>
<b>Total Assets</b>	<b>83,048,198</b>	<b>78,287,952</b>	<b>61,824,357</b>	<b>802,000</b>	<b>3,566,332</b>	<b>1,554,890</b>	<b>5,390,221</b>	<b>3,772,525</b>	<b>238,246,475</b>	<b>12,716,769</b>

(Continued)

CITY OF ANN ARBOR  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2002

Business-Type Activities  
Enterprise Funds

	Water Supply System	Sewage Disposal System	Parking System	Market	Golf Courses	Airport	Stormwater Sewer System	Hydroelectric Power System	Total	Governmental Activities Internal Service Funds
<b>LIABILITIES</b>										
Current Liabilities (payable from current assets):										
Accounts payable	\$569,048	\$406,242	\$1,098	\$3,487	\$23,040	\$17,833	\$47,388	\$22	\$1,068,158	\$250,056
Estimated claims payable										5,202,689
Accrued liabilities	131,800	99,947	10,015	1,202	40,010	38,738	8,314	520	330,546	66,976
Accrued interest payable			269						269	550
Due to restricted assets	1,851,186	7,239,491					416,424	443,708	9,950,809	
Due to other funds	613,660	221,065			954,262	8,111	25,582	5,367	1,828,047	124,589
Deposits	141,025	1,148				600	2,847		145,620	
Other debt-current portion					52,794		122,604		175,398	30,000
Accrued compensated absences	82,019	55,960		381	2,286	2,037	4,761		147,444	34,411
<b>Total Current Liabilities (payable from current assets)</b>	<b>3,388,738</b>	<b>8,023,853</b>	<b>11,382</b>	<b>5,070</b>	<b>1,072,392</b>	<b>67,319</b>	<b>627,920</b>	<b>449,617</b>	<b>13,646,291</b>	<b>5,709,271</b>
Current Liabilities (payable from restricted assets):										
Accounts payable	178,617	148,298	405,235				65		732,215	
Accrued liabilities	685	450	2,644				313		4,092	
Accrued interest payable	656,779	215,480	538,299		23,804		3,934	21,649	1,459,945	
Due to component units			3,055,490						3,055,490	
Revenue bonds payable - current portion	2,240,000	1,300,000					105,000		3,645,000	
Lease contracts payable - current portion		400,000							400,000	
Ann Arbor Building Authority bonds payable - current portion			1,470,000		65,000				1,535,000	
Other bonds payable - current portion			459,691					210,000	669,691	
<b>Total Current Liabilities (payable from restricted assets)</b>	<b>3,076,081</b>	<b>2,064,228</b>	<b>5,931,359</b>		<b>88,804</b>		<b>109,312</b>	<b>231,649</b>	<b>11,501,433</b>	
Long-Term Liabilities:										
Revenue bonds - non-current portion	32,775,000	8,670,000					765,000		42,210,000	
Lease contracts payable - non-current portion		800,000							800,000	
Ann Arbor Building Authority bonds payable - non-current portion			30,340,000		1,165,000				31,505,000	
Other bonds payable - non-current portion			2,218,960						3,268,960	
Other long-term debt - non-current portion					44,985		675,972	1,050,000	720,957	30,000
Accrued compensated absences - non-current portion	1,015,825	634,325	52,876	5,529	94,171	83,867	83,527		1,970,120	245,947
<b>Total Long-Term Liabilities</b>	<b>33,790,825</b>	<b>10,104,325</b>	<b>32,611,836</b>	<b>5,529</b>	<b>1,304,156</b>	<b>83,867</b>	<b>1,524,499</b>	<b>1,050,000</b>	<b>80,475,037</b>	<b>275,947</b>
<b>Total Liabilities</b>	<b>40,255,644</b>	<b>20,192,406</b>	<b>38,554,577</b>	<b>10,599</b>	<b>2,465,352</b>	<b>151,186</b>	<b>2,261,731</b>	<b>1,731,266</b>	<b>105,622,761</b>	<b>5,985,218</b>
<b>NET ASSETS</b>										
Invested in Capital Assets, net of related debt	27,669,941	38,505,118	16,483,010	305,053	1,795,315	1,125,395	1,576,437	515,209	87,975,478	3,185,884
Restricted for debt service	3,402,500	1,252,500							4,655,000	
Unrestricted (deficit)	11,720,113	18,337,928	6,786,770	486,348	(694,335)	278,309	1,552,053	1,526,050	39,993,236	3,545,667
<b>TOTAL NET ASSETS</b>	<b>\$42,792,554</b>	<b>\$58,095,546</b>	<b>\$23,269,780</b>	<b>\$791,401</b>	<b>\$1,100,980</b>	<b>\$1,403,704</b>	<b>\$3,128,490</b>	<b>\$2,041,259</b>	<b>\$132,623,714</b>	<b>\$6,731,551</b>

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



CITY OF ANN ARBOR  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2002

	Business-Type Activities Enterprise Funds								Governmental Activities Internal Service Funds	
	Water Supply System	Sewage Disposal System	Parking System	Market	Golf Courses	Airport	Stormwater Sewer System	Hydroelectric Power System		Total
Operating Revenues:										
Charges for services	\$17,437,552	\$16,111,883	\$2,504,066	\$74,926	\$1,282,804	\$703,886	\$2,421,378	\$308,471	\$40,844,966	\$18,342,605
Miscellaneous revenue										42,656
<b>Total Operating Revenues</b>	<b>17,437,552</b>	<b>16,111,883</b>	<b>2,504,066</b>	<b>74,926</b>	<b>1,282,804</b>	<b>703,886</b>	<b>2,421,378</b>	<b>308,471</b>	<b>40,844,966</b>	<b>18,385,261</b>
Operating Expenses:										
Personal services	4,281,242	3,395,444	492,225	48,735	773,448	350,372	346,015	32,138	9,719,619	1,916,262
Municipal service charge	1,107,146	1,045,310	145,156	9,480	103,026	76,567	144,428	24,469	2,655,582	
Overhead charges from Water Supply System		739,853					463,747	15,636	1,219,236	
Materials and supplies	1,641,050	648,763	393,000	2,972	192,124	33,799	84,745	25,157	3,021,610	142,843
Utilities	926,991	780,920	4,581	5,843	31,578	48,764	4,671	245	1,803,593	94,776
Insurance	285,700	244,747	97,967	1,262	27,885	36,495	44,647	7,540	746,243	13,442,038
Contractual services	297,358	3,207,104	19,749	3,050	9,156	5,602	49,118		3,591,137	195,107
Maintenance	175,328	140,053	15,766	6,024	39,193	20,004	6,291	15,779	418,438	85,935
Professional fees	493,836	(546,745)		1,343	352	6,985	273,246	4,432	233,449	256,587
Rent	519,882	380,539	108,214		42,227	3,726	157,419	7,537	1,219,544	
Miscellaneous	227,046	111,762	2,362	9,970	17,618	10,514	7,362		386,634	31,574
Cost of goods sold										1,580,566
Depreciation and amortization	1,599,981	3,550,887	720,093	8,323	113,894	46,701	91,263	240,889	6,372,031	1,297,137
<b>Total Operating Expenses</b>	<b>11,555,560</b>	<b>13,698,637</b>	<b>1,999,113</b>	<b>97,002</b>	<b>1,350,501</b>	<b>639,529</b>	<b>1,672,952</b>	<b>373,822</b>	<b>31,387,116</b>	<b>19,042,825</b>
<b>Operating Income (Loss)</b>	<b>5,881,992</b>	<b>2,413,246</b>	<b>504,953</b>	<b>(22,076)</b>	<b>(67,697)</b>	<b>64,357</b>	<b>748,426</b>	<b>(65,351)</b>	<b>9,457,850</b>	<b>(657,564)</b>
Nonoperating Revenues (Expenses):										
Interest income	335,017	758,274	326,318	22,652	4	12,971	66,046	68,032	1,589,314	183,984
Net gain (loss) on retirement of fixed assets	46,965	25,771	(3,907)		17,481	3,793			90,103	
Interest expense and fiscal charges	(1,706,668)	(511,111)	(1,696,442)		(102,156)		(80,113)	(67,016)	(4,163,506)	(3,289)
Lease charges in lieu of interest		(72,446)							(72,446)	136,105
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(1,324,686)</b>	<b>200,488</b>	<b>(1,374,031)</b>	<b>22,652</b>	<b>(84,671)</b>	<b>16,764</b>	<b>(14,067)</b>	<b>1,016</b>	<b>(2,556,535)</b>	<b>316,800</b>
<b>Income (Loss) Before Operating Transfers</b>	<b>4,557,306</b>	<b>2,613,734</b>	<b>(869,078)</b>	<b>576</b>	<b>(152,368)</b>	<b>81,121</b>	<b>734,359</b>	<b>(64,335)</b>	<b>6,901,315</b>	<b>(340,764)</b>
Operating transfers in		25,000			131,498			275,365	431,863	
Operating transfers out	(25,000)	(5,862)	(2,075,034)		(131,718)	(7,949)			(2,245,563)	(33,334)
Operating transfers from component units			4,453,668						4,453,668	
<b>Net Transfers In (Out)</b>	<b>(25,000)</b>	<b>19,138</b>	<b>2,378,634</b>		<b>(220)</b>	<b>(7,949)</b>		<b>275,365</b>	<b>2,639,968</b>	<b>(33,334)</b>
<b>Changes in Net Assets</b>	<b>4,532,306</b>	<b>2,632,872</b>	<b>1,509,556</b>	<b>576</b>	<b>(152,588)</b>	<b>73,172</b>	<b>734,359</b>	<b>211,030</b>	<b>9,541,283</b>	<b>(374,098)</b>
<b>Net Assets - July 1, 2001</b>	<b>39,425,222</b>	<b>58,083,292</b>	<b>21,789,136</b>	<b>790,400</b>	<b>1,220,213</b>	<b>1,315,770</b>	<b>2,490,918</b>	<b>1,944,582</b>	<b>127,059,533</b>	<b>6,652,150</b>
<b>Restatement for Change in Depreciation</b>	<b>(1,164,974)</b>	<b>(2,620,618)</b>	<b>(28,912)</b>	<b>425</b>	<b>33,355</b>	<b>14,762</b>	<b>(96,787)</b>	<b>(114,353)</b>	<b>(3,977,102)</b>	<b>453,499</b>
<b>Net Assets - July 1, 2001, as restated</b>	<b>38,260,248</b>	<b>55,462,674</b>	<b>21,760,224</b>	<b>790,825</b>	<b>1,253,568</b>	<b>1,330,532</b>	<b>2,394,131</b>	<b>1,830,229</b>	<b>123,082,431</b>	<b>7,105,649</b>
<b>Net Assets - June 30, 2002</b>	<b>\$42,792,554</b>	<b>\$58,095,546</b>	<b>\$23,269,780</b>	<b>\$791,401</b>	<b>\$1,100,980</b>	<b>\$1,403,704</b>	<b>\$3,128,490</b>	<b>\$2,041,259</b>	<b>\$132,623,714</b>	<b>\$6,731,551</b>

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

CITY OF ANN ARBOR  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2002

	Business-Type Activities Enterprise Funds									Governmental Activities Internal Service Funds
	Water Supply System	Sewage Disposal System	Parking System	Market	Golf Courses	Airport	Stormwater Sewer System	Hydroelectric Power System	Total	
Increase (decrease) in cash and cash equivalents:										
Cash flow from operations:										
Receipts from Customers	\$17,271,077	\$15,914,829	\$2,808,826	\$75,209	\$1,277,669	\$698,581	\$2,333,392	\$294,162	\$40,673,745	\$18,363,853
Receipts from quasi-external operating transactions with other funds	2,252,252	133,835	3,257,889		404,067	81,281	10,913		6,140,237	748,942
Payments to suppliers	(5,501,991)	(6,821,137)	(1,337,614)	(40,243)	(482,060)	(252,670)	(1,231,348)	(120,453)	(15,787,516)	(15,366,686)
Payments to employees	(4,357,867)	(3,431,647)	(578,466)	(47,556)	(767,085)	(343,003)	(340,564)	(35,822)	(9,902,010)	(1,854,428)
Payments to quasi-external operating transactions with other funds	(57,791)	(1,888,823)	(724,736)	(2,329)	(8,911)	5,496	3,378	4,932	(2,668,784)	(2,132,980)
Net cash provided by (used in) operating activities	9,605,680	3,907,057	3,425,899	(14,919)	423,680	189,685	775,771	142,819	18,455,672	(241,299)
Cash flows from noncapital financing activities:										
Operating transfers in		25,000			131,498			275,365	431,863	
Operating transfers out	(25,000)	(5,862)	(2,075,034)		(131,718)	(7,949)			(2,245,563)	(33,334)
Operating transfers from component units			4,453,668						4,453,668	
Net cash provided by (used in) noncapital financing activities	(25,000)	19,138	2,378,634		(220)	(7,949)		275,365	2,639,968	(33,334)
Cash flows from capital and related financial activities:										
Proceeds from sales of bonds and notes	5,210,000		3,600,000				520,000		9,330,000	
Acquisition and construction of capital assets	(2,596,183)	(2,828,175)	(3,427,838)		(62,028)	(54,775)	(1,126,457)	(109,502)	(10,204,958)	(800,011)
Principal paid on revenue bonds, maturities, capital leases and notes	(2,235,000)	(1,705,000)	(1,623,372)		(42,075)		(222,604)	(205,000)	(6,033,051)	(30,000)
Interest paid on bonds, notes, and capital leases	(1,793,713)	(528,473)	(1,616,387)		(102,806)		(79,269)	(70,364)	(4,191,012)	(4,060)
Proceeds from sale of equipment	46,965	34,752				3,793			85,510	182,585
Net cash provided by investing activities	(1,367,931)	(5,028,896)	(3,067,597)		(206,909)	(50,982)	(908,330)	(384,866)	(11,013,511)	(651,486)
Cash flows from investing activities:										
Purchase of investment securities	(5,175,818)		(2,062,904)						(7,238,722)	
Interest and dividends on investments	323,794	758,274	325,927	22,653	4	12,971	66,046	68,032	1,577,701	183,984
Net cash provided by (used in) investing activities	(4,852,024)	758,274	(1,736,977)	22,653	4	12,971	66,046	68,032	(5,661,021)	183,984
Net increase (decrease) in cash and cash equivalents	3,360,725	(342,427)	999,959	7,734	216,555	143,725	(66,513)	101,350	4,421,108	(742,135)
Cash and cash equivalents at beginning of the year	3,767,945	17,911,482	5,684,634	489,213	155,092	221,896	1,258,520	1,413,485	30,902,267	5,461,542
Cash and cash equivalents at end of the year	<u>\$ 7,128,670</u>	<u>\$ 17,569,055</u>	<u>\$ 6,684,593</u>	<u>\$ 496,947</u>	<u>\$ 371,647</u>	<u>\$ 365,621</u>	<u>\$ 1,192,007</u>	<u>\$ 1,514,835</u>	<u>\$ 35,323,375</u>	<u>\$ 4,719,407</u>

(Continued)

CITY OF ANN ARBOR  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2002

	Business-Type Activities Enterprise Funds								Governmental Activities Internal Service Funds	
	Water Supply System	Sewage Disposal System	Parking System	Market	Golf Courses	Airport	Stormwater Sewer System	Hydroelectric Power System		Total
Reconciliation of operating income (loss) to net cash provided by operating activities:										
Net operating income (loss)	\$ 5,881,992	\$ 2,413,246	\$ 504,953	\$ (22,076)	\$ (67,697)	\$ 64,357	\$ 748,426	\$ (65,351)	\$ 9,457,850	(\$657,564)
Adjustments not affecting cash:										
Depreciation and amortization	1,599,981	3,550,887	720,093	8,323	113,894	46,701	91,263	240,889	6,372,031	1,297,137
(Increase) decrease in assets and increase (decrease) in liabilities										
Allowance for uncollectible accounts	8,073	9,721	301,075	119	575	(8,517)	2,901		313,947	(307)
Accounts receivable	(174,548)	(206,775)	3,685	164	(5,710)	3,212	(90,887)	(14,309)	(485,168)	(21,101)
Inventory	(849)	3,495			3,174				5,820	(27,574)
Prepaid items			(7,828)						(7,828)	(15,500)
Accounts payable	384,090	(69,161)	(542,991)	(299)	(22,075)	(10,214)	4,326	(19,658)	(275,982)	(153,885)
Accrued compensated absences	(82,482)	(26,138)	(78,610)	1,341	2,473	(21,314)	7,427		(197,303)	44,121
Estimated claims payable										728,246
Accrued liabilities	5,857	(10,065)	(7,631)	(162)	3,890	28,683	(1,976)	(3,684)	14,912	17,713
Due to other governments										(68,547)
Due to other funds	(57,791)	(1,888,823)	(638,522)	(2,329)	403,572	5,496	3,378	4,932	(2,170,087)	35,388
Due from other funds	2,252,252	133,835	206,626		(8,416)	81,281	10,913		2,676,491	(1,416,813)
Due from component units			(86,214)						(86,214)	(2,613)
Due to component unit			3,051,263						3,051,263	
Deposits	(210,895)	(3,165)							(214,060)	
Net cash provided by (used in) operating activities	\$ 9,605,680	\$ 3,907,057	\$ 3,425,899	\$ (14,919)	\$ 423,680	\$ 189,685	\$ 775,771	\$ 142,819	\$ 18,455,672	\$ (241,299)

NONCASH CAPITAL FINANCING ACITIVITIES:

During the fiscal year, the City entered into a capital lease for equipment in the Golf Course Fund in the amount of \$62,028.

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

CITY OF ANN ARBOR  
 ALL FIDUCIARY FUNDS  
 STATEMENT OF FIDUCIARY NET ASSETS  
 June 30, 2002

	Employee Retirement Funds		Agency Funds Total	Total
	Employees' Retirement System	VEBA Trust Fund		
<b>ASSETS</b>				
Cash	\$311,632	\$10,476	\$956,287	\$1,278,395
Equity in pooled cash and investments		954,851	2,281	957,132
Investments, at fair value	373,399,408	17,731,068		391,130,476
Accounts receivable		433,959	5,284	439,243
Due from other funds				
Due from other governments			17,937	17,937
Property, plant & equipment (net of depreciation of \$9,381)	16,048			16,048
<b>Total Assets</b>	<b>\$375,694,192</b>	<b>\$19,198,476</b>	<b>\$981,789</b>	<b>\$395,874,457</b>
<b>LIABILITIES</b>				
<b>Liabilities:</b>				
Accounts payable	\$4,519,534	\$128,934	\$605,096	\$5,253,564
Accrued liabilities	8,010			8,010
Accrued compensated absences	80,532			80,532
Due to other governments			260,953	260,953
Deposits			115,740	115,740
<b>Total Liabilities</b>	<b>4,608,076</b>	<b>128,934</b>	<b>\$981,789</b>	<b>5,718,799</b>
<b>Net Assets:</b>				
Held in Trust for Pension Benefits and Other Purposes	<u>\$371,086,116</u>	<u>\$19,069,542</u>		<u>\$390,155,658</u>

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

CITY OF ANN ARBOR  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 For the Year Ended June 30, 2002

	Employee Retirement Funds		Total
	Employees' Retirement System	VEBA Trust Fund	
<b>ADDITIONS</b>			
Investment income (loss):			
Net realized and unrealized depreciation in fair value of investments	(\$20,627,008)	(\$2,076,893)	(\$22,703,901)
Interest	10,070,848	529,391	10,600,239
Dividends	929,030	100,238	1,029,268
Total investment loss	(9,627,130)	(1,447,264)	(11,074,394)
Less investment expense	1,390,961	75,770	1,466,731
Net investment loss	(11,018,091)	(1,523,034)	(12,541,125)
Contributions:			
Employer		6,996,824	6,996,824
Plan member	2,934,023		2,934,023
Total contributions	2,934,023	6,996,824	9,930,847
<b>DEDUCTIONS</b>			
Benefits	16,451,905		16,451,905
Refund of contributions	4,803,313		4,803,313
Administrative expense	4,549,156	26,092	4,575,248
Total deductions	25,804,374	26,092	25,830,466
Change in net assets	(33,888,442)	5,447,698	(28,440,744)
Net assets held in trust for benefits at beginning of year	404,974,558	13,621,844	418,596,402
Net assets held in trust for benefits at end of year	\$371,086,116	\$19,069,542	\$390,155,658

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

CITY OF ANN ARBOR

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2002

1. FINANCIAL 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 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 City's population is approximately 114,061 people within an area of 28.6 square miles. 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 and Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*," these financial statements present the City (the primary government) and its component units. The criteria established by the GASB 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 revenue bonds to finance major capital construction by the City.

**Discretely Presented Component Units.** The Component Unit columns in the government-wide financial statements include the financial data of the City's other Component Units. They are reported in separate columns 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 organization.

Downtown Development Authority (DDA). The DDA was created to finance rehabilitation and redevelopment in the downtown area. Commissioners of the DDA are appointed by the Mayor and approved by City Council. Development plans are approved by Council and Council must approve all modifications to the plan. The City maintains all accounting records for the DDA, whose primary source of funding is from 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.

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

## NOTES TO FINANCIAL STATEMENTS (Continued)

### 1. FINANCIAL REPORTING ENTITY (Concluded)

Separate combining statements for the discretely presented Component Units are not presented as each Component Unit is shown as a separate column on the government wide financial statements. Complete financial statements of the individual Component Units can be requested from the City of Ann Arbor Finance Department.

**Related Organizations.** The Ann Arbor Transportation Authority (AATA) and the Ann Arbor Economic Development Corporation (EDC), are not included in the financial reporting entity. The members of the governing board of each are appointed by the Mayor and confirmed by the City Council, but the City's accountability for these organizations does not extend beyond making the 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, as of June 30, 2002, assets and a fund balance of \$72,095.

### 2. DESCRIPTION OF CITY OPERATIONS AND FUND TYPES

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental Accounting Standards Board Statement #34, (hereafter known as GASB #34) sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City electively added funds as major funds to comply with State of Michigan guidelines. The non-major funds are combined in a column in the fund financial statements and detailed in the combining section. The City reports the following major funds:

#### **Governmental Funds.**

General Fund. This fund is the general operating fund of the City; it is used to account for all financial resources not required to be accounted for in another fund.

Major Streets. To account for repairs, maintenance and construction on the City's major streets. The revenues consist primarily of State-shared gasoline and weights 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.

#### **Proprietary Funds.**

Water Supply System - To account for the provision of treated water of the City and some township residents.

Sewage Disposal System - To account for the collection and treatment of the sewage of the City and some township residents.

Parking System - To account for the operations of the City's parking structures, lots and meters.

Market - To account for the costs of operating the City's Farmers' Market.

Golf Courses - To account for the operation of the City's two 18-hole golf courses.

Airport - To account for the operation of the City's airport including the rental of hangars and tie-down space.

Stormwater Sewer System - To account for the collection and disposal of the City's stormwater.

Hydroelectric Power System - To account for sale of power from two City power generation dams.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### 2. DESCRIPTION OF CITY OPERATIONS AND FUND TYPES (Concluded)

Non-Current Governmental Assets/Liabilities: GASB Statement #34 eliminates the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the governmental activities column in the government-wide Statement of Net Assets.

#### **Other Fund Types:**

Internal Service Funds. These funds are used to account for goods or services provided by one department or agency to another department or agency of the City, or to other governments, on a cost-reimbursement basis.

Employee Retirement/Benefits Funds. 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.

Permanent Fund. To account 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.

Agency Funds. These fund are used to account for assets held by the City as an agent for individuals, private organizations, or other governments. Agency fund are, by nature, custodial; therefore, operation results are not measured.

#### **Discretely Presented Component Units.**

Discretely presented component units are accounted for as governmental fund types; see Note 1 for a further description of these entities.

### 3. SIGNIFICANT ACCOUNTING POLICIES

**Government-Wide and Fund Financial Statements.** The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. While the previous financial reporting model emphasized fund types (the total of all funds of a particular type), in the new financial reporting model the focus is on either the City as a whole, or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reflects both the gross and net costs per functional category (Police, Fire, Public Services, etc.), which are otherwise being supported by general government revenues (property taxes, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function (Police, Fire, Public Services, etc.) or a business-type activity. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.



## NOTES TO FINANCIAL STATEMENTS (Continued)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The net cost (by function or business-type activity) is normally covered by general revenue (property taxes, intergovernmental revenues, interest income, etc.). Historically, the previous financial reporting model did not summarize or present net cost by function or activity.

The City does not currently employ an indirect cost allocation system. An administrative service fee is charged by the General Fund to the other operating funds, that is eliminated like a reimbursement (reducing the revenue and expense in the General Fund), to address administrative services (finance, personnel, purchasing, legal, technology management, etc.) provided.

This government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are, in substance, very similar to the financial statements presented in the previous financial reporting model. Emphasis here is on the major funds in either the governmental or business-type categories. Non-major funds (by category) are summarized into a single column.

The governmental funds major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to (a) demonstrate legal and covenant compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the City's actual experience conforms to the budget fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

Internal service funds of a government (which traditionally provide services primarily to other funds of the government) are presented, in summary form, as part of the proprietary fund financial statement. Since the principal users of the internal services are the City's governmental activities, financial statements of internal service funds are consolidated into the governmental activities column when presented at the government-wide level. The costs of these services are allocated to the appropriate functional activity (Police, Fire, Public Services, etc.).

When appropriate, surplus or deficits in the Internal Service funds may be allocated back to customers at the entity-wide Statement of Activities. This creates a reconciling item between the business-type activities column and the Proprietary Funds fund level statements as reflected on the bottom of each statement.

The City's' fiduciary funds (which have been redefined and narrowed in scope) are presented in the fund financial statements by type (pension and agency). Since, by definition, these assets are being held for the benefit of a third party (other legal governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

The focus of the Statement #34 model is on the City as a whole and the fund financial statements. The focus of the Fund Financial Statements is on the major individual funds of the governmental and business-type categories, as well as the fiduciary presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Basis of Accounting.** The modified accrual basis of accounting is used by all governmental fund types and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). *Measurable* means the amount of the transaction can be determined and *available* means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Major sources of revenue considered susceptible to accrual are community development grants, state shared revenues and grants, delinquent property taxes collected during the fiscal year or within a period of 60 days thereafter, and interest on investments.

Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. The government-wide financial statements and the proprietary, fiduciary and component unit fund financial statements are presented on an accrual basis of accounting. The governmental funds in the fund financial statements are presented on a modified accrual basis.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement #33 (the City may act as either provider or recipient), the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenue when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met, should, under most circumstances, be reported as advances by the provider and deferred revenue by the recipient.

The City reports deferred revenue on its balance sheet. Deferred revenues arise when a potential revenue does not meet both the *measurable* and *available* criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received before qualifying expenditures are incurred. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

The measurement focus of the governmental funds is based on determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than net income determination.

The Proprietary and Fiduciary Funds are maintained on the accrual basis. These Funds' revenues are recognized when earned, and expenses recorded when incurred. Unbilled Water and Sewer Fund utility service provided is recorded as receivables and revenue at year-end. The measurement focus for proprietary funds is based on cost of service and maintenance of capital. Proprietary fund types follow Generally Accepted Accounting Principles (GAAP) prescribed by the Governmental Accounting Standards Board and all Financial Accounting Standards Board standards issued prior to November 30, 1989. In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved "Basic Financial Statements and Management Discussion and analysis for State and Local Governments" (Statement #34). This Statement provides for the most significant change in financial reporting in over twenty years and is scheduled for a phased implementation (based on size of government) starting with fiscal years ending 2002 (for larger governments). As part of this Statement, there is a new reporting requirement regarding the local government's infrastructure (roads, bridges, traffic signals, etc). This requirement permits an optional four-year further delay for implementation to the fiscal year ending in 2006. The City elected to implement the basic model and the infrastructure-related portion this fiscal year.

NOTES TO FINANCIAL STATEMENTS (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Budgetary Accounting Controls.** 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 the 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. Enterprise, Internal Service, and Pension Trust Funds also have legally adopted budgets. Two Special Revenue Funds do not have legally adopted budgets – Police and Fire Relief and Cemetery Perpetual Care, as they were formerly Expendable Trust Funds.

**Investments.** Investments are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

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

**Inventories.** Inventories of materials and supplies are stated at cost using the first-in, first-out method. The cost is accounted for as an expenditure in governmental funds and an expense in the proprietary funds at the time inventories are used.

**Capital Assets.** Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., road, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

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

<u>Type</u>	<u>Years</u>
Structures and improvements	40-50
Improvements other than buildings	20-99
Machinery and equipment	3-15
Infrastructure	15-25

## NOTES TO FINANCIAL STATEMENTS (Continued)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

**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. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

**Compensated Absences.** The City accrues vacation pay, compensatory time off, severance pay for sick leave, and any salary-related payments for these compensated absences in accordance with GASB Statement No. 16, *Accounting for 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 120 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 960 unused sick hours and the total of any remaining accumulated hours upon retirement or death. City policy provides for payment of unused vacation and compensatory time off, but not unused sick hours, to terminated employees. The City accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. For Proprietary Funds and the government-wide Statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, for the governmental funds, in the Fund Financial Statements, all 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.

**Interfund Transactions.** During the course of normal operations the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The general purpose financial statements generally record such transactions as operating transfers. Operating subsidies are also recorded as operating transfers. Internal Service Funds are used to record charges for services to all City departments and funds as operating revenue for the services provided. All City funds record payments to the Internal Service Funds as operating expenditures.

Certain funds remit payments for municipal service charges in lieu of taxes to the General Fund based on a pro rata share of general administrative overhead of the City government. Payments are recorded as revenue in the General Fund and as operating expense in Enterprise Funds.

**Self Insurance.** The City is self-insured for property, casualty, and employee benefit coverage. Costs of actual claims and estimated incurred but not reported claims, less any excess insurance coverage, are expensed in the Insurance Internal Service Fund at the time the liability is estimated.

**Reserves and Designations.** In the fund financial statements, reserves indicate portions of fund equity not appropriable for expenditures and/or legally segregated for a specific future use. Designations indicate tentative plans for financial resource utilization in a future period. Such plans are subject to change, and may never be legally authorized or result in expenditures.

**Grants and Other Intergovernmental Revenues.** Federal grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. All other grants are recorded as intergovernmental receivables and revenues when the related expenditures are incurred.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Concluded)

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

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

### 4. EQUITY IN POOLED CASH AND INVESTMENTS

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 Consolidated Investment Fund is eliminated for financial reporting purposes. In addition, the cash resources of the Pension Trust Fund and certain other funds are invested separately.

**Deposits.** At year end, the carrying amount of the City's deposits was \$24,151,710 and the bank balance was \$25,678,238. Of the bank balance, \$401,639 was covered by federal depository insurance. The remaining \$25,276,599 was uninsured and uncollateralized.

**Investments.** Michigan statutes and City policy authorize the City to invest in obligations of the U. S. Treasury, where interest and principal are backed by the full faith and credit of the U.S. Government (including GNMA), commercial paper (rated at the time of purchase by at least two of the major rating agencies within one of their two highest ratings), bankers acceptances, repurchase agreements, bank investment pools and the State Treasurer's Investment Pool. Pension fund investment policy is governed by the Pension Trustees and makes additional allowances for investments in equities, long-term securities and other securities of relatively higher risk.

**Portfolio Risk.** Investments held at June 30, 2002 are categorized as follows to indicate the level of risk assumed by the City. Category one includes all investments insured, registered, or for which the securities are held by the City or its agent in the City's name. Category two includes all uninsured and unregistered investments for which the securities are held by the counterparty's trust department at a financial institution in the City's name. Category three includes all uninsured or unregistered investments for which the securities are held by the counterparty's broker or dealer, but not in the City's name.

NOTES TO FINANCIAL STATEMENTS (Continued)

4. EQUITY IN POOLED CASH AND INVESTMENTS (Concluded)

	Investments By Category			Fair Value
	1	2	3	
U. S. Government Agencies	\$70,698,144			\$70,698,144
U. S. Treasury Bonds & Notes	88,702,898			88,702,898
Corporate Bonds and Notes	84,426,209			84,426,209
Municipal Bonds	2,358,377			2,358,377
Repurchase Agreements	17,873,954			17,873,954
Stocks - Common	136,219,036			136,219,036
International Equity	43,522,015			43,522,015
Collateralized Mortgage Obligations	6,874,514			6,874,514
<b>Total</b>	<b>\$450,675,147</b>	<b>\$</b>	<b>\$</b>	<b>\$450,675,147</b>
Mutual Funds - unclassified as to risk				50,306,277
<b>Total Investments</b>				<b>\$500,981,424</b>
		Investments		
	Cash	Equity in pooled cash and investments	Investments	
Governmental activities	\$7,428,373	\$55,515,158	\$5,297,550	
Business-type activities	9,354,100	25,969,275	10,492,711	
Component units	6,090,842	6,421,440	5,197,682	
Fiduciary funds	1,278,395	957,132	391,130,476	
<b>Totals</b>	<b>\$24,151,710</b>	<b>\$88,863,005</b>	<b>\$412,118,419</b>	
		<b>\$500,981,424</b>		

The Pension Trust Fund's investments represent approximately 87% of the total in category one, and 87% of the assets in mutual funds. The Pension Trust Fund's investments and all other City investments are carried at market value in accordance with GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

NOTES TO FINANCIAL STATEMENTS (Continued)

5. INTERFUND RECEIVABLES AND PAYABLES

	Due From Other Funds	Due To Other Funds	Due From Component Unit/ Primary Government	Due To Component Unit/ Primary Government
Primary Government:				
General Fund	\$3,469,183	\$4,149,327	\$148,476	
Special Revenue Funds:				
Major Streets	24,957			
Community Development	3,269	911,430		
Leslie Homestead	45,047	47,268		
Community Television Network	429			
Street Repair Millage	121,048	30,594		
Solid Waste		426,671		
Major Grants Program	215,314	334,811		
Local Law Enforcement Block Grant		18,753		
Special Assistance	301			
Special Projects		93,310		
Energy Projects	12,900			
Parks Acquisition and Development Program	81,073	22,449		
Total Special Revenue Funds	504,338	1,885,286		
Debt Service Funds:				
General Debt Service	188,878	134,319		
Special Assessment Bonds		331,182		
Total Debt Service Funds	188,878	465,501		
Capital Projects Funds				
Special Assessments		362,274		
1991/1992/1993 Environmental Bonds	9,754			
Total Capital Projects Funds	9,754	362,274		

NOTES TO FINANCIAL STATEMENTS (Continued)

5. INTERFUND RECEIVABLES AND PAYABLES (Continued)

	Due From Other Funds	Due To Other Funds	Due From Component Unit/ Primary Government	Due To Component Unit/ Primary Government
Enterprise Funds				
Water Supply System	\$235,278	\$613,660		
Sewage Disposal System	638,953	221,065		
Parking System			86,214	3,055,490
Golf Courses	11,141	954,262		
Airport	7,632	8,111		
Stormwater Sewer System	28,220	25,582		
Hydroelectric Power System		5,367		
<b>Total Enterprise Funds</b>	<b>921,224</b>	<b>1,828,047</b>	<b>86,214</b>	<b>3,055,490</b>
Internal Service Funds				
Central Stores	1,399			
Fleet Services	68,935	122,054		
Parks Service Headquarters		2,535		
Insurance	3,683,693		14,388	
<b>Total Internal Service Funds</b>	<b>3,754,027</b>	<b>124,589</b>	<b>14,388</b>	
Permanent Fund				
Elizabeth R. Dean Permanent Fund		32,380		
<b>Total Primary Government</b>	<b>8,847,404</b>	<b>8,847,404</b>	<b>249,078</b>	<b>3,055,490</b>
Component Units				
Downtown Development Authority			3,055,490	151,502
Ann Arbor Housing Commission				97,576
<b>Total Component Units</b>			<b>3,055,490</b>	<b>249,078</b>
<b>Total All Funds and Component Units</b>	<b>\$8,847,404</b>	<b>\$8,847,404</b>	<b>\$3,304,568</b>	<b>\$3,304,568</b>



NOTES TO FINANCIAL STATEMENTS (Continued)

5. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS (Concluded)

	<u>Transfer In</u>	<u>Transfer Out</u>
Interfund transfers		
General Fund	\$ 2,261,962	\$ 14,073,101
Major Streets	468,640	40,055
Local Streets	155,000	10,991
Water Supply System		25,000
Sewage Disposal System	25,000	5,862
Parking System		2,075,034
Golf Courses	131,498	131,718
Airport		7,949
Hydroelectric Power System	275,365	
Nonmajor governmental funds	14,087,960	1,002,381
Internal service funds		<u>33,334</u>
	<u>\$ 17,405,425</u>	<u>\$ 17,405,425</u>
Transfers from component units to primary government		
Parking System	\$ 4,453,668	
Downtown Development Authority		<u>4,453,668</u>
	<u>\$ 4,453,668</u>	<u>\$ 4,453,668</u>

6. PROPERTY TAXES

Each July 1st 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, 2001, as controlled by the Headlee Amendment, Act 415 and City Charter, is 6.0315 mills. Real and personal property located in the City as of December 31, 2000 were assessed and equalized at \$3,951,507,650, 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 2001 taxable value on March 1, 2002 was \$3,422,854,791. 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. The County pays all its municipalities from a revolving fund for delinquent real property taxes. Delinquent personal property taxes are negligible.

NOTES TO FINANCIAL STATEMENTS (Continued)

7. CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2002 was as follows:

	Balance, July 1, 2001, as restated	Additions	Retirements	Ending Balance June 30, 2002
<b>Governmental Activities</b>				
Non-Depreciable Assets:				
Land	\$18,500,233	\$73,000		\$18,573,233
Construction in progress	1,833,212	490,858	(1,374,661)	949,409
Depreciable Assets:				
Buildings	21,578,371	1,715,104	(18,261)	23,275,214
Leasehold improvements	453,561			453,561
Improvements other than buildings	2,498,336	1,441,331	(2,498,336)	1,441,331
Machinery, equipment and vehicles	26,367,124	3,426,532	(969,238)	28,824,418
Infrastructure	632,104,329	6,326,391		638,430,720
<b>Total at historical cost</b>	<b>703,335,166</b>	<b>13,473,216</b>	<b>(4,860,496)</b>	<b>711,947,886</b>
Less accumulated depreciation for:				
Buildings	(7,877,049)	(480,221)		(8,357,270)
Leasehold Improvements	(162,523)			(162,523)
Improvements other than buildings	(188,685)	99,097		(89,588)
Equipment and vehicles	(17,311,082)	(2,853,887)	928,371	(19,236,598)
Infrastructure	(77,292,657)	(4,105,683)		(81,398,340)
<b>Total accumulated depreciation</b>	<b>(102,831,996)</b>	<b>(7,340,694)</b>	<b>928,371</b>	<b>(109,244,319)</b>
<b>Governmental activities capital assets, net</b>	<b>\$600,503,170</b>	<b>\$6,132,522</b>	<b>(\$3,932,125)</b>	<b>\$602,703,567</b>
<b>Business-type Activities</b>				
Non-Depreciable Assets:				
Land	\$6,774,061	\$1,500		\$6,775,561
Construction in progress	63,610,932	8,728,888	(31,255,789)	41,084,031
Depreciable Assets:				
Buildings	121,425,373	9,096,795		130,522,168
Intangible Assets	8,981		(8,981)	
Improvements other than buildings	28,175,036	45,064,132	(27,815,235)	45,423,933
Machinery, equipment and vehicles	51,505,177	6,393,168	(338,699)	57,559,646
<b>Total at historical cost</b>	<b>271,499,560</b>	<b>69,284,483</b>	<b>(59,418,704)</b>	<b>281,365,339</b>

NOTES TO FINANCIAL STATEMENTS (Continued)

7. CHANGES IN CAPITAL ASSETS (Concluded)

	<b>Balance, July 1, 2001, as restated</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance June 30, 2002</b>
Less accumulated depreciation for:				
Intangible Assets	(8,981)		8,981	
Improvements other than buildings	(2,431,001)	(50,351,024)		(52,782,025)
Equipment and vehicles	(45,595,164)		24,796,711	(20,798,453)
Infrastructure				
<b>Total accumulated depreciation</b>	<b>(98,912,790)</b>	<b>(50,351,024)</b>	<b>40,803,959</b>	<b>(108,459,855)</b>
<b>Business-type activities capital assets, net</b>	<b>\$172,586,770</b>	<b>\$18,933,459</b>	<b>(\$18,614,745)</b>	<b>\$172,905,484</b>
<b>Depreciation expense was charged to governmental functions as follows:</b>				
General government				\$454,543
Public safety				779,433
Highways and streets				4,614,759
Solid waste				805,681
Culture and Recreation				572,362
Social services				3,703
Information services				95,371
Unallocated depreciation				14,840
				<u>14,840</u>
				<u><u>\$7,340,694</u></u>

NOTES TO FINANCIAL STATEMENTS (Continued)

8. LEASES

**Operating Lease Obligations Payable.** The City is the lessee of various properties (primarily office and storage space, as well as parking facilities) under operating leases for periods through 2009. The expenses and related revenues in connection with the leases are recorded in the General, Enterprise and Pension Trust Funds, as well as the Downtown Development Authority Component Unit. The total rent expense for fiscal year 2002 was \$884,223. The following is a table of future minimum noncancellable lease payments by the City:

2003	\$768,328
2004	278,335
2005	212,359
2006	208,712
2007	165,825
2008 and thereafter	<u>278,241</u>
Total	<u>\$1,911,800</u>

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

**Operating Lease Obligations Receivable.** The City is the lessor of various parking office and airport facilities under operating leases for periods through 2018. Revenues and the related expenses for these leases are recorded in the Enterprise and Pension Trust Funds and in the Downtown Development Authority Component Unit. The total rent revenue for fiscal year 2002 was \$304,031. The following is a table of future minimum noncancellable lease payments to the City:

2003	\$375,112
2004	378,712
2005	346,929
2006	263,607
2007	263,607
2008 and thereafter	<u>1,549,974</u>
Total	<u>\$3,177,941</u>

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

NOTES TO FINANCIAL STATEMENTS (Continued)

8. LEASES (Concluded)

**Capital Lease Obligations Payable.** The City has entered into certain lease agreements as lessee for financing the purchase of (primarily) various types of equipment, as well as several drain construction projects. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. The following is an analysis of the items recorded under capital leases as of June 30, 2002:

<u>Asset Type</u>	<u>Government Activities</u>	<u>Enterprise Fund</u>
Equipment	\$ 128,593	\$ 249,219
Drains	<u>2,705,017</u>	<u>1,524,516</u>
	2,833,610	1,773,735
Less: accumulated depreciation	<u>51,548</u>	<u>221,272</u>
Net book value	<u>\$2,782,062</u>	<u>\$1,552,463</u>

The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2002:

<u>Year Ending June 30</u>	<u>Government Activities Long-term Debt</u>	<u>Enterprise Fund</u>
2003	\$ 101,178	\$ 218,084
2004		168,560
2005		162,373
2006		156,008
2007		108,675
2008 and thereafter		<u>244,145</u>
Total minimum lease payments	<u>101,178</u>	<u>1,057,845</u>
Less: amount representing interest	<u>1,639</u>	<u>161,491</u>
Present value of future minimum lease payments	<u>\$ 99,539</u>	<u>\$ 896,354</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG-TERM OBLIGATIONS

The following is a summary of the governmental activities long-term debt obligations (including accrued compensated absences) of the City of the year ended June 30, 2002:

	Governmental Activities				Total Principal	Governmental Activities Accrued Compensated Absences	Total Governmental Activities Debt	Component
	Capital Projects Bonds	General Obligation Portion of Special Assessment Bonds	Special Assessment Bonds	Other Long-term Debt				Unit Downtown Development Authority Bonds
Bonds and other debt payable at July 1, 2001	\$19,245,000	\$1,055,000	\$2,550,000	\$1,535,511	\$24,385,511	\$16,410,102	\$40,795,613	\$4,751,677
Debt issued and other increases:								
Debt issued		290,000	525,000		815,000		815,000	4,925,000
Debt retired and other decreases:								
Decrease in accrued compensated absences						1,402,833	1,402,833	
Bond discounts		4,401	7,824		12,225		12,225	
Debt retired	1,475,000	95,000	345,000	659,622	2,574,622		2,574,622	580,328
Bonds and other debt payable at June 30, 2002	\$17,770,000	\$1,245,599	\$2,722,176	\$875,889	\$22,613,664	\$15,007,269	\$37,620,933	\$9,096,349

(Continued)

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG-TERM OBLIGATIONS (Continued)

The following is a summary of the business-type long-term debt (including accrued compensated absences in proprietary funds) transactions of the City for the year ended June 30, 2002:

	Business-Type Activities						Total Proprietary Fund Type Debt
	Ann Arbor Building Authority Bonds	Lease Contract Payable	Revenue Bonds	Other Long-Term Debt	Other Bonds	Accrued Compensated Absences	
Bonds and other debt payable at July 1, 2001	\$30,795,000	\$1,600,000	\$44,285,000	\$481,034	\$4,463,323	\$2,314,867	\$83,939,224
Debt issued and other increases:							
Debt issued	3,600,000		5,210,000	582,028			9,392,028
Debt retired and other decreases:							
Decrease in accrued compensated absences						197,303	197,303
Debt retired	1,355,000	400,000	3,640,000	166,707	524,672		6,086,379
Bonds and other debt payable at June 30, 2002	\$33,040,000	\$1,200,000	\$45,855,000	\$896,355	\$3,938,651	\$2,117,564	\$87,047,570

(Continued)

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG-TERM OBLIGATIONS (Continued)

General Obligation Bonds are collateralized by the full faith and credit of the City; Other Long-Term Debt is collateralized by the revenues of the related funds or the full faith and credit of the City or General Fund appropriations. General Obligation Bonds' requirements will be met primarily through the debt service property tax levy. Special Assessment Bonds are serviced by the underlying special assessments. The Special Assessment Bonds are backed by the full faith and credit of the City to the extent that liens foreclosed against property involved in the special assessment districts are insufficient to retire the outstanding bonds.

Other obligations are as follows: Lease Contract Payable is to Washtenaw County for sewage system improvements and is serviced by the Sewage Disposal system. Revenue Bonds are serviced by the Water Supply System (\$35,015,000) in bond principal at June 30, 2002; Sewage Disposal System (\$9,970,000) and Stormwater Disposal System (\$870,000). Other Long-Term Debt includes various long-term obligations (notes and contracts) paid from general operations and other sources.

Other Bonds will be serviced from the revenues of the Hydroelectric Power System (\$1,260,000) in bond principal at June 30, 2002 and the Downtown Development Authority for the Parking System (\$2,678,651). Housing Commission debt consists of notes payable to the Department of Housing and Urban Development (HUD) which are periodically refinanced by HUD. Various limitations and restrictions are contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

In fiscal year 1999, the City defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the defeased bonds. This advance refunding met the requirements of an in-substance debt defeasance. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. The balance of the defeased bonds outstanding was \$12,945,000 at June 30, 2002.



NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG TERM OBLIGATIONS (Continued)

Below is a summary of general long-term debt (with various issue dates) and annual debt service requirements as of June 30, 2002:

Governmental Activities Debt									
Fiscal Year Ending	Capital Projects Bonds	General Obligation Portion of Special Assessment Bonds	Special Assessment Bonds	Other Long-term Debt	Total Governmental Activities Debt Principal	Total Governmental Activities Debt Interest	Total Governmental Activities Debt Requirements	Downtown Development Authority Bonds Principal	Downtown Development Authority Bonds Interest
2003	\$1,590,000	\$100,000	\$395,000	\$415,639	\$2,500,639	\$968,334	\$3,468,973	\$835,309	318,360
2004	1,665,000	125,000	405,000	316,100	2,511,100	864,512	3,375,612	832,976	317,239
2005	1,755,000	130,000	400,000	96,100	2,381,100	752,649	3,133,749	1,028,614	281,821
2006	1,820,000	135,000	365,000	48,050	2,368,050	643,262	3,011,312	1,085,947	241,554
2007	1,885,000	140,000	360,000		2,385,000	533,336	2,918,336	1,120,613	199,327
2008	1,925,000	75,000	125,000		2,125,000	429,917	2,554,917	1,157,946	154,672
2009	1,955,000	75,000	125,000		2,155,000	333,908	2,488,908	1,199,944	107,213
2010	1,960,000	80,000	125,000		2,165,000	238,345	2,403,345	575,000	72,825
2011	1,965,000	80,000	120,000		2,165,000	143,809	2,308,809	610,000	50,400
2012	625,000	80,000	90,000		795,000	76,843	871,843	650,000	26,000
2013	625,000	80,000	80,000		785,000	37,417	822,417		
2014		80,000	80,000		160,000	13,935	173,935		
2015		20,000	25,000		45,000	5,975	50,975		
2016		25,000	20,000		45,000	3,950	48,950		
2017		25,000	15,000		40,000	1,880	41,880		
	<u>\$17,770,000</u>	<u>\$1,250,000</u>	<u>\$2,730,000</u>	<u>\$875,889</u>	<u>\$22,625,889</u>	<u>\$5,048,069</u>	<u>\$27,673,958</u>	<u>\$9,096,349</u>	<u>\$1,769,409</u>
Interest Ranges	3.750 - 6.25%	4.750 - 6.25%	4.750 - 7.150%	3.250 - 12.02%				3.600 - 6.85%	

NOTES TO FINANCIAL STATEMENTS (Continued)

9. LONG TERM OBLIGATIONS (Concluded)

Below is a summary of the business-type activity and component unit debt (with various issue dates) and annual debt service requirements as of June 30, 2002:

Fiscal Year Ending	Enterprise Funds					Total Enterprise Fund Principal Requirements	Total Enterprise Fund Interest Requirements	Total Enterprise Fund Requirements
	Ann Arbor Building Authority Bonds	Lease Contract Payable	Revenue Bonds	Other Long-Term Debt	Other Bonds			
2003	\$1,535,000	\$400,000	\$3,645,000	\$175,399	\$669,691	\$6,425,090	\$3,981,129	\$10,406,219
2004	1,605,000	400,000	3,695,000	134,681	682,024	6,516,705	3,640,786	10,157,491
2005	1,680,000	400,000	3,840,000	135,286	551,386	6,606,672	3,341,732	9,948,404
2006	1,755,000		3,980,000	135,922	554,053	6,424,975	3,045,075	9,470,050
2007	1,830,000		4,150,000	95,067	559,387	6,634,454	2,738,365	9,372,819
2008	1,795,000		4,305,000	55,000	562,054	6,717,054	2,440,939	9,157,993
2009	1,705,000		3,960,000	55,000	360,056	6,080,056	2,138,671	8,218,727
2010	1,785,000		3,900,000	55,000		5,740,000	1,849,800	7,589,800
2011	1,870,000		4,045,000	55,000		5,970,000	1,560,544	7,530,544
2012	1,940,000		3,465,000			5,405,000	1,278,238	6,683,238
2013	2,010,000		3,410,000			5,420,000	1,011,270	6,431,270
2014	2,080,000		1,410,000			3,490,000	781,663	4,271,663
2015	2,150,000		675,000			2,825,000	633,602	3,458,602
2016	2,120,000		675,000			2,795,000	495,127	3,290,127
2017	2,190,000		700,000			2,890,000	352,044	3,242,044
2018	1,665,000					1,665,000	240,036	1,905,036
2019	1,720,000					1,720,000	148,723	1,868,723
2020	1,070,000					1,070,000	66,516	1,136,516
2021	260,000					260,000	22,417	282,417
2022	275,000					275,000	9,167	284,167
	<u>\$33,040,000</u>	<u>\$1,200,000</u>	<u>\$45,855,000</u>	<u>\$896,355</u>	<u>\$3,938,651</u>	<u>\$84,930,006</u>	<u>\$29,775,844</u>	<u>\$114,705,850</u>

Interest Ranges	3.700 - 6.200%	5.000 - 5.90%	3.300 - 7.375%	4.400 - 6.80%	3.25- 6.80%
-----------------	----------------	---------------	----------------	---------------	-------------

NOTES TO FINANCIAL STATEMENTS (Continued)

10. RESIDUAL EQUITY TRANSFERS

A reconciliation of the residual equity transfers is as follows:

	Transfers Out	Transfers In
	<u>                    </u>	<u>                    </u>
Capital Projects Funds		
Special Assessments	\$50,909	\$
	<u>                    </u>	<u>                    </u>
Total Capital Project Funds	50,909	
	<u>                    </u>	<u>                    </u>
Enterprise Funds		
Sewage Disposal System		50,909
	<u>                    </u>	<u>                    </u>
Total Enterprise Funds		50,909
	<u>                    </u>	<u>                    </u>
Total Residual Equity Transfers	<u>\$50,909</u>	<u>\$50,909</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

11. 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 an Insurance Fund (an Internal Service Fund) to account for and finance its uninsured risk of loss. Under this program, the Insurance Fund currently provides coverage for up to a maximum of \$300,000 for each worker's compensation claim; \$1,000,000 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 Fund. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

All funds of the City participate in the insurance program and make payments to the Insurance Fund based on estimates of the amounts needed to pay prior and current-year claims and to establish a reserve for Incurred But Not Reported (IBNR) losses. The IBNR reserve was \$2,955,477 at June 30, 2002 and is included in Estimated Claims Payable. The total Estimated Claims Payable of \$5,202,689 is reflected in the Insurance fund at June 30, 2002. 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 in fiscal years 2000, 2001, and 2002 are summarized below:

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year End</u>
2000	\$3,504,370	\$4,840,265	\$(4,467,074)	\$3,877,561
2001	3,877,561	5,448,161	(4,851,279)	4,474,443
2002	4,474,443	6,710,811	(5,982,565)	5,202,689

12. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all permanent City employees, permits each to defer a portion of their salary until future years. The deferred compensation is not available for distribution to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights, are held in trust, with the City serving as trustee, for the exclusive benefit of the plan participants and their beneficiaries. The assets shall not be diverted to any other purpose. All provisions of the plan, and the trust, are in conformance with Internal Revenue Code Section 457.

The plan's funds are excluded from the financial statements in conformance with the reporting and disclosure requirements in GASB Statement Number 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### 13. POST RETIREMENT BENEFITS

In addition to providing pension benefits, the City provides certain health care and life insurance benefits for retired employees. 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 by either a health maintenance organization or through an administrative service contract under which the City reimburses the administrator for claims paid plus an administration fee. Life and health insurance premiums are based on the forecasted benefits to be paid. The City records the cost of providing these benefits as expenses when paid. The costs of providing these benefits for 705 retirees for the year ending June 30, 2002 was estimated at \$3,753,020.

The City and the Retirement System Board entered into an agreement allowed under Michigan statutes, Act 28 for reimbursement of current health care premiums for retirees and the Pension System reimbursed the Insurance Fund for 2001-2002 retirees health care costs of \$3,753,020. Act 28 allows the Pension System to pay current retiree health care benefits from investment earnings on employer assets in excess of the actuarial rate of return.

This agreement between the City and Retirement System Board allows amounts designated from the Pension and Benefit tax levy and budgeted in operating departments for payment of health and life insurance premiums to be transferred to a VEBA Trust. The Trust was established by the City to accumulate funds for the future payment of retiree health and life insurance costs. The agreement will continue for up to ten years and allows for a maximum contribution to the VEBA Trust until it is fully funded.

### 14. RETIREMENT COMMITMENTS

**Plan Description.** 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 includes financial statements and required supplementary information for the plan. That report may be obtained by writing to City of Ann Arbor Employees' Retirement System, 301 E. Liberty St., Suite 680, Ann Arbor, Michigan, 48104 or by calling 734-994-4590.

#### **Summary of Significant Accounting Policies**

Basis of Accounting. CAAERS' financial statements are prepared using the accrual basis of accounting. Plan member and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market price are reported at estimated fair value. There are no concentrations where investments are five percent or more of the net plan assets.

Funding Policy. The contribution requirements of plan members are established and may be amended by the City Council. Plan members are required to contribute 5% of annual compensation. The City is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2002, was 0.00% of annual covered payroll. Administrative costs of CAAERS are financed through investment earnings.

NOTES TO FINANCIAL STATEMENTS (Continued)

14. RETIREMENT COMMITMENTS (Concluded)

**Annual Pension Cost and Net Pension Obligation.** The City's annual pension cost and net pension obligation to CAAERS for the current year were as follows (dollar amounts in thousands):

Annual required contribution	\$ _____
Annual Pension Cost	_____
Contributions made	_____
Net pension obligation beginning of year	_____
Net pension obligation end of year	\$ _____

The annual required contribution for the current year was determined as part of the June 30, 2002, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.0% rate of return (net of administrative expenses) and (b) projected salary increases of 4.0% to 6.5% per year. Both (a) and (b) included an inflation component of 4.0%. The assumptions did not include postretirement benefit increases which are funded as a pay-as-you-go basis through City Council appropriation. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. There is no unfunded actuarial accrued liability to be amortized. The excess is amortized over fifteen years and used as a credit against the normal cost.

NOTES TO FINANCIAL STATEMENTS (Continued)

15. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

Information related to the City's eight Enterprise Funds for the year ended June 30, 2002 is presented below:

	Water Supply System	Sewage Disposal System	Parking System	Market	Golf Courses	Airport	Stormwater Sewer System	Hydroelectric Power System	Total
Operating revenues	\$17,437,552	\$16,111,883	\$2,504,066	\$74,926	\$1,282,804	\$703,886	\$2,421,378	\$308,471	\$40,844,966
Depreciation and amortization	1,599,981	3,550,887	720,093	8,323	113,894	46,701	91,263	240,889	6,372,031
Operating income (loss)	5,881,992	2,413,246	504,953	(22,076)	(67,697)	64,357	748,426	(65,351)	9,457,850
Operating transfers in		25,000			131,498			275,365	431,863
Operating transfers out	(25,000)	(5,862)	(2,075,034)		(131,718)	(7,949)			(2,245,563)
Operating transfers in from component unit			4,453,668						4,453,668
Change in Net Assets	4,532,306	2,632,872	1,509,556	576	(152,588)	73,172	734,359	211,030	9,541,283
Net working capital (deficit)	7,004,554	9,867,864	2,274,632	491,877	(629,463)	362,176	1,002,472	1,103,991	21,478,103
Property, plant, and equipment additions	2,596,183	2,828,175	3,427,838		62,028	54,775	1,126,457	109,502	10,204,958
Total assets	83,048,198	78,287,952	61,824,357	802,000	3,566,332	1,554,890	5,390,221	3,772,525	238,246,475
Bonds and other long-term liabilities:									
Payable from operating revenues	35,015,000	11,170,000	2,678,651		44,985		1,545,972	1,260,000	51,714,608
Payable from other sources			31,810,000		1,230,000				33,040,000
Net Assets	42,792,554	58,095,546	23,269,780	791,401	1,100,980	1,403,704	3,128,490	2,041,259	132,623,714

16. BUILDING DEPARTMENT

In accordance with State of Michigan, Act 245, State Construction Code Act, the City is disclosing revenue and expenditures for the City's Building Department. For the year ended June 30, 2002, revenues generated by the Building Department were \$1,782,095 and expenditures were \$2,633,457, including \$753,755 in overhead costs. The excess of expenditures over revenue is \$851,362. In the prior year, the General Fund reserve for the Building Department was \$662,281. For the current year, this balance is reduced by \$851,362 to eliminate the reserve. The Building Department revenues are only intended to cover the costs associated with operating the Building Department.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### 17. 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 and Risk Manager, 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.

In the early 1990s, the City has been cited by the Michigan Department of Environmental Quality (MDEQ) for violating environmental regulations at the closed Ann Arbor landfill. The City is in the process of taking remedial action to comply with MDEQ requirements. As part of these requirements, the City has posted a \$1,000,000 letter of credit to ensure compliance with the landfill cleanup regulations. An onsite and (interim) offsite Remedial Action Plan (RAP) has been approved by the MDEQ and has been implemented. This implementation includes a slurry wall almost two miles in length enclosing most of the landfill; the wall is now constructed. A consultant has completed the City's final offsite RAP. Capital costs associated with the landfill cleanup are funded by a series of voter-approved bonds totaling \$28,000,000. Operating and maintenance costs for the closed landfill are immaterial.

Therefore, no liability has been accrued in the Statement of Net Assets. 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.

### 18. RESTATEMENTS

As of and for the year ended June 30, 2002, the City implemented the following Governmental Accounting Standards Board pronouncements:

#### **Statements**

- No. 34- *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*
- No. 36- *Recipient Reporting for Certain Shared Nonexchange Revenues- An Amendment of GASB No. 33*
- No. 37- *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments: Omnibus*
- No. 38- *Certain Financial Statement Note Disclosures*

#### **Interpretation**

- No. 6- *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

The above pronouncements are all related to the new financial reporting requirements for all state and local governments. These pronouncements are scheduled for a phased implementation (based on the size of the government) through fiscal years ending in 2005. The City of Ann Arbor is required to implement the new standards no later than this fiscal year ending June 30, 2002.



NOTES TO FINANCIAL STATEMENTS (Continued)

18. RESTATEMENTS (Concluded)

The most significant changes required by the new standards are as follows:

- Management's discussion and analysis;
- Basic financial statements that include:
  - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
  - Fund financial statements, consisting of a series of statements that focus on a government's major governmental funds and enterprise funds;
  - Schedules to reconcile the fund financial statements to the government-wide financial statements;
  - Notes to the basic financial statements
- Required supplementary information, including certain budgetary schedules.

In addition, the City changed its method of depreciation during the fiscal year with the acquisition of a new fixed asset system. This change is reflected on the Statement of Revenues, Expenses, and Changes in Fund Net Assets for the Proprietary Fund types.

19. ADJUSTMENTS

Following is an explanation of the adjustments between the governmental funds balance sheet and the component-wide statement of net assets, which reconciles fund balances to net assets for June 30, 2001.

Fund balances of governmental funds	\$ 53,913,271
-------------------------------------	---------------

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

Capital assets net of depreciation have not been included as Financial resources in governmental funds activity.	596,713,680
---	-------------

Long-term debt and compensated absences from the general Long Term Debt Account Group that have not been included in the governmental fund activity.

Bonds Payable	(24,295,521)
Compensated absences	(15,055,473)

Accrued interest payable for the current portion of interest due on bonds has not been Reported in the governmental funds.	(395,193)
---	-----------

Internal service funds are used by management to charge the costs of certain activities, Such as equipment management and self-insurance, to individual funds. The assets and Liabilities of the internal service funds must be added to the statement of net assets.	7,105,649
---	-----------

Net assets of governmental activities	\$ 617,986,413
---------------------------------------	----------------

# Other Required Supplemental Information

CITY OF ANN ARBOR  
FISCAL YEAR END  
JUNE 30, 2002  
(CAFR)

## GENERAL FUND

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

## SPECIAL REVENUE FUNDS

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.

CITY OF ANN ARBOR  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. BUDGETS AND BUDGETARY ACCOUNTING

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

1. 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 revenue. Targets are established based on anticipated revenues and growth in expenditures.
2. In late November, each department is given a "bottom line" amount for operations. The department then determines the best way to allocate funds among expenses to remain within the target while meeting the assigned goals.
3. 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.
4. 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.
5. After the budget has been adopted, City Council may amend the budget by a concurring vote of not fewer than eight members of City Council.

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. The amount of \$2,973,191 was made in fiscal 2002 for supplemental appropriations. Budgets are prepared in accordance with Generally Accepted Accounting Principles 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 any department must be approved by City Council. For budgeting 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 reported as reservations of fund balances at year-end. 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.

2. EXPENDITURES IN EXCESS OF APPROPRIATIONS

Expenditures exceeded appropriations in the following categories:

	Budget	Actual	Negative Variance
General Fund:			
Finance	\$ 2,677,290	\$ 2,684,324	\$ 7,034
Planning	743,930	755,769	11,839
Engineering	2,007,376	2,086,922	79,546
Pension and Social Security	3,237,518	3,523,179	285,661
Fire department	10,774,931	11,323,225	548,294
District court	2,941,014	2,971,281	30,267
Parks and recreation	6,520,562	6,711,046	190,484
Historic district commission	38,503	39,530	1,027

General Fund:

Finance \$7,304

This deficit was primarily attributable to higher than anticipated severance costs associated with the City's special retirement window.

Planning \$11,839

This deficit was primarily attributable to higher than anticipated severance costs associated with the City's special retirement window.

Engineering \$79,546

This deficit was primarily attributable to higher than anticipated severance costs associated with the City's special retirement window.

2. EXPENDITURES IN EXCESS OF APPROPRIATIONS (Concluded)

Pension and Social Security                      \$285,661

Actual social security budgeted within departments was under budget. The deficit of the VEBA Trust transfer is offset by this surplus in the departmental social security accounts. This surplus is required by agreement to distribute back in full to the VEBA Trust.

Fire Department    \$548,294

This deficit was partially attributable to higher than anticipated severance costs associated with the City's special retirement window. In addition, numerous vacancies left by the retirement window caused increases in overtime paid.

District Court    \$30,267

This deficit was primarily attributable to higher than anticipated severance costs associated with the City's special retirement window.

Parks and Recreation                                      \$190,484

This deficit was attributable to higher than anticipated severance costs associated with the City's special retirement window; and higher than anticipated temporary employee salary costs.

Historic District Commission                              \$1,027

This deficit was primarily attributable to higher than anticipated temporary employee salary costs.

CITY OF ANN ARBOR  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 For the Year Ended June 30, 2002

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (negative)
Revenues:				
Taxes:				
General operations	\$20,335,873	\$20,335,873	\$20,296,534	(\$39,339)
Transportation (AATA)	7,173,103	7,173,103	7,159,227	(13,876)
Parks	4,820,392	4,820,392	4,810,395	(9,997)
Refuse collection	8,607,724	8,607,724	8,591,072	(16,652)
Employee benefits	7,173,103	7,173,103	7,159,227	(13,876)
Street resurfacing	6,671,407	6,671,407	6,658,165	(13,242)
Interest, penalties, payments in lieu of taxes and excess of roll	488,000	488,000	419,575	(68,425)
Total taxes	<u>55,269,602</u>	<u>55,269,602</u>	<u>55,094,195</u>	<u>(175,407)</u>
Licenses, permits and registrations	<u>2,634,730</u>	<u>2,635,358</u>	<u>2,856,377</u>	<u>221,019</u>
Federal grants	<u>92,665</u>	<u>95,642</u>	<u>131,043</u>	<u>35,401</u>
State shared revenues and grants	<u>14,615,168</u>	<u>14,733,296</u>	<u>14,518,898</u>	<u>(214,398)</u>
Charges for services:				
Police department	777,523	777,523	654,438	(123,085)
Fire department	1,006,893	1,006,893	944,322	(62,571)
Ann Arbor Transportation Authority	71,731	71,731	71,760	29
Construction overhead	1,121,000	1,121,000	1,115,967	(5,033)
Central services	440,000	440,000	403,602	(36,398)
Recreation facilities	1,845,764	1,845,764	1,829,746	(16,018)
Cemetery	3,000	3,000	5,805	2,805
Fleet services	5,000	5,000	3,385	(1,615)
Landfill	203,000	203,000	239,806	36,806
Miscellaneous	322,000	322,000	480,345	158,345
Total charges for services	<u>5,795,911</u>	<u>5,795,911</u>	<u>5,749,176</u>	<u>(46,735)</u>

(Continued)

CITY OF ANN ARBOR  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 For the Year Ended June 30, 2002

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (negative)
Revenues (Concluded):				
Fines and forfeits:				
Standing violations	\$3,079,304	\$3,079,304	\$2,626,222	(\$453,082)
District court	3,143,020	3,143,020	2,502,604	(640,416)
Total fines and forfeits	6,222,324	6,222,324	5,128,826	(1,093,498)
Investment income	1,240,000	1,240,000	875,209	(364,791)
Rentals	3,145	3,145	7,645	4,500
Miscellaneous revenue:				
Sale of property and equipment	10,550	10,550	14,142	3,592
Other	105,300	183,619	233,450	49,831
Total miscellaneous revenue	115,850	194,169	247,592	53,423
Total Revenues	85,989,395	86,189,447	84,608,961	(1,580,486)
Expenditures:				
General government:				
Mayor and Council	215,639	217,151	188,159	28,992
Administration	585,369	597,999	570,458	27,541
Human resources	1,287,290	1,332,572	1,246,057	86,515
Administrative services	2,110,272	2,162,115	2,082,559	79,556
Attorney	1,062,993	1,250,946	1,117,130	133,816
Clerk/Elections	581,716	591,659	541,088	50,571
Finance	2,623,849	2,677,290	2,684,324	(7,034)
Environmental Coordinaton Services	150,437	160,205	154,146	6,059
Planning	732,165	743,930	755,769	(11,839)
Engineering	1,947,133	2,007,376	2,086,922	(79,546)
Information technology services	2,032,023	2,071,658	1,952,766	118,892
Pension and social security	2,746,025	3,237,518	3,523,179	(285,661)
Insurance	275,728	275,728	275,728	
Miscellaneous	532,926	485,026	405,544	79,482
Municipal service charge	(3,040,309)	(3,040,309)	(3,040,309)	
Total general government expenditures	13,843,256	14,770,864	14,543,520	227,344

(Continued)



CITY OF ANN ARBOR  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 For the Year Ended June 30, 2002

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (negative)
Expenditures (Concluded):				
Public safety and justice:				
Police department	\$19,288,535	\$20,316,395	\$20,103,286	\$213,109
Fire department	10,438,542	10,774,931	11,323,225	(548,294)
District court	2,891,436	2,941,014	2,971,281	(30,267)
Building department	2,309,949	2,362,663	2,229,316	133,347
Total public safety and justice expenditures	<u>34,928,462</u>	<u>36,395,003</u>	<u>36,627,108</u>	<u>(232,105)</u>
Highway and streets:				
Street lights	1,655,774	1,655,774	1,378,262	277,512
Transportation	367,502	367,502	354,476	13,026
Total highway and streets expenditures	<u>2,023,276</u>	<u>2,023,276</u>	<u>1,732,738</u>	<u>290,538</u>
Social services:				
Transfers to other agencies	1,568,979	1,575,337	1,419,649	155,688
Other	412,791	436,095	344,513	91,582
Total social services expenditures	<u>1,981,770</u>	<u>2,011,432</u>	<u>1,764,162</u>	<u>247,270</u>
Culture and recreation:				
Parks and recreation	6,420,614	6,520,562	6,711,046	(190,484)
Historic district commission	38,503	38,503	39,530	(1,027)
Total culture and recreation expenditures	<u>6,459,117</u>	<u>6,559,065</u>	<u>6,750,576</u>	<u>(191,511)</u>
Other:				
Public transportation	7,184,626	7,184,626	7,137,843	46,783
Solid waste	6,840,577	7,273,977	6,745,547	528,430
Total other expenditures	<u>14,025,203</u>	<u>14,458,603</u>	<u>13,883,390</u>	<u>575,213</u>
Total Expenditures	<u>73,261,084</u>	<u>76,218,243</u>	<u>75,301,494</u>	<u>916,749</u>
Excess of Revenues over Expenditures	<u>12,728,311</u>	<u>9,971,204</u>	<u>9,307,467</u>	<u>(663,737)</u>

(Continued)

CITY OF ANN ARBOR  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 For the Year Ended June 30, 2002

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (negative)
Other Financing Sources (Uses):				
Operating transfers in	\$919,460	\$1,376,460	\$2,261,962	\$885,502
Operating transfers out	(14,414,327)	(14,430,359)	(14,073,101)	357,258
Total Other Financing Sources (Uses)	<u>(13,494,867)</u>	<u>(13,053,899)</u>	<u>(11,811,139)</u>	<u>1,242,760</u>
Deficiency of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	(766,556)	(3,082,695)	(2,503,672)	579,023
Fund Balance - July 1, 2001	<u>766,556</u>	<u>3,082,695</u>	<u>10,121,086</u>	<u>7,038,391</u>
Fund Balance - June 30, 2002	<u>\$</u>	<u>\$</u>	<u>\$7,617,414</u>	<u>\$7,617,414</u>

CITY OF ANN ARBOR  
 BUDGETARY COMPARISON SCHEDULE  
 MAJOR STREET FUND  
 For the Year Ended June 30, 2002

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (negative)
<b>Revenues:</b>				
State shared revenues and grants	\$5,345,500	\$5,345,500	\$5,549,255	\$203,755
Charges for services	3,000	3,000	1,822	(1,178)
Investment income	100,000	100,000	209,996	109,996
Intra-governmental sales	13,230	13,230	83,826	70,596
Miscellaneous	10,000	10,000	3,702	(6,298)
<b>Total Revenues</b>	<b>5,471,730</b>	<b>5,471,730</b>	<b>5,848,601</b>	<b>376,871</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Street repair and maintenance	5,442,791	5,567,672	4,431,153	1,136,519
Capital outlay	147,600	97,600	28,978	68,622
<b>Total Expenditures</b>	<b>5,590,391</b>	<b>5,665,272</b>	<b>4,460,131</b>	<b>1,205,141</b>
<b>Excess of Revenues over (under) Expenditures</b>	<b>(118,661)</b>	<b>(193,542)</b>	<b>1,388,470</b>	<b>1,582,012</b>
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	441,716	441,716	468,640	26,924
Operating transfers out	(323,055)	(323,055)	(40,055)	283,000
<b>Total Other Financing Sources (Uses)</b>	<b>118,661</b>	<b>118,661</b>	<b>428,585</b>	<b>309,924</b>
<b>Excess of Revenues and Other Sources over (under) Expenditures and Other Financing Uses</b>		<b>(74,881)</b>	<b>1,817,055</b>	<b>1,891,936</b>
<b>Fund Balances - July 1, 2001</b>		<b>74,881</b>	<b>3,994,485</b>	<b>3,919,604</b>
<b>Fund Balances - June 30, 2002</b>	<b>\$</b>	<b>\$</b>	<b>\$5,811,540</b>	<b>\$5,811,540</b>

CITY OF ANN ARBOR  
 BUDGETARY COMPARISON SCHEDULE  
 LOCAL STREET FUND  
 For the Year Ended June 30, 2002

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (negative)
<b>Revenues:</b>				
State shared revenues and grants	\$1,410,987	\$1,410,987	\$1,551,623	\$140,636
Investment income	45,000	45,000	66,785	21,785
<b>Total Revenues</b>	<b>1,455,987</b>	<b>1,455,987</b>	<b>1,618,408</b>	<b>162,421</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Street repair and maintenance	1,510,472	1,517,014	1,258,929	258,085
Capital outlay	257,500	221,500	10,648	210,852
<b>Total Expenditures</b>	<b>1,767,972</b>	<b>1,738,514</b>	<b>1,269,577</b>	<b>468,937</b>
<b>Excess of Revenues over (under) Expenditures</b>	<b>(311,985)</b>	<b>(282,527)</b>	<b>348,831</b>	<b>631,358</b>
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	230,000	230,000	155,000	(75,000)
Operating transfers out	(10,991)	(42,991)	(10,991)	32,000
<b>Total Other Financing Sources (Uses)</b>	<b>219,009</b>	<b>187,009</b>	<b>144,009</b>	<b>(43,000)</b>
<b>Excess of Revenues and Other Sources over (under) Expenditures and Other Financing Uses</b>	<b>(92,976)</b>	<b>(95,518)</b>	<b>492,840</b>	<b>588,358</b>
<b>Fund Balances - July 1, 2001</b>	<b>92,976</b>	<b>95,518</b>	<b>1,070,375</b>	<b>974,857</b>
<b>Fund Balances - June 30, 2002</b>	<b>\$</b>	<b>\$</b>	<b>\$1,563,215</b>	<b>\$1,563,215</b>

CITY OF ANN ARBOR  
EMPLOYEES' RETIREMENT SYSTEM  
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

(amounts expressed in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) AAL [UAAL (OAAL)] (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (OAAL) as a Percentage of Covered Payroll [(b-a)/c]
6/30/02	\$426,440	\$336,340	(\$90,100)	126.8%	\$46,744	-192.8%
6/30/01	425,538	304,349	(121,189)	139.8%	47,449	-255.4%
6/30/00	407,468	258,286	(149,182)	157.8%	44,092	-338.3%
6/30/99	377,462	249,242	(128,220)	151.4%	43,621	-293.9%
6/30/98	290,178	226,727	(63,451)	128.0%	42,419	-149.6%
6/30/97	262,191	218,339	(43,852)	120.1%	41,257	-106.3%

CITY OF ANN ARBOR  
EMPLOYEES' RETIREMENT SYSTEM  
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

(amounts expressed in thousands)

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contribution</u>
2002	\$0	100%
2001	0	100%
2000	1,316	100%
1999	2,653	100%
1998	3,143	100%
1997	3,038	100%

# Combining Statements

CITY OF ANN ARBOR  
FISCAL YEAR END  
JUNE 30, 2002  
(CAFR)

## NON-MAJOR SPECIAL REVENUE FUNDS

Community Development - to account for funds received from the federal government for the City's Community Development Block Grant and HOME grant programs.

Leslie Homestead - to account for the proceeds from an estate used to maintain the Leslie Homestead which consists of a historic home and laboratories.

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

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.

Street Repair Millage - to account for the proceeds of a special millage to repair streets.

Solid Waste - to account for various landfill-related projects.

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

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

Parks Acquisition and Development Programs - to account for funds derived from property tax millages earmarked for parks acquisition and development.

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

Special Projects - to account for various Information Services projects.

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

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

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

Federal Equitable Sharing Forfeitures- 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.

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

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

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

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



#### NON-MAJOR DEBT SERVICE FUNDS

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

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

#### NON-MAJOR CAPITAL PROJECTS FUNDS

1991/1992/1993 Environmental Bonds - to account for bond proceeds and related revenues expended for improvements to the City's landfill.

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

Maintenance Facility Construction - to account for revenues expended for the construction of a new vehicle maintenance facility.

2000 Michigan Transportation – to account for the related expenditures for the replacement of the existing two Broadway Bridges.

Special Assessments – to account for bond proceeds and related revenues expended for various public improvements financed in part by assessments against benefited properties.

#### NON-MAJOR 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  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
June 30, 2002

	Special Revenue								
	Community Development	Leslie Homestead	Affordable Housing	Community Television Network	Street Repair Millage	Solid Waste	Drug Enforcement	Michigan Justice Training	Parks Acquisition & Development Programs
<b>ASSETS</b>									
Cash	\$327,081	\$14,927	\$691	\$120	\$13,905	\$	\$	\$30	\$30,900
Equity in pooled cash and investments			432,349	1,415,006	13,451,951	4,419,038	33,468	72,879	6,338,760
Investments, at fair value						149,299			
Receivables:									
Accounts		335		72,681	59,239				35
Special assessments									
Accrued interest and dividends									
Improvement charges									
Loans	857,703								
Unbilled district costs									
Less: Allowance for uncollectibles		(85)			(53,557)				
Due from other funds	3,269	45,047		429	121,048				81,073
Due from other governments	834,055								
Inventory		2,567							
<b>Total Assets</b>	<b>\$2,022,108</b>	<b>\$62,791</b>	<b>\$433,040</b>	<b>\$1,488,236</b>	<b>\$13,592,586</b>	<b>\$4,568,337</b>	<b>\$33,468</b>	<b>\$72,909</b>	<b>\$6,450,768</b>
<b>LIABILITIES AND FUND BALANCES</b>									
<b>Liabilities:</b>									
Accounts payable	\$234,495	\$2,061		\$37,528	\$1,222,654		\$6,545	\$1,289	\$355,551
Accrued liabilities	11,065	6,918		16,534	26,052				40,200
Due to other funds	911,430	47,268			30,594	426,671			22,449
Due to other governments					4,880				
Deposits				10,000			4,189		
Deferred revenue	857,703								
Accrued compensated absences	5,723	2,031		5,821	400				12,002
<b>Total Liabilities</b>	<b>2,020,416</b>	<b>58,278</b>		<b>69,883</b>	<b>1,284,580</b>	<b>426,671</b>	<b>10,734</b>	<b>1,289</b>	<b>430,202</b>
<b>Fund Balances:</b>									
Reserved for encumbrances					3,889,367				847,300
Reserved for landfill						149,299			
Reserved for endowment									
Reserved for inventory		2,567							
Reserved for debt service									
Reserved for Material Recovery Facility equipment replacement						463,530			
Reserved for recycling vehicle replacement						1,383,294			
Reserved for Material Recovery Facility capital repair						77,088			
Reserved for compost equipment						302,757			
Reserved for radio equipment						86,192			
Reserved for groundwater monitoring						225,522			
Unreserved balances:									
Designated for subsequent year's expenditures			367,500	221,500		410,109	22,734	4,669	1,371,965
Designated for information services projects									
Designated for capital improvements									
Undesignated	1,692	1,946	65,540	1,196,853	8,418,639	1,043,875		66,951	3,801,301
<b>Total Fund Balances</b>	<b>1,692</b>	<b>4,513</b>	<b>433,040</b>	<b>1,418,353</b>	<b>12,308,006</b>	<b>4,141,666</b>	<b>22,734</b>	<b>71,620</b>	<b>6,020,566</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$2,022,108</b>	<b>\$62,791</b>	<b>\$433,040</b>	<b>\$1,488,236</b>	<b>\$13,592,586</b>	<b>\$4,568,337</b>	<b>\$33,468</b>	<b>\$72,909</b>	<b>\$6,450,768</b>

(continued)

CITY OF ANN ARBOR  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
June 30, 2002  
(continued)

Special Revenue

	Special Assistance	Special Projects	Court Facilities	Major Grants	Local Law Enforcement Block Grant	Federal Equitable Sharing Forfeiture	Police and Fire Relief	Cemetery Perpetual Care	Bandemer	Energy Projects
<b>ASSETS</b>										
Cash	\$234		\$17,474	\$155,545	\$182,466		\$119	\$172		
Equity in pooled cash and investments	5,057	989,401	398,332			28,112	517,690	39,705	177,824	182,396
Investments, at fair value							99,380			
Receivables:										
Accounts				13,338					2,850	
Special assessments										
Accrued interest and dividends							314			
Improvement charges										
Loans										
Unbilled district costs										
Less: Allowance for uncollectibles									38	
Due from other funds	301			215,314						12,900
Due from other governments				32,193						
Inventory										
<b>Total Assets</b>	<b>\$5,592</b>	<b>\$989,401</b>	<b>\$415,806</b>	<b>\$416,390</b>	<b>\$182,466</b>	<b>\$28,112</b>	<b>\$617,503</b>	<b>\$39,877</b>	<b>\$180,712</b>	<b>\$195,296</b>
<b>LIABILITIES AND FUND BALANCES</b>										
Liabilities:										
Accounts payable	\$5,270	\$282,555		\$1,914	\$21,055				\$9	\$68,633
Accrued liabilities		9,060		9,451						
Due to other funds		93,310		334,811	18,753					
Due to other governments										
Deposits										
Deferred revenue				52,173	142,658					
Accrued compensated absences										
<b>Total Liabilities</b>	<b>5,270</b>	<b>384,925</b>		<b>398,349</b>	<b>182,466</b>				<b>9</b>	<b>68,633</b>
Fund Balances:										
Reserved for encumbrances		282,499								
Reserved for landfill										
Reserved for endowment										
Reserved for inventory										
Reserved for debt service										
Reserved for Material Recovery Facility equipment replacement										
Reserved for recycling vehicle replacement										
Reserved for Material Recovery Facility capital repair										
Reserved for compost equipment										
Reserved for radio equipment										
Reserved for groundwater monitoring										
Unreserved balances:										
Designated for subsequent year's expenditures			128,900							
Designated for information services projects		321,977								
Designated for capital improvements										
Undesignated	322		286,906	18,041		28,112	617,503	39,877	180,703	126,663
<b>Total Fund Balances</b>	<b>322</b>	<b>604,476</b>	<b>415,806</b>	<b>18,041</b>		<b>28,112</b>	<b>617,503</b>	<b>39,877</b>	<b>180,703</b>	<b>126,663</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$5,592</b>	<b>\$989,401</b>	<b>\$415,806</b>	<b>\$416,390</b>	<b>\$182,466</b>	<b>\$28,112</b>	<b>\$617,503</b>	<b>\$39,877</b>	<b>\$180,712</b>	<b>\$195,296</b>

(continued)

CITY OF ANN ARBOR  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
June 30, 2002  
(concluded)

	Debt Service		Capital Projects					Permanent	Total
	General Debt Service	Special Assessment Bonds - Debt Service	1991/1992/1993 Environmental Bonds	General Capital Improvements	Maintenance Facility Construction	2000 Michigan Transportation Bonds	Special Assessments	Elizabeth R. Dean Trust	
<b>ASSETS</b>									
Cash	\$162,628	\$214,991	\$180	\$143	\$173	\$118	\$826,453	\$2,831	\$1,951,181
Equity in pooled cash and investments			4,148,041	545,089	8,564,647	710			41,760,455
Investments, at fair value		1,276,175						2,183,509	3,708,363
Receivables:									
Accounts									148,478
Special assessments		2,093,151							2,093,151
Accrued interest and dividends		19,479						32,677	52,470
Improvement charges		34,958							34,958
Loans									857,703
Unbilled district costs		284,808							284,808
Less: Allowance for uncollectibles									(53,604)
Due from other funds	188,878		9,754						678,013
Due from other governments				190,637					1,056,885
Inventory									2,567
<b>Total Assets</b>	<b>\$351,506</b>	<b>\$3,923,562</b>	<b>\$4,157,975</b>	<b>\$735,869</b>	<b>\$8,564,820</b>	<b>\$828</b>	<b>\$826,453</b>	<b>\$2,219,017</b>	<b>\$52,575,428</b>
<b>LIABILITIES AND FUND BALANCES</b>									
<b>Liabilities:</b>									
Accounts payable	\$	\$16	\$652	\$18,556	\$	\$	\$4,001	\$8,131	\$2,270,915
Accrued liabilities				107			1,112	2,306	122,805
Due to other funds	134,319	331,182					362,274	32,380	2,745,441
Due to other governments									4,880
Deposits									14,189
Deferred revenue		2,015,112							3,067,646
Accrued compensated absences									25,977
<b>Total Liabilities</b>	<b>134,319</b>	<b>2,346,310</b>	<b>652</b>	<b>18,663</b>			<b>367,387</b>	<b>42,817</b>	<b>8,251,853</b>
<b>Fund Balances:</b>									
Reserved for encumbrances			6,850	167,681					5,193,697
Reserved for landfill									149,299
Reserved for endowment								2,176,200	2,176,200
Reserved for inventory									2,567
Reserved for debt service	217,187	1,577,252							1,794,439
Reserved for Material Recovery Facility equipment replacement									463,530
Reserved for recycling vehicle replacement									1,383,294
Reserved for Material Recovery Facility capital repair									77,088
Reserved for compost equipment									302,757
Reserved for radio equipment									86,192
Reserved for groundwater monitoring									225,522
Unreserved balances:									
Designated for subsequent year's expenditures									2,527,377
Designated for information services projects									321,977
Designated for capital improvements			4,150,473	549,525	8,564,820	828	459,066		13,724,712
Undesignated									15,894,924
<b>Total Fund Balances</b>	<b>217,187</b>	<b>1,577,252</b>	<b>4,157,323</b>	<b>717,206</b>	<b>8,564,820</b>	<b>828</b>	<b>459,066</b>	<b>2,176,200</b>	<b>44,323,575</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$351,506</b>	<b>\$3,923,562</b>	<b>\$4,157,975</b>	<b>\$735,869</b>	<b>\$8,564,820</b>	<b>\$828</b>	<b>\$826,453</b>	<b>\$2,219,017</b>	<b>\$52,575,428</b>

CITY OF ANN ARBOR  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
For the Year Ended June 30, 2002

Special Revenue Funds									
	Community Development	Leslie Homestead	Affordable Housing	Community Television Network	Street Repair Millage	Solid Waste	Drug Enforcement	Michigan Justice Training	Parks Acquisition & Development Programs
Revenues:									
Taxes	\$	\$	\$	\$	\$	\$	\$	\$	\$
Special assessments/improvement charges									
Federal grants	2,199,335								
State shared revenues and grants					1,427,908			38,776	600,875
Charges for services		137,829		1,284,256	50,175	28,282			
Fines and forfeits							2,446		
Interest and penalties									
Investment income			19,292	63,909	652,440	210,848	1,744	2,838	283,525
Rentals		11,956							
Contributions and donations		34,626							
Sale of property and equipment									185
Miscellaneous	1,803	186	28,820	13,115	128,112			15	50,695
<b>Total Revenues</b>	<b>2,201,138</b>	<b>184,597</b>	<b>48,112</b>	<b>1,361,280</b>	<b>2,258,635</b>	<b>239,130</b>	<b>4,190</b>	<b>41,629</b>	<b>935,280</b>
Expenditures:									
Current:									
Administration	324,291				72,698				42,036
Police							21,680	34,878	
Street repair and maintenance					6,253,694				
Social services - transfers to other agencies	1,331,285								
Parks and recreation		227,370							2,489,290
Solid waste									
Community access television				952,185					
Urban redevelopment and housing	543,870		100,000				7,500		
Information services									
Capital outlay				109,377					125,220
Debt Service:									
Principal retirement									
Interest and fiscal charges									
<b>Total Expenditures</b>	<b>2,199,446</b>	<b>227,370</b>	<b>100,000</b>	<b>1,061,562</b>	<b>6,326,392</b>		<b>29,180</b>	<b>34,878</b>	<b>2,656,546</b>
Excess of Revenues over (under) Expenditures	1,692	(42,773)	(51,888)	299,718	(4,067,757)	239,130	(24,990)	6,751	(1,721,266)
Other Financing Sources (Uses):									
Operating transfers in		45,000	150,000		6,658,165	336,484			4,810,395
Operating transfers out				(3,532)		(605,755)			(26,924)
Bond proceeds									
Bond issuance costs									
<b>Total Other Financing Sources (Uses)</b>		<b>45,000</b>	<b>150,000</b>	<b>(3,532)</b>	<b>6,658,165</b>	<b>(269,271)</b>			<b>4,783,471</b>
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	1,692	2,227	98,112	296,186	2,590,408	(30,141)	(24,990)	6,751	3,062,205
Fund Balances - July 1, 2001, as restated		2,286	334,928	1,122,167	9,717,598	4,171,807	47,724	64,869	2,958,361
Residual Equity Transfer Out									
<b>Fund Balances - June 30, 2002</b>	<b>\$1,692</b>	<b>\$4,513</b>	<b>\$433,040</b>	<b>\$1,418,353</b>	<b>\$12,308,006</b>	<b>\$4,141,666</b>	<b>\$22,734</b>	<b>\$71,620</b>	<b>\$6,020,566</b>

(continued)

CITY OF ANN ARBOR  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
For the Year Ended June 30, 2002  
(continued)

	Special Revenue Funds									
	Special Assistance	Special Projects	Court Facilities	Major Grants	Local Law Enforcement Block Grant	Federal Equitable Sharing Forfeiture	Police and Fire Relief	Cemetery Perpetual Care	Bandemer	Energy Projects
Revenues:										
Taxes	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Special assessments/improvement charges										
Federal grants				83,699	60,982					
State shared revenues and grants				110,873						
Charges for services										
Fines and forfeits			190,461							
Interest and penalties										
Investment income	49	66,941	2,587		4,037	288	25,729	1,764	5,320	3,122
Rentals									33,762	
Contributions and donations	5,918									9,632
Sale of property and equipment								900		
Miscellaneous				9,728		27,824				
<b>Total Revenues</b>	<b>5,967</b>	<b>66,941</b>	<b>193,048</b>	<b>204,300</b>	<b>65,019</b>	<b>28,112</b>	<b>25,729</b>	<b>2,664</b>	<b>39,082</b>	<b>12,754</b>
Expenditures:										
Current:										
Administration			12,181	8,000						
Police				441,899						
Street repair and maintenance										
Social services - transfers to other agencies										
Parks and recreation				53,907					41,128	
Solid waste						14,285				95,955
Community access television										
Urban redevelopment and housing	5,798									
Information services		2,525,747								
Capital outlay						56,552				
Debt Service:										
Principal retirement										
Interest and fiscal charges										
<b>Total Expenditures</b>	<b>5,798</b>	<b>2,525,747</b>	<b>12,181</b>	<b>503,806</b>	<b>70,837</b>				<b>41,128</b>	<b>95,955</b>
Excess of Revenues over (under) Expenditures	169	(2,458,806)	180,867	(299,506)	(5,818)	28,112	25,729	2,664	(2,046)	(83,201)
Other Financing Sources (Uses):										
Operating transfers in		1,000,000		301,466						123,768
Operating transfers out										
Bond proceeds										
Bond issuance costs										
<b>Total Other Financing Sources (Uses)</b>		<b>1,000,000</b>		<b>301,466</b>						<b>123,768</b>
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	169	(1,458,806)	180,867	1,960	(5,818)	28,112	25,729	2,664	(2,046)	40,567
Fund Balances - July 1, 2001, as restated	153	2,063,282	234,939	16,081	5,818		591,774	37,213	182,749	86,096
Residual Equity Transfer Out										
<b>Fund Balances - June 30, 2002</b>	<b>\$322</b>	<b>\$604,476</b>	<b>\$415,806</b>	<b>\$18,041</b>		<b>\$28,112</b>	<b>\$617,503</b>	<b>\$39,877</b>	<b>\$180,703</b>	<b>\$126,663</b>

(continued)

CITY OF ANN ARBOR  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
For the Year Ended June 30, 2002  
(concluded)

	Debt Service		Capital Projects					Permanent	Total
	General Debt Service	Special Assessment Bonds - Debt Service	1991/1992/1993 Environmental Bonds	General Capital Improvements	Maintenance Facility Construction	Michigan Transportation Bonds	Special Assessments	Elizabeth R. Dean Trust	
Revenues:									
Taxes	\$2,707,538		\$	\$	\$	\$	\$	\$	\$2,707,538
Special assessments/improvement charges		293,355							293,355
Federal grants									2,344,016
State shared revenues and grants				257,520					2,435,952
Charges for services									1,500,542
Fines and forfeits									192,907
Interest and penalties		120,128							120,128
Investment income	27,440	51,729	191,474	38,177	394,588	776	2,544	152,444	2,203,605
Rentals									45,718
Contributions and donations									50,176
Sale of property and equipment									1,085
Miscellaneous	5,325							500	266,123
<b>Total Revenues</b>	<b>2,740,303</b>	<b>465,212</b>	<b>191,474</b>	<b>295,697</b>	<b>394,588</b>	<b>776</b>	<b>2,544</b>	<b>152,944</b>	<b>12,161,145</b>
Expenditures:									
Current:									
Administration	13,144								472,350
Police									498,457
Street repair and maintenance									6,253,694
Social services - transfers to other agencies									1,331,285
Parks and recreation								107,452	2,919,147
Solid waste									110,240
Community access television									952,185
Urban redevelopment and housing									657,168
Information services									2,525,747
Capital outlay			73,487	485,408	15,006		206,302		1,071,352
Debt Service:									
Principal retirement	2,199,562	345,000							2,544,562
Interest and fiscal charges	925,824	140,329							1,066,153
<b>Total Expenditures</b>	<b>3,138,530</b>	<b>485,329</b>	<b>73,487</b>	<b>485,408</b>	<b>15,006</b>		<b>206,302</b>	<b>107,452</b>	<b>20,402,340</b>
Excess of Revenues over (under) Expenditures	(398,227)	(20,117)	117,987	(189,711)	379,582	776	(203,758)	45,492	(8,241,195)
Other Financing Sources (Uses):									
Operating transfers in	662,682								14,087,960
Operating transfers out	(275,365)						(90,805)		(1,002,381)
Bond proceeds							815,000		815,000
Bond issuance costs							(12,225)		(12,225)
<b>Total Other Financing Sources (Uses)</b>	<b>387,317</b>						<b>711,970</b>		<b>13,888,354</b>
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	(10,910)	(20,117)	117,987	(189,711)	379,582	776	508,212	45,492	5,647,159
Fund Balances - July 1, 2001, as restated	228,097	1,597,369	4,039,336	906,917	8,185,238	52	1,763	2,130,708	38,727,325
Residual Equity Transfer Out							(50,909)		(50,909)
<b>Fund Balances - June 30, 2002</b>	<b>\$217,187</b>	<b>\$1,577,252</b>	<b>\$4,157,323</b>	<b>\$717,206</b>	<b>\$8,564,820</b>	<b>\$828</b>	<b>\$459,066</b>	<b>\$2,176,200</b>	<b>\$44,323,575</b>

CITY OF ANN ARBOR  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGETARY COMPARISONS  
For the Year Ended June 30, 2002

	Community Development			Leslie Homestead			Affordable Housing		
	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:									
Federal grants	\$4,750,351	\$2,199,335	(\$2,551,016)	\$	\$	\$	\$	\$	\$
State shared revenues and grants									
Fines and forfeits									
Rentals				6,800	11,956	5,156			
Charges for services				143,626	137,829	(5,797)			
Investment income							5,000	19,292	14,292
Contributions and donations				25,000	34,626	9,626			
Sale of property and equipment							5,000		(5,000)
Intra-governmental sales									
Miscellaneous		1,803	1,803		186	186	6,000	28,820	22,820
<b>Total Revenues</b>	<b>4,750,351</b>	<b>2,201,138</b>	<b>(2,549,213)</b>	<b>175,426</b>	<b>184,597</b>	<b>9,171</b>	<b>16,000</b>	<b>48,112</b>	<b>32,112</b>
Expenditures:									
Current:									
Administration	475,153	324,291	150,862						
Police									
Street repair and maintenance									
Social services - transfers to other agencies	2,182,063	1,331,285	850,778						
Parks and recreation				223,126	227,370	(4,244)			
Solid waste									
Community access television									
Urban redevelopment and housing	2,093,135	543,870	1,549,265				467,500	100,000	367,500
Information Services									
Capital outlay									
<b>Total Expenditures</b>	<b>4,750,351</b>	<b>2,199,446</b>	<b>2,550,905</b>	<b>223,126</b>	<b>227,370</b>	<b>(4,244)</b>	<b>467,500</b>	<b>100,000</b>	<b>367,500</b>
Excess of Revenues over (under) Expenditures		1,692	1,692	(47,700)	(42,773)	4,927	(451,500)	(51,888)	399,612
Other Financing Sources (Uses):									
Operating transfers in				47,700	45,000	(2,700)	150,000	150,000	
Operating transfers out									
<b>Total Other Financing Sources (Uses)</b>				<b>47,700</b>	<b>45,000</b>	<b>(2,700)</b>	<b>150,000</b>	<b>150,000</b>	
Excess of Revenues and Other Sources over (under) Expenditures and Other Financing Uses		1,692	1,692		2,227	2,227	(301,500)	98,112	399,612
Fund Balances - July 1, 2001					2,286	2,286	301,500	334,928	33,428
<b>Fund Balances - June 30, 2002</b>		<b>\$1,692</b>	<b>\$1,692</b>		<b>\$4,513</b>	<b>\$4,513</b>		<b>\$433,040</b>	<b>\$433,040</b>



CITY OF ANN ARBOR  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGETARY COMPARISONS  
For the Year Ended June 30, 2002

	Community Television Network			Street Repair Millage			Solid Waste		
	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:									
Federal grants	\$	\$	\$	\$	\$	\$	\$	\$	\$
State shared revenues and grants				1,362,619	1,427,908	65,289			
Fines and forfeits									
Rentals									
Charges for services	1,024,800	1,284,256	259,456		50,175	50,175		28,282	28,282
Investment income	43,000	63,909	20,909	800,000	652,440	(147,560)	170,000	210,848	40,848
Contributions and donations									
Sale of property and equipment									
Intra-governmental sales									
Miscellaneous		13,115	13,115	486,150	128,112	(358,038)			
<b>Total Revenues</b>	<b>1,067,800</b>	<b>1,361,280</b>	<b>293,480</b>	<b>2,648,769</b>	<b>2,258,635</b>	<b>(390,134)</b>	<b>170,000</b>	<b>239,130</b>	<b>69,130</b>
Expenditures:									
Current:									
Administration					72,698	(72,698)			
Police									
Street repair and maintenance				12,938,995	6,253,694	6,685,301			
Social services - transfers to other agencies									
Parks and recreation									
Solid waste									
Community access television	1,005,718	952,185	53,533						
Urban redevelopment and housing									
Information Services									
Capital outlay	204,580	109,377	95,203						
<b>Total Expenditures</b>	<b>1,210,298</b>	<b>1,061,562</b>	<b>148,736</b>	<b>12,938,995</b>	<b>6,326,392</b>	<b>6,612,603</b>			
Excess of Revenues over (under) Expenditures	(142,498)	299,718	442,216	(10,290,226)	(4,067,757)	6,222,469		239,130	69,130
Other Financing Sources (Uses):									
Operating transfers in				6,732,932	6,658,165	(74,767)	320,000	336,484	16,484
Operating transfers out		(3,532)	(3,532)				(980,808)	(605,755)	375,053
<b>Total Other Financing Sources (Uses)</b>		<b>(3,532)</b>	<b>(3,532)</b>	<b>6,732,932</b>	<b>6,658,165</b>	<b>(74,767)</b>	<b>(660,808)</b>	<b>(269,271)</b>	<b>391,537</b>
Excess of Revenues and Other Sources over (under) Expenditures and Other Financing Uses	(142,498)	296,186	438,684	(3,557,294)	2,590,408	6,147,702	(490,808)	(30,141)	460,667
Fund Balances - July 1, 2001	160,498	1,122,167	961,669	3,557,294	9,717,598	6,160,304	530,808	4,171,807	3,640,999
Fund Balances - June 30, 2002	\$18,000	\$1,418,353	\$1,400,353		\$12,308,006	\$12,308,006	\$40,000	\$4,141,666	\$4,101,666

CITY OF ANN ARBOR  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGETARY COMPARISONS  
For the Year Ended June 30, 2002

	Drug Enforcement			Michigan Justice Training			Parks Acquisition & Development Program		
	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:									
Federal grants	\$	\$	\$	\$	\$	\$	\$343,000		(\$343,000)
State shared revenues and grants				40,000	38,776	(1,224)	1,031,250	600,875	(430,375)
Fines and forfeits	12,000	2,446	(9,554)						
Rentals									
Charges for services									
Investment income	1,000	1,744	744	2,200	2,838	638	180,000	283,525	103,525
Contributions and donations							150,000		(150,000)
Sale of property and equipment							900	185	(715)
Intra-governmental sales									
Miscellaneous					15	15	3,000	50,695	47,695
<b>Total Revenues</b>	<b>13,000</b>	<b>4,190</b>	<b>(8,810)</b>	<b>42,200</b>	<b>41,629</b>	<b>(571)</b>	<b>1,708,150</b>	<b>935,280</b>	<b>(772,870)</b>
Expenditures:									
Current:									
Administration							26,540	42,036	(15,496)
Police	42,000	21,680	20,320	50,000	34,878	15,122			
Street repair and maintenance									
Social services - transfers to other agencies									
Parks and recreation							3,719,613	2,489,290	1,230,323
Solid waste									
Community access television									
Urban redevelopment and housing	7,500	7,500							
Information Services									
Capital outlay							2,341,738	125,220	2,216,518
<b>Total Expenditures</b>	<b>49,500</b>	<b>29,180</b>	<b>20,320</b>	<b>50,000</b>	<b>34,878</b>	<b>15,122</b>	<b>6,087,891</b>	<b>2,656,546</b>	<b>3,431,345</b>
Excess of Revenues over (under) Expenditures	(36,500)	(24,990)	11,510	(7,800)	6,751	14,551	(4,379,741)	(1,721,266)	2,658,475
Other Financing Sources (Uses):									
Operating transfers in							3,244,164	4,810,395	1,566,231
Operating transfers out								(26,924)	(26,924)
<b>Total Other Financing Sources (Uses)</b>							<b>3,244,164</b>	<b>4,783,471</b>	<b>1,539,307</b>
Excess of Revenues and Other Sources over (under) Expenditures and Other Financing Uses	(36,500)	(24,990)	11,510	(7,800)	6,751	14,551	(1,135,577)	3,062,205	4,197,782
Fund Balances - July 1, 2001	36,500	47,724	11,224	8,000	64,869	56,869	1,135,577	2,958,361	1,822,784
Fund Balances - June 30, 2002		\$22,734	\$22,734	\$200	\$71,620	\$71,420		\$6,020,566	\$6,020,566

CITY OF ANN ARBOR  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGETARY COMPARISONS  
For the Year Ended June 30, 2002

	Special Assistance			Special Projects			Court Facilities		
	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:									
Federal grants	\$	\$	\$	\$	\$	\$	\$	\$	\$
State shared revenues and grants									
Fines and forfeits							200,000	190,461	(9,539)
Rentals									
Charges for services									
Investment income		49	49	40,000	66,941	26,941		2,587	2,587
Contributions and donations	15,000	5,918	(9,082)						
Sale of property and equipment									
Intra-governmental sales									
Miscellaneous									
<b>Total Revenues</b>	<b>15,000</b>	<b>5,967</b>	<b>(9,033)</b>	<b>40,000</b>	<b>66,941</b>	<b>26,941</b>	<b>200,000</b>	<b>193,048</b>	<b>(6,952)</b>
Expenditures:									
Current:									
Administration							200,000	12,181	187,819
Police									
Street repair and maintenance									
Social services - transfers to other agencies									
Parks and recreation									
Solid waste									
Community access television									
Urban redevelopment and housing	15,000	5,798	9,202						
Information Services				2,922,235	2,525,747	396,488			
Capital outlay									
<b>Total Expenditures</b>	<b>15,000</b>	<b>5,798</b>	<b>9,202</b>	<b>2,922,235</b>	<b>2,525,747</b>	<b>396,488</b>	<b>200,000</b>	<b>12,181</b>	<b>187,819</b>
Excess of Revenues over (under) Expenditures		169	169	(2,882,235)	(2,458,806)	423,429		180,867	180,867
Other Financing Sources (Uses):									
Operating transfers in				1,000,000	1,000,000				
Operating transfers out									
<b>Total Other Financing Sources (Uses)</b>				<b>1,000,000</b>	<b>1,000,000</b>				
Excess of Revenues and Other Sources over (under) Expenditures and Other Financing Uses		169	169	(1,882,235)	(1,458,806)	423,429		180,867	180,867
Fund Balances - July 1, 2001		153	153	1,882,235	2,063,282	181,047		234,939	234,939
Fund Balances - June 30, 2002		\$322	\$322		\$604,476	\$604,476		\$415,806	\$415,806

CITY OF ANN ARBOR  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGETARY COMPARISONS  
For the Year Ended June 30, 2002

	Major Grants			Local Law Enforcement Block Grant			Federal Equitable Sharing Forfeiture		
	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:									
Federal grants	\$545,559	\$83,699	(\$461,860)	\$104,522	\$60,982	(\$43,540)	\$	\$	\$
State shared revenues and grants	155,631	110,873	(44,758)						
Fines and forfeits									
Rentals									
Charges for services	60,000		(60,000)						
Investment income					4,037	4,037		288	288
Contributions and donations									
Sale of property and equipment									
Intra-governmental sales									
Miscellaneous	87,500	9,728	(77,772)				27,824	27,824	
<b>Total Revenues</b>	<b>848,690</b>	<b>204,300</b>	<b>(644,390)</b>	<b>104,522</b>	<b>65,019</b>	<b>(39,503)</b>	<b>27,824</b>	<b>28,112</b>	<b>288</b>
Expenditures:									
Current:									
Administration		8,000	(8,000)						
Police	956,537	441,899	514,638						
Street repair and maintenance									
Social services - transfers to other agencies									
Parks and recreation	147,000	53,907	93,093						
Solid waste				155,094	14,285	140,809			
Community access television									
Urban redevelopment and housing									
Information Services									
Capital outlay				48,546	56,552	(8,006)	27,824		27,824
<b>Total Expenditures</b>	<b>1,103,537</b>	<b>503,806</b>	<b>599,731</b>	<b>203,640</b>	<b>70,837</b>	<b>132,803</b>	<b>27,824</b>		<b>27,824</b>
<b>Excess of Revenues over (under) Expenditures</b>	<b>(254,847)</b>	<b>(299,506)</b>	<b>(44,659)</b>	<b>(99,118)</b>	<b>(5,818)</b>	<b>93,300</b>		<b>28,112</b>	<b>28,112</b>
Other Financing Sources (Uses):									
Operating transfers in	254,847	301,466	46,619						
Operating transfers out									
<b>Total Other Financing Sources (Uses)</b>	<b>254,847</b>	<b>301,466</b>	<b>46,619</b>						
<b>Excess of Revenues and Other Sources over (under) Expenditures and Other Financing Uses</b>		<b>1,960</b>	<b>1,960</b>	<b>(99,118)</b>	<b>(5,818)</b>	<b>93,300</b>		<b>28,112</b>	<b>28,112</b>
Fund Balances - July 1, 2001		16,081	16,081	99,118	5,818	(93,300)			
<b>Fund Balances - June 30, 2002</b>		<b>\$18,041</b>	<b>\$18,041</b>					<b>\$28,112</b>	<b>\$28,112</b>

CITY OF ANN ARBOR  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGETARY COMPARISONS  
For the Year Ended June 30, 2002

	Bandemer			Energy Projects		
	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:						
Federal grants	\$	\$	\$	\$	\$	\$
State shared revenues and grants						
Fines and forfeits						
Rentals	41,500	33,762	(7,738)			
Charges for services						
Investment income	5,000	5,320	320	5,400	3,122	(2,278)
Contributions and donations				9,632	9,632	
Sale of property and equipment						
Intra-governmental sales						
Miscellaneous						
<b>Total Revenues</b>	<b>46,500</b>	<b>39,082</b>	<b>(7,418)</b>	<b>15,032</b>	<b>12,754</b>	<b>(2,278)</b>
Expenditures:						
Current:						
Administration						
Police						
Street repair and maintenance						
Social services - transfers to other agencies						
Parks and recreation	45,500	41,128	4,372			
Solid waste				99,763	95,955	3,808
Community access television						
Urban redevelopment and housing						
Information Services						
Capital outlay				39,037		39,037
<b>Total Expenditures</b>	<b>45,500</b>	<b>41,128</b>	<b>4,372</b>	<b>138,800</b>	<b>95,955</b>	<b>42,845</b>
Excess of Revenues over (under) Expenditures	1,000	(2,046)	(3,046)	(123,768)	(83,201)	40,567
Other Financing Sources (Uses):						
Operating transfers in				123,768	123,768	
Operating transfers out						
<b>Total Other Financing Sources (Uses)</b>				<b>123,768</b>	<b>123,768</b>	
Excess of Revenues and Other Sources over (under) Expenditures and Other Financing Uses	1,000	(2,046)	(3,046)		40,567	40,567
Fund Balances - July 1, 2001		182,749	182,749		86,096	86,096
<b>Fund Balances - June 30, 2002</b>	<b>\$1,000</b>	<b>\$180,703</b>	<b>\$179,703</b>	<b>\$126,663</b>	<b>\$126,663</b>	

CITY OF ANN ARBOR  
ALL INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF NET ASSETS  
June 30, 2002

ASSETS	Central Stores	Park Service Headquarters	Fleet Services	Insurance	Total
<b>Current Assets:</b>					
Cash	\$	\$100	\$3,367	\$55,001	\$58,468
Equity in pooled cash and investments	508,738		1,839,192	2,313,009	4,660,939
Accounts receivable			32,589	4,256	36,845
Less: allowance for uncollectibles			(47)	(4,256)	(4,303)
Due from other funds	1,399		68,935	3,683,693	3,754,027
Due from component units				14,388	14,388
Prepaid items				60,943	60,943
Inventory, at cost	407,538		482,040		889,578
<b>Total Current Assets</b>	<b>917,675</b>	<b>100</b>	<b>2,426,076</b>	<b>6,127,034</b>	<b>9,470,885</b>
<b>Property, Plant and Equipment, at cost:</b>					
Land		98,440	96,267		194,707
Buildings	90,663	152,159	246,988		489,810
Improvements other than buildings			62,407		62,407
Machinery and equipment	75,733		10,867,400		10,943,133
Less: Accumulated depreciation	(102,961)	(137,336)	(8,203,876)		(8,444,173)
<b>Net Property, Plant and Equipment</b>	<b>63,435</b>	<b>113,263</b>	<b>3,069,186</b>		<b>3,245,884</b>
<b>Total Assets</b>	<b>981,110</b>	<b>113,363</b>	<b>5,495,262</b>	<b>6,127,034</b>	<b>12,716,769</b>
<b>LIABILITIES</b>					
<b>Current Liabilities:</b>					
Accounts payable	\$43,336	\$2,429	\$167,115	\$37,176	\$250,056
Estimated claims payable				5,202,689	5,202,689
Accrued liabilities	6,564	3,726	38,213	18,473	66,976
Accrued interest payable			550		550
Due to other funds		2,535	122,054		124,589
Accrued compensated absences - short term	6,134	398	22,498	5,381	34,411
Note Payable, current portion			30,000		30,000
<b>Total Current Liabilities</b>	<b>56,034</b>	<b>9,088</b>	<b>380,430</b>	<b>5,263,719</b>	<b>5,709,271</b>
<b>Long Term Liabilities:</b>					
Accrued compensated absences	23,936		208,585	13,426	245,947
Note payable, non-current portion			30,000		30,000
<b>Total Long-Term Liabilities</b>	<b>23,936</b>		<b>238,585</b>	<b>13,426</b>	<b>275,947</b>
<b>TOTAL LIABILITIES</b>	<b>79,970</b>	<b>9,088</b>	<b>619,015</b>	<b>5,277,145</b>	<b>5,985,218</b>
<b>Net Assets:</b>					
Invested in Capital Assets, net of related debt	63,435	113,263	3,009,186		3,185,884
Unrestricted (deficit)	837,705	(8,988)	1,867,061	849,889	3,545,667
<b>TOTAL NET ASSETS</b>	<b>\$901,140</b>	<b>\$104,275</b>	<b>\$4,876,247</b>	<b>\$849,889</b>	<b>\$6,731,551</b>

CITY OF ANN ARBOR  
ALL INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
For the Year Ended June 30, 2002

	Central Stores	Park Service Headquarters	Fleet Services	Insurance	Total
Operating Revenues:					
Charges for services	\$997,188	\$139,324	\$3,527,487	\$13,678,606	\$18,342,605
Miscellaneous revenues			48	42,608	42,656
<b>Total Operating Revenues</b>	<b>997,188</b>	<b>139,324</b>	<b>3,527,535</b>	<b>13,721,214</b>	<b>18,385,261</b>
Operating Expenses:					
Personal services	197,748	53,909	1,335,868	328,737	1,916,262
Materials and supplies	41,614	12,350	76,320	12,559	142,843
Utilities	3,195	41,782	47,683	2,116	94,776
Insurance	20,271	2,565	75,699	13,343,503	13,442,038
Contractual services	84,720	15,113		95,274	195,107
Maintenance	1,754	1,449	82,711	21	85,935
Professional fees	826		1,087	254,674	256,587
Miscellaneous	7,033	1,687	20,397	2,457	31,574
Cost of goods sold	475,909		1,104,657		1,580,566
Depreciation and amortization	6,199	3,296	1,287,642		1,297,137
<b>Total Operating Expenses</b>	<b>839,269</b>	<b>132,151</b>	<b>4,032,064</b>	<b>14,039,341</b>	<b>19,042,825</b>
<b>Operating Income (Loss)</b>	<b>157,919</b>	<b>7,173</b>	<b>(504,529)</b>	<b>(318,127)</b>	<b>(657,564)</b>
Nonoperating Revenues (Expenses):					
Investment income	14,790	433	34,300	134,461	183,984
Interest expense and fiscal charges			(3,289)		(3,289)
Net gain on retirement of fixed assets			136,105		136,105
<b>Total Nonoperating Revenues (Expenses)</b>	<b>14,790</b>	<b>433</b>	<b>167,116</b>	<b>134,461</b>	<b>316,800</b>
<b>Income (Loss) Before Operating Transfers</b>	<b>172,709</b>	<b>7,606</b>	<b>(337,413)</b>	<b>(183,666)</b>	<b>(340,764)</b>
Operating Transfers Out	(2,853)		(30,481)		(33,334)
<b>Change in Net Assets</b>	<b>169,856</b>	<b>7,606</b>	<b>(367,894)</b>	<b>(183,666)</b>	<b>(374,098)</b>
Net Assets - July 1, 2001	733,463	96,640	4,788,492	1,033,555	6,652,150
Restatement for Change in Depreciation	(2,179)	29	455,649		453,499
Net Assets - July 1, 2001, as restated	731,284	96,669	5,244,141	1,033,555	7,105,649
<b>Net Assets - June 30, 2002</b>	<b>\$901,140</b>	<b>\$104,275</b>	<b>\$4,876,247</b>	<b>\$849,889</b>	<b>\$6,731,551</b>

CITY OF ANN ARBOR  
 ALL INTERNAL SERVICE FUNDS  
 COMBINING STATEMENT OF CASH FLOWS  
 For the Fiscal Year Ended June 30, 2002

	Central Stores	Park Service Headquarters	Fleet Services	Insurance	Total
Increase (decrease) in cash and cash equivalents:					
Cash Flows from Operations:					
Receipts from customers	\$997,188	\$139,324	\$3,506,127	\$13,721,214	\$18,363,853
Receipts from quasi-external operating transactions with other funds	64	8,821	740,057		748,942
Payments to suppliers	(671,755)	(76,032)	(1,631,183)	(12,987,716)	(15,366,686)
Payments to employees	(193,835)	(51,902)	(1,293,013)	(315,678)	(1,854,428)
Payments to quasi-external operating transactions with other funds	(19,751)	(24,820)		(2,088,409)	(2,132,980)
Net cash provided by (used in) operating activities	111,911	(4,609)	1,321,988	(1,670,589)	(241,299)
Cash flows from noncapital financing activities:					
Operating transfers out	(2,853)		(30,481)		(33,334)
Net cash flows used in noncapital financing activities	(2,853)		(30,481)		(33,334)
Cash flows from capital and related financing activities:					
Principal paid on capital leases and notes			(30,000)		(30,000)
Interest paid on capital leases and notes			(4,060)		(4,060)
Proceeds from sale of equipment			182,585		182,585
Acquisition of capital assets			(800,011)		(800,011)
Net cash flows used in capital and related financing activities			(651,486)		(651,486)
Cash flows from investing activities:					
Interest and dividends on investments	14,790	433	34,300	134,461	183,984
Net cash flows provided by investing activities	14,790	433	34,300	134,461	183,984
Net increase (decrease) in cash and cash equivalents	123,848	(4,176)	674,321	(1,536,128)	(742,135)
Cash and cash equivalents - July 1, 2001	384,890	4,276	1,168,238	3,904,138	5,461,542
Cash and cash equivalents - June 30, 2002	\$508,738	\$100	\$1,842,559	\$2,368,010	\$4,719,407

(Continued)



CITY OF ANN ARBOR  
 ALL INTERNAL SERVICE FUNDS  
 COMBINING STATEMENT OF CASH FLOWS  
 For the Fiscal Year Ended June 30, 2002

	Central Stores	Park Service Headquarters	Fleet Services	Insurance	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Net operating income (loss)	\$157,919	\$7,173	(\$504,529)	(\$318,127)	(\$657,564)
Adjustments not affecting cash:					
Depreciation and amortization	6,199	3,296	1,287,642		1,297,137
(Increase) decrease in assets and increase (decrease) in liabilities:					
Allowance for uncollectible accounts			(307)		(307)
Accounts receivable			(21,101)		(21,101)
Inventory	(31,600)		4,026		(27,574)
Prepaid items				(15,500)	(15,500)
Accounts payable	(4,833)	(1,086)	(158,108)	10,142	(153,885)
Accrued compensated absences	4,637	(326)	38,577	1,233	44,121
Estimated claims payable				728,246	728,246
Accrued liabilities	(724)	2,333	4,278	11,826	17,713
Due to other governments			(68,547)		(68,547)
Due to other funds	(19,751)	(24,820)	81,714	(1,755)	35,388
Due from other funds	64	8,821	658,343	(2,084,041)	(1,416,813)
Due from component units				(2,613)	(2,613)
Net cash provided by (used in) operating activities	<u>\$111,911</u>	<u>(\$4,609)</u>	<u>\$1,321,988</u>	<u>(\$1,670,589)</u>	<u>(\$241,299)</u>

CITY OF ANN ARBOR  
ALL FIDUCIARY FUNDS  
COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
June 30, 2002

	Employee Retirement Funds		Agency Funds					Total
	Employees' Retirement System	VEBA Trust Fund	Payroll	Treasurer's Current Tax	Treasurer's Delinquent Tax	Contractors' Retainage	Fifteenth District Court	
<b>ASSETS</b>								
Cash	\$311,632	\$10,476	\$125,508	\$6,861	\$24,388	\$588,850	\$210,680	\$1,278,395
Equity in pooled cash and investments		954,851		2,281				957,132
Investments, at fair value	373,399,408	17,731,068						391,130,476
Accounts receivable		433,959		5,284				439,243
Due from other funds								
Due from other governments			17,937					17,937
Property, plant & equipment (net of depreciation of \$9,381)	16,048							16,048
<b>Total Assets</b>	<b>375,694,192</b>	<b>19,198,476</b>	<b>143,445</b>	<b>14,426</b>	<b>24,388</b>	<b>588,850</b>	<b>210,680</b>	<b>395,874,457</b>
<b>LIABILITIES</b>								
Liabilities:								
Accounts payable	\$4,519,534	\$128,934		\$14,426	\$1,820	\$588,850		\$5,253,564
Accrued liabilities	8,010							8,010
Accrued compensated absences	80,532							80,532
Due to other governments			143,445		22,568		94,940	260,953
Deposits							115,740	115,740
<b>Total Liabilities</b>	<b>4,608,076</b>	<b>128,934</b>	<b>143,445</b>	<b>14,426</b>	<b>24,388</b>	<b>588,850</b>	<b>210,680</b>	<b>5,718,799</b>
<b>Net Assets:</b>								
Held in Trust for Pension Benefits and Other Purposes	\$371,086,116	\$19,069,542	\$	\$	\$	\$	\$	\$390,155,658

CITY OF ANN ARBOR  
 FIDUCIARY FUNDS  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 For the Year Ended June 30, 2002

	Employee Retirement Funds		Total
	Employees' Retirement System	VEBA Trust Fund	
<b>ADDITIONS</b>			
Investment income (loss):			
Net realized and unrealized depreciation in fair value of investments	(\$20,627,008)	(\$2,076,893)	(\$22,703,901)
Interest	10,070,848	529,391	10,600,239
Dividends	929,030	100,238	1,029,268
Total investment loss	(9,627,130)	(1,447,264)	(11,074,394)
Less investment expense	1,390,961	75,770	1,466,731
Net investment loss	(11,018,091)	(1,523,034)	(12,541,125)
Contributions:			
Employer		6,996,824	6,996,824
Plan member	2,934,023		2,934,023
Total contributions	2,934,023	6,996,824	9,930,847
<b>DEDUCTIONS</b>			
Benefits	16,451,905		16,451,905
Refund of contributions	4,803,313		4,803,313
Administrative expense	4,549,156	26,092	4,575,248
Total deductions	25,804,374	26,092	25,830,466
Change in net assets	(33,888,442)	5,447,698	(28,440,744)
Net assets held in trust for benefits at beginning of year	404,974,558	13,621,844	418,596,402
Net assets held in trust for benefits at end of year	\$371,086,116	\$19,069,542	\$390,155,658

CITY OF ANN ARBOR  
 ALL AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 For the Year Ended June 30, 2002

	Balance July 1, 2001	Additions	Retirements	Balance June 30, 2002
<b>PAYROLL FUND</b>				
<b>ASSETS</b>				
Cash	\$200,946	\$78,792,236	\$78,867,674	\$125,508
Equity in pooled cash and investments		12,959,109	12,959,109	
Due from other funds	6,879,422	60,476,796	67,356,218	
Due from component units	538	184,193	184,731	
Due from other governments	7,860	52,754	42,677	17,937
<b>Total Assets</b>	<b>\$7,088,766</b>	<b>\$152,465,088</b>	<b>\$159,410,409</b>	<b>\$143,445</b>
<b>LIABILITIES</b>				
Accounts payable	\$99,361	\$44,923	\$144,284	
Due to other funds	6,818,892	64,953,155	71,772,047	
Due to component units	8,087	2,725	10,812	
Due to other governments	162,426	24,242,059	24,261,040	143,445
<b>Total Liabilities</b>	<b>\$7,088,766</b>	<b>\$89,242,862</b>	<b>\$96,188,183</b>	<b>\$143,445</b>
<b>ACCOUNTS PAYABLE FUND</b>				
<b>ASSETS</b>				
Cash	\$21,755	\$78,941,066	\$78,962,821	
Due from other funds	3,691,875	19,097,039	22,788,914	
<b>Total Assets</b>	<b>\$3,713,630</b>	<b>\$98,038,105</b>	<b>\$101,751,735</b>	
<b>LIABILITIES</b>				
Due to other funds	\$3,713,630	\$82,958,472	\$86,672,102	
<b>Total Liabilities</b>	<b>\$3,713,630</b>	<b>\$82,958,472</b>	<b>\$86,672,102</b>	

(Continued)

CITY OF ANN ARBOR  
ALL AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
For the Year Ended June 30, 2002

	Balance July 1, 2001	Additions	Retirements	Balance June 30, 2002
<b>TREASURER'S CURRENT TAX FUND</b>				
<b>ASSETS</b>				
Cash	\$62,763	\$267,938,593	\$267,994,495	\$6,861
Investments, at fair value	4,072,671	173,118,184	177,188,574	2,281
Accounts receivable		5,284		5,284
Accrued interest and dividends	4,338	301,388	305,726	
Due from other funds	211,079	4,758,296	4,969,375	
Due from other governments	5,124		5,124	
<b>Total Assets</b>	<b>\$4,355,975</b>	<b>\$446,121,745</b>	<b>\$450,463,294</b>	<b>\$14,426</b>
<b>LIABILITIES</b>				
Accounts payable	\$48,369	\$1,444,265	\$1,478,208	\$14,426
Due to other funds	4,307,606	9,709,399	14,017,005	
Due to other governments		188,804,188	188,804,188	
<b>Total Liabilities</b>	<b>\$4,355,975</b>	<b>\$199,957,852</b>	<b>\$204,299,401</b>	<b>\$14,426</b>
<b>TREASURER'S DELINQUENT TAX FUND</b>				
<b>ASSETS</b>				
Cash	\$28,777	\$2,078,981	\$2,083,370	\$24,388
Equity in pooled cash and investments	52,162	262,954	315,116	
Due from other funds	68,450	223,810	292,260	
Due from other governments		747,956	747,956	
<b>Total Assets</b>	<b>\$149,389</b>	<b>\$3,313,701</b>	<b>\$3,438,702</b>	<b>\$24,388</b>
<b>LIABILITIES</b>				
Accounts payable		\$1,509,453	\$1,507,633	\$1,820
Due to other funds	29,545	728,433	757,978	
Due to component units	2,316	25,256	27,572	
Due to other governments	117,528	22,568	117,528	22,568
<b>Total Liabilities</b>	<b>\$149,389</b>	<b>\$2,285,710</b>	<b>\$2,410,711</b>	<b>\$24,388</b>

(Continued)

CITY OF ANN ARBOR  
ALL AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
For the Year Ended June 30, 2002

	Balance July 1, 2001	Additions	Retirements	Balance June 30, 2002
<b>SOCIAL SECURITY FUND</b>				
<b>ASSETS</b>				
Cash	\$159	\$17,165,809	\$17,165,968	
Equity in pooled cash and investments	5,767,481	20,600,831	26,368,312	
Due from other funds	102,695	2,969,828	3,072,523	
Due from component units		7,497	7,497	
<b>Total Assets</b>	<b>\$5,870,335</b>	<b>\$40,743,965</b>	<b>\$46,614,300</b>	
<b>LIABILITIES</b>				
Due to other funds	\$5,870,335	\$1,965,147	\$7,835,482	
<b>Total Liabilities</b>	<b>\$5,870,335</b>	<b>\$1,965,147</b>	<b>\$7,835,482</b>	
<b>CONTRACTORS' RETAINAGES FUND</b>				
<b>ASSETS</b>				
Cash	\$971,009	\$1,906,339	\$2,288,498	\$588,850
Due from other funds	126,625	2,914	129,539	
<b>Total Assets</b>	<b>\$1,097,634</b>	<b>\$1,909,253</b>	<b>\$2,418,037</b>	<b>\$588,850</b>
<b>LIABILITIES</b>				
Accounts payable	\$906,521	\$1,225,023	\$1,542,694	\$588,850
Due to other funds	191,113	511,612	702,725	
<b>Total Liabilities</b>	<b>\$1,097,634</b>	<b>\$1,736,635</b>	<b>\$2,245,419</b>	<b>\$588,850</b>

(Continued)

CITY OF ANN ARBOR  
ALL AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
For the Year Ended June 30, 2002

	Balance July 1, 2001	Additions	Retirements	Balance June 30, 2002
<b>FIFTEENTH DISTRICT COURT</b>				
<b>ASSETS</b>				
Cash	\$180,544	\$258,106	\$227,970	\$210,680
<b>LIABILITIES</b>				
Due to other funds		\$227,970	\$227,970	
Due to other governments	65,885	29,055		94,940
Deposits	114,659	1,081		115,740
<b>Total Liabilities</b>	<b>\$180,544</b>	<b>\$258,106</b>	<b>\$227,970</b>	<b>\$210,680</b>
<b>TOTAL - ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash	\$1,465,953	\$447,081,130	\$447,590,796	\$956,287
Equity in pooled cash and investments	5,819,643	20,863,785	26,683,428	
Investments, at fair value	4,072,671	173,118,184	177,188,574	2,281
Receivables:				
Accounts		5,284		5,284
Accrued interest and dividends	4,338	301,388	305,726	
Due from other funds	11,080,146	87,528,683	98,608,829	
Due from component units	538	191,690	192,228	
Due from other governments	12,984	800,710	795,757	17,937
<b>Total Assets</b>	<b>\$22,456,273</b>	<b>\$729,890,854</b>	<b>\$751,365,338</b>	<b>\$981,789</b>
<b>LIABILITIES</b>				
Accounts payable	\$1,054,251	\$4,223,664	\$4,672,819	\$605,096
Due to other funds	20,931,121	161,054,188	181,985,309	
Due to component units	10,403	27,981	38,384	
Due to other governments	345,839	213,097,870	213,182,756	260,953
Deposits	114,659	1,081		115,740
<b>Total Liabilities</b>	<b>\$22,456,273</b>	<b>\$378,404,784</b>	<b>\$399,879,268</b>	<b>\$981,789</b>

CITY OF ANN ARBOR  
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE BY FUNCTION AND ACTIVITY  
June 30, 2002

Function and Activity	Land	Buildings	Leasehold Improvements	Improvements Other than Buildings	Machinery Equipment Vehicles	Construction in Progress	Infrastructure	Total
General government:								
Community Development	\$	\$	\$	\$	\$35,210	\$	\$	\$35,210
Downtown Development Authority						8,750		8,750
Human Resources					12,520			12,520
Administrative Services	40,242	2,790,231	34,380		1,840,772			4,705,625
Attorney					2,857			2,857
Clerk		1,077,134	419,181		1,138,416			2,634,731
Finance		8,897			32,031			40,928
Non-departmental	6,606,279				3,068			6,609,347
District Court					91,489			91,489
Building		7,560			8,019			15,579
Transportation - Administration					11,965			11,965
Planning					8,712			8,712
Information Technology Services					705,112			705,112
Radio Maintenance					37,483			37,483
Total general government	6,646,521	3,883,822	453,561		3,927,654	8,750		14,920,308
Public safety:								
Police		36,590			2,632,120	356,229		3,024,939
Fire	50,000	2,392,671			3,911,732			6,354,403
Total public safety	50,000	2,429,261			6,543,852	356,229		9,379,342
Highways and streets:								
Transportation					1,550,598		638,430,720	639,981,318
Engineering	492,190	4,691			193,434	281,861		972,176
Total highways and streets	492,190	4,691			1,744,032	281,861	638,430,720	640,953,494
Solid Waste	598,236	5,624,446		44,453	3,736,947			10,004,082
Parks and recreation	10,591,579	10,843,184		1,334,471	1,928,800	302,569		25,000,603
Total governmental funds capital assets	\$18,378,526	\$22,785,404	\$453,561	\$1,378,924	\$17,881,285	\$949,409	\$638,430,720	\$700,257,829

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.



CITY OF ANN ARBOR  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY  
 For the fiscal year ended June 30, 2002

	July 1, 2001	Additions	Deductions	June 30, 2002
General government:				
Community Development	\$12,105	\$32,552	(\$9,447)	\$35,210
Human Resources	12,520			12,520
Administrative Services	4,705,625	1,936,550	(1,936,550)	4,705,625
Attorney	2,857			2,857
Clerk	2,527,991	106,739		2,634,730
Finance	40,928			40,928
Non-departmental	6,609,348			6,609,348
District Courts	48,731	42,758		91,489
Building	12,970	2,609		15,579
Transportation - Admin	11,965			11,965
Transportation - Parking	0	8,750		8,750
Planning	8,712			8,712
Information Technologies	0	705,112		705,112
Radio Maintenance	13,552	23,931		37,483
Total general government	<u>14,007,304</u>	<u>2,859,001</u>	<u>(1,945,997)</u>	<u>14,920,308</u>
Public safety:				
Police	2,970,639	63,256	(8,956)	3,024,939
Fire	6,437,613	123,577	(206,787)	6,354,403
	<u>9,408,252</u>	<u>186,833</u>	<u>(215,743)</u>	<u>9,379,342</u>
Highways and street:				
Transportation	633,609,302	6,758,482	(386,466)	639,981,318
Engineering	853,346	118,830		972,176
	<u>634,462,648</u>	<u>6,877,312</u>	<u>(386,466)</u>	<u>640,953,494</u>
Solid Waste	<u>9,430,747</u>	<u>617,788</u>	<u>(44,453)</u>	<u>10,004,082</u>
Parks and Recreation	<u>24,424,374</u>	<u>2,022,643</u>	<u>(1,446,414)</u>	<u>25,000,603</u>
Total governmental funds capital assets	<u>\$691,733,325</u>	<u>\$12,563,577</u>	<u>(\$4,039,073)</u>	<u>\$700,257,829</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF ANN ARBOR  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE BY SOURCE  
 June 30, 2002

	2002
Governmental funds capital assets:	
Land	\$18,378,526
Construction in progress	949,409
Buildings	22,785,404
Leasehold improvements	453,561
Improvements other than buildings	1,378,924
Machinery, equipment and vehicles	17,881,285
Infrastructure	638,430,720
Total governmental funds capital assets	\$700,257,829
Investments in governmental funds capital assets by source:	
All sources prior to July 1, 1984	\$12,530,901
General governmental funds	687,391,928
Federal and state grants	250,000
Gifts/Transfers	85,000
Total governmental funds capital assets	\$700,257,829

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

# Statistical Section

CITY OF ANN ARBOR  
FISCAL YEAR END  
JUNE 30, 2002  
(CAFR)

TABLE I

CITY OF ANN ARBOR  
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION  
LAST TEN FISCAL YEARS  
(Unaudited)

Fiscal Year	General Government	Public Safety and Justice	Highways and Streets	(1) Fleet Services	Solid Waste	Health/Social Services	Culture and Recreation	Debt Service	Transfers to Ann Arbor Transportation Authority	Other	Total
1992-93	\$ 20,295,691	\$ 20,154,864	\$ 8,669,004	\$ 2,376,422	\$ 5,340,061	\$ 8,025,136	\$ 3,713,225	\$ 4,826,744	\$ 4,611,824	\$ 4,051	\$ 78,017,022
1993-94	20,149,923	19,772,704	9,660,588	2,244,186	4,062,696	2,933,007	4,073,916	5,439,648	5,275,675	3,045	73,615,388
1994-95	20,711,684	20,820,162	10,893,294	2,334,290	3,933,877	4,213,949	4,628,379	5,736,615	5,408,737	1,695	78,682,682
1995-96	21,987,922	22,367,044	13,461,610	2,508,410	4,058,967	2,598,020	5,201,288	5,537,039	5,560,123	1,797	83,282,220
1996-97	22,582,732	23,891,469	12,112,829	2,718,602	4,565,859	3,494,159	5,897,498	5,458,333	5,753,186	94	86,474,761
1997-98	14,665,219	31,352,475	10,661,950		5,817,958	3,685,771	7,906,103	5,671,627	5,967,106	1,334,460	87,062,669
1998-99	14,936,004	32,109,227	14,746,181		5,946,846	3,837,878	9,684,027	5,088,188	6,265,996		92,614,347
1999-00	17,771,338	32,893,940	18,637,509		6,482,045	3,219,633	9,231,520	5,105,664	6,523,601		99,865,250
2000-01	17,901,505	39,436,291	18,218,884		6,406,705	4,207,320	9,428,250	4,803,225	6,776,531		107,178,711
2001-02	18,493,802	37,125,565	13,676,514		6,855,787	3,752,615	9,669,723	3,610,715	7,137,843		100,322,564

## Note:

Includes all operating expenditures for General, Special Revenue, Expendable Trust (for years prior to 2001-2002), and Debt Service Funds (except capital outlay in Special Revenue Funds).

(1) The operations of Fleet Services (Motor Equipment Fund) were consolidated into the General Fund on July 1, 1992 and re-established as an Internal Service Fund on July 1, 1997.

Source: City of Ann Arbor - Finance Department

TABLE II

CITY OF ANN ARBOR  
GENERAL GOVERNMENTAL REVENUES BY SOURCE  
LAST TEN FISCAL YEARS  
(Unaudited)

Fiscal Year	Property Taxes	Licenses, Permits and Registrations	Inter-Governmental	Rentals	Charges for Services	Fines and Forfeits	Investment Income	Other	Total
1992-93	\$ 42,622,658	\$ 1,219,281	\$ 22,754,492	\$ 510,295	\$ 12,398,975	\$ 4,103,675	\$ 1,285,453	\$ 2,536,440	\$ 87,431,269
1993-94	42,208,645	1,406,062	18,360,617	29,221	9,238,598	4,255,316	1,076,108	1,673,608	78,248,175
1994-95	43,497,874	1,633,000	20,231,116	42,338	9,245,475	4,411,736	2,194,562	4,427,481	85,683,582
1995-96	44,836,635	1,488,056	22,115,238	44,965	9,414,722	4,043,519	2,983,843	1,743,271	86,670,249
1996-97	46,036,783	1,772,740	21,855,209	73,744	9,380,459	4,260,334	2,989,792	1,437,028	87,806,089
1997-98	48,174,774	2,698,512	22,762,448	71,993	9,564,778	5,052,292	7,031,196	4,519,795	99,875,788
1998-99	50,960,730	2,945,101	23,733,677	52,171	9,154,370	5,238,081	2,737,210	2,130,291	96,951,631
1999-00	52,787,520	4,099,147	23,940,639	50,107	10,368,179	5,737,482	2,661,456	1,991,066	101,635,596
2000-01	54,797,240	3,122,293	25,665,530	49,163	10,196,953	5,541,929	4,558,874	1,306,055	105,238,037
2001-02	57,801,733	2,856,377	26,530,787	53,363	7,335,366	5,321,733	3,355,595	982,161	104,237,115

Note:

Includes General, Special Revenue, Debt Service and Expendable Trust Funds (prior to 2001-02).

Source: City of Ann Arbor - Finance Department

Table III

CITY OF ANN ARBOR  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
(Unaudited)

Fiscal Year	Total Tax Levy	Current Collections to March 1, each year		Collected to June 30	
		Amount	Percent	Amount	Percent
1992-93	\$38,639,786	\$36,834,502	95.3	\$38,300,492	99.1
1993-94	40,972,304	39,404,313	96.2	40,917,243	99.9
1994-95	42,409,296	41,139,492	97.0	42,304,902	99.8
1995-96	43,641,062	42,377,759	97.1	43,498,845	99.7
1996-97	44,954,725	43,764,688	97.4	44,835,252	99.7
1997-98	47,465,910	46,477,106	97.9	47,352,198	99.8
1998-99	50,297,248	49,305,383	98.0	50,189,332	99.8
1999-00	52,075,252	51,162,749	98.3	51,958,008	99.8
2000-01	54,210,561	53,385,722	98.5	54,138,837	99.9
2001-02	57,214,924	56,263,669	98.3	57,096,077	99.8

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

Source: City of Ann Arbor - Finance Department, Treasury Division

TABLE IV

CITY OF ANN ARBOR  
 ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
 LAST TEN FISCAL YEARS  
 (Unaudited)

Fiscal Year	Taxable Value		Final Equalized Or Taxable Valuation	Assessed Value	True Cash Value
	Real Property	Personal Property			
1992-93	\$2,164,985,900	\$196,941,400	\$2,361,927,300	\$2,361,927,300	\$4,723,854,600
1993-94	2,285,559,100	210,902,500	2,496,461,600	2,496,461,600	4,992,923,200
1994-95	2,347,073,100	215,302,000	2,562,375,100	2,562,375,100	5,124,750,200
1995-96	2,403,581,095	224,140,700	2,627,721,795	2,633,642,600	5,267,285,200
1996-97	2,487,377,168	233,044,900	2,720,422,068	2,722,634,200	5,445,268,400
1997-98	2,561,309,025	242,149,600	2,803,458,625	2,867,066,700	5,734,133,400
1998-99	2,696,959,403	260,367,000	2,957,326,403	3,049,361,700	6,098,723,400
1999-00	2,812,309,779	280,181,600	3,092,491,379	3,274,785,900	6,549,571,800
2000-01	2,949,820,311	267,104,900	3,216,925,211	3,540,261,000	7,080,522,000
2001-02	3,153,455,816	269,398,975	3,422,854,791	3,951,507,650	7,903,015,300

## 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 were applied against the assessed value of all property as finally equalized by the State through 1994. 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) 2001/02 Per Capita Taxable Value \$30,009  
 2001/02 Per Capita True Cash Value \$69,288
- (4) A breakdown of the City's 2001 Taxable Value by use and class is as follows:

By Use		By Class	
Residential	59.08%	Real Property	92.02%
Commercial	34.06%	Personal Property	7.98%
Industrial	5.79%	Total	100.00%
Utility	1.07%		
Total	100.00%		

Source: City of Ann Arbor - Finance Department, Assessing Division

TABLE V

CITY OF ANN ARBOR  
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS  
(PER \$1,000 OF ASSESSED VALUE)  
LAST TEN FISCAL YEARS  
(Unaudited)

CITY OF ANN ARBOR														
	Fiscal Year	General Operating	Refuse Collection	Transportation*	Employee Benefits	Debt Service	Parks	Major Street Repair	Subtotal	Ann Arbor Public Schools**	Ann Arbor District Library***	Washtenaw County	Washtenaw Community College	Total
	1992-93	6.5400	2.6200	2.0000	1.6700	1.1200	0.9300	1.8100	16.6900	37.6400		5.8000	3.1900	63.3200
	1993-94	6.3600	2.5100	2.1500	1.7700	1.1900	0.8400	1.8700	16.6900	37.4600		5.8800	3.1000	63.1300
Homestead	1994-95	6.3476	2.5410	2.1505	1.9252	1.1145	0.8379	1.9086	16.8253	24.1987		5.8600	3.0900	49.9740
Non-Homestead	1994-95	6.3476	2.5410	2.1505	1.9252	1.1145	0.8379	1.9086	16.8253	30.8409		5.8600	3.0900	56.6162
Homestead	1995-96	6.4515	2.5806	2.1505	1.8671	1.0397	0.8379	1.9509	16.8782	24.8739		5.6000	3.0700	50.4221
Non-Homestead	1995-96	6.4515	2.5806	2.1505	1.8671	1.0397	0.8379	1.9509	16.8782	32.2625		5.6000	3.0700	57.8107
Homestead	1996-97	6.4515	2.5806	2.1505	1.9060	0.9241	0.8379	1.9509	16.8015	20.8288	1.6500	5.5775	2.9329	47.7907
Non-Homestead	1996-97	6.4515	2.5806	2.1505	1.9060	0.9241	0.8379	1.9509	16.8015	30.6155	1.6500	5.5775	2.9329	57.5774
Homestead	1997-98	6.4515	2.5806	2.1505	2.1146	1.0864	0.8379	2.0000	17.2215	21.4759	1.6500	5.5322	3.9029	49.7825
Non-Homestead	1997-98	6.4515	2.5806	2.1505	2.1146	1.0864	0.8379	2.0000	17.2215	30.5031	1.6500	5.5322	3.9029	58.8097
Homestead	1998-99	6.4515	2.5806	2.1505	2.1505	1.0275	0.9450	2.0000	17.3056	20.6808	1.6500	5.5629	4.1029	49.3022
Non-Homestead	1998-99	6.4515	2.5806	2.1505	2.1505	1.0275	0.9450	2.0000	17.3056	30.2352	1.6500	5.5629	4.1029	58.8566
Homestead	1999-00	6.4515	2.5806	2.1505	2.1505	0.8539	0.9450	2.0000	17.1320	19.9233	1.6500	5.5809	4.0319	48.3181
Non-Homestead	1999-00	6.4515	2.5806	2.1505	2.1505	0.8539	0.9450	2.0000	17.1320	29.6256	1.6500	5.5809	4.0319	58.0204
Homestead	2000-01	6.0655	2.5674	2.1395	2.1395	0.7901	1.4377	1.9898	17.1295	18.8558	1.9500	5.5317	3.9944	47.4614
Non-Homestead	2000-01	6.0655	2.5674	2.1395	2.1395	0.7901	1.4377	1.9898	17.1295	29.4965	1.9500	5.5317	3.9944	58.1021
Homestead	2001-02	6.0315	2.5530	2.1275	2.1275	0.7549	1.4295	1.9786	17.0025	18.1505	1.9500	5.7269	3.9721	46.8020
Non-Homestead	2001-02	6.0315	2.5530	2.1275	2.1275	0.7549	1.4295	1.9786	17.0025	29.1050	1.9500	5.7269	3.9721	57.7565

\* Represents millage collected for Ann Arbor Transportation Authority.

\*\* Includes Washtenaw Intermediate School Ann Arbor District millage of 3.1311 mills and State Education Tax of 6.0 mills on both Homestead and Non-Homestead properties. On Non-Homestead properties, an additional 10.641 mills is included for School Operating Tax.

\*\*\* Ann Arbor District Library is now a separate taxing unit, beginning with 1996 tax, and previously was included in Ann Arbor Public Schools millage.

The City has enjoyed a stable property tax rate in all taxing jurisdictions due to annual increases in valuations as a result of economic growth.

Source: City of Ann Arbor - Finance Department, Assessing Division



TABLE VI

CITY OF ANN ARBOR  
SPECIAL ASSESSMENT LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
(Unaudited)

Fiscal Year	Current Assessments Due	Current Assessments Collected	Ratio of Collections to Assessments Due	Outstanding Current and Delinquent Assessments
1992-93	\$1,125,092	\$1,125,092	100	-0-
1993-94	1,098,235	1,098,235	100	-0-
1994-95	828,100	828,100	100	-0-
1995-96	632,106	632,106	100	-0-
1996-97	655,083	655,083	100	-0-
1997-98	580,572	580,572	100	-0-
1998-99	520,036	520,036	100	-0-
1999-00	535,772	535,772	100	-0-
2000-01	411,752	411,752	100	-0-
2001-02	568,966	568,966	100	-0-

## Note:

All assessments are either paid when due or added to the property tax bill. Delinquent taxes are turned over to the County for collection the following March 1st. The County pays all its municipalities from a revolving fund for delinquent real property taxes. Therefore, all assessments are considered collected currently.

Source: City of Ann Arbor - Finance Department, Treasury Division

TABLE VII

CITY OF ANN ARBOR  
 RATIO OF NET GENERAL BONDED DEBT  
 TO ASSESSED/TAXABLE VALUE AND NET BONDED DEBT PER CAPITA  
 LAST TEN FISCAL YEARS  
 (Unaudited)

Fiscal Year	Population	Assessed/ Taxable Value	Gross Bonded Debt (1)	Debt Service Monies Available (2)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed/ Taxable Value	Net Bonded Debt Per Capita
1992-93	109,440	\$ 2,361,927,300	\$ 29,755,000	\$ 100,405	\$ 29,654,595	0.0126	\$ 270.97
1993-94	109,440	2,496,461,600	29,055,000	54,849	29,000,151	0.0116	264.99
1994-95	109,440	2,520,567,000	28,330,000	536,672	27,793,328	0.0110	253.96
1995-96	109,440	2,627,721,795	27,475,000	450,970	27,024,030	0.0103	246.93
1996-97	109,440	2,720,422,068	26,395,000	(20,501)	26,415,501	0.0097	241.37
1997-98	109,440	2,803,458,625	25,110,000	255	25,109,745	0.0090	229.44
1998-99	109,440	2,957,326,403	23,380,000	180,634	23,199,366	0.0078	211.98
1999-00	109,472	3,092,491,379	21,840,000	199,356	21,640,644	0.0070	197.68
2000-01	113,992	3,216,925,211	20,300,000	199,700	20,100,300	0.0062	176.33
2001-02	114,061	3,422,854,791	19,020,000	188,202	18,831,798	0.0055	165.10

## Notes:

(1) All long-term general obligation debt, except debt issued for Enterprise Funds, Special Revenue bonds and Ann Arbor Building Authority bonds.

(2) General Debt Service Fund Balance (deficit) at end of fiscal year (General Debt Only).

Source: City of Ann Arbor-Finance Department.

TABLE VIII

CITY OF ANN ARBOR  
COMPUTATION OF LEGAL DEBT MARGIN  
June 30, 2002  
(Unaudited)

Taxable value of real and personal property	<u>\$ 3,422,854,791</u>
Legal debt limit (10% of taxable value)	<u>342,285,479</u>
Debt subject to limit:	
Net direct debt	52,792,963
Less: Special Assessment bonds (general obligation portion)	(1,250,000)
Indirect debt	<u>82,926</u>
	<u>51,625,889</u>
Legal debt margin	<u><u>\$ 290,659,590</u></u>

Source: City of Ann Arbor-Finance Department

TABLE IX

CITY OF ANN ARBOR  
 COMPUTATION OF NET DIRECT, INDIRECT AND OVERLAPPING DEBT  
 June 30, 2002  
 (Unaudited)

	Gross Amount Outstanding	Self-Supporting Or Paid By Benefited Entity	Net Amount Outstanding
<b>DIRECT AND INDIRECT DEBT</b>			
General Obligation Bonds	\$28,116,349	\$9,096,349	\$19,020,000
Special Assessment Bonds	2,730,000	2,730,000	
Ann Arbor Building Authority Bonds	33,040,000		33,040,000
Lease Contract Payable (Wastewater Treatment Plant)	1,200,000	1,200,000	
Revenue Bonds	45,855,000	45,855,000	
Other Long-Term Debt	1,772,243	956,354	815,889
Other Bonds	3,938,651	3,938,651	
<b>NET DIRECT AND INDIRECT DEBT</b>	<b>\$116,652,243</b>	<b>\$63,776,354</b>	<b>52,875,889</b>
<b>OVERLAPPING DEBT</b>			
62.74% Ann Arbor School District	42,004,000	15,650,690	26,353,310
33.61% Washtenaw Community College	47,540,000	31,561,806	15,978,194
32.83% Washtenaw County at Large	37,970,607	25,504,857	12,465,750
<b>NET OVERLAPPING DEBT</b>	<b>\$127,514,607</b>	<b>\$72,717,353</b>	<b>54,797,254</b>
<b>NET DIRECT, INDIRECT AND OVERLAPPING DEBT</b>			<b>\$107,673,143</b>
<b>PER CAPITA (114,061)</b>			
Net Direct and Indirect Debt			\$463.58
Net Direct, Indirect and Overlapping Debt			\$944.00
<b>RATIO TO 2001/2002 TAXABLE VALUE (\$3,422,854,791)</b>			
Net Direct and Indirect Debt			1.54%
Net Direct, Indirect and Overlapping Debt			3.15%

Source: Municipal Advisory Council

TABLE X

CITY OF ANN ARBOR  
 RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR  
 GENERAL BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES  
 LAST TEN FISCAL YEARS  
 (Unaudited)

Fiscal Year	Principal Retirement	Interest and Fiscal Charges	Total Debt Service	Total General Governmental Expenditures (1)	Percent of Debt Service to Total General Governmental Expenditures
1992-93	\$2,307,363	\$2,519,381	\$4,826,744	\$78,017,022	6.2%
1993-94	2,527,437	2,912,211	5,439,648	73,615,388	7.4%
1994-95	2,915,951	2,820,664	5,736,615	78,682,682	7.3%
1995-96	2,850,604	2,686,435	5,537,039	83,282,220	6.6%
1996-97	2,923,417	2,534,916	5,458,333	86,474,761	6.3%
1997-98	3,309,691	2,361,936	5,671,627	85,852,405	6.6%
1998-99	2,940,190	2,147,998	5,088,188	91,337,982	5.6%
1999-00	3,449,129	1,656,535	5,105,664	99,865,250	5.1%
2000-01	3,330,792	1,472,433	4,803,225	107,178,711	4.5%
2001-02	2,544,562	1,066,153	3,610,715	100,322,564	4.2%

(1) Includes General, Special Revenue, Expendable Trust (prior to 2001-2002) and Debt Service Funds (except capital outlay in Special Revenue Funds).

Source: City of Ann Arbor-Finance Department

TABLE XI

CITY OF ANN ARBOR  
REVENUE BOND COVERAGE ENTERPRISE FUNDS  
LAST TEN FISCAL YEARS  
(Unaudited)

Fiscal Year	Operating Revenue (1)	Operating Expenses (2)	Net Revenue Available For Debt Service	Principal	Interest	Total	Coverage
Water Supply System:							
1992-93	\$10,589,964	\$7,758,036	\$2,831,928	\$1,150,000	\$791,816	\$1,941,816	1.5
1993-94	10,751,887	8,200,100	2,551,787	1,205,000	877,971	2,082,971	1.2
1994-95	12,897,687	8,229,509	4,668,178	1,355,000	1,598,366	2,953,366	1.6
1995-96	13,439,193	8,857,326	4,581,867	1,500,000	1,838,626	3,338,626	1.4
1996-97	13,386,972	9,739,310	3,647,662	1,655,000	2,038,256	3,693,256	1.0
1997-98	14,385,459	10,208,257	4,177,202	1,520,000	1,963,116	3,483,116	1.2
1998-99	13,491,641	10,398,392	3,093,249	1,525,000	1,862,659	3,387,659	0.9
1999-00	15,347,694	10,323,987	5,023,707	1,880,000	2,000,997	3,880,997	1.3
2000-01	15,324,166	9,654,378	5,669,788	1,985,000	1,775,399	3,760,399	1.5
2001-02	17,772,569	9,955,579	7,816,990	2,235,000	1,653,572	3,888,572	2.0
Sewage Disposal System:							
1992-93	\$13,491,648	\$9,110,175	\$4,381,473	\$860,000	\$904,203	\$1,764,203	2.5
1993-94	12,893,367	9,477,939	3,415,428	955,000	812,169	1,767,169	1.9
1994-95	13,488,740	9,251,316	4,237,424	1,060,000	719,454	1,779,454	2.4
1995-96	14,393,362	9,557,620	4,835,742	1,120,000	705,720	1,825,720	2.6
1996-97	13,735,303	9,223,847	4,511,456	1,245,000	721,655	1,966,655	2.3
1997-98	14,896,297	9,650,824	5,245,473	1,040,000	653,672	1,693,672	3.1
1998-99	12,610,932	9,673,398	2,937,534	1,095,000	575,047	1,670,047	1.8
1999-00	14,181,088	11,236,645	2,944,443	1,200,000	528,680	1,728,680	1.7
2000-01	15,140,567	12,526,551	2,614,016	1,250,000	478,705	1,728,705	1.5
2001-02	16,870,157	10,147,750	6,722,407	1,305,000	411,860	1,716,860	3.9
Stormwater Sewer System (3):							
1994-95	\$1,785,286	\$1,288,774	\$496,512	\$70,000	\$68,487	\$138,487	3.6
1995-96	1,930,998	1,395,255	535,743	70,000	79,624	149,624	3.6
1996-97	2,042,180	1,598,145	444,035	75,000	74,647	149,647	3.0
1997-98	2,054,249	1,533,796	520,453	80,000	69,204	149,204	3.5
1998-99	2,137,340	1,713,109	424,231	80,000	64,506	144,506	2.9
1999-00	1,999,327	1,721,429	277,898	85,000	61,750	146,750	1.9
2000-01	2,129,529	1,666,023	463,506	95,000	56,508	151,508	3.1
2001-02	2,487,424	1,581,689	905,735	100,000	51,781	151,781	6.0

## Notes:

- (1) Includes interest income.  
(2) Excludes depreciation expense.  
(3) There were no Stormwater Sewer System revenue bond issues prior to fiscal year 1994-95.

Source: City of Ann Arbor - Finance Department

TABLE XII

CITY OF ANN ARBOR  
DEMOGRAPHIC STATISTICS  
LAST TEN FISCAL YEARS  
(Unaudited)

Fiscal Year	Population (1)	Median age (1)	Education Level in Years of Formal Schooling (2)	School Enrollment (2)	Unemployment Rate % (3)
1992-93	109,440	27.9	16.5	15,545	3.8
1993-94	109,440	27.9	16.5	14,722	3.3
1994-95	109,440	27.9	16.5	15,094	2.9
1995-96	109,440	27.9	16.5	15,368	2.5
1996-97	109,440	27.9	16.5	15,560	2.5
1997-98	109,440	27.9	16.5	16,800	2.0
1998-99	109,440	27.9	16.5	16,330	1.8
1999-00	109,472	27.9	16.5	16,530	1.5
2000-01	113,992	27.9	16.5	16,589	2.9
2001-02	114,024	28.1	16.5	16,768	2.9

## Sources:

- (1) U. S. Census Bureau 2002
- (2) Ann Arbor Public School's Child Accounting Office.
- (3) Michigan Employment Security Commission statistics for Washtenaw County.

TABLE XIII

CITY OF ANN ARBOR  
PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS  
LAST TEN FISCAL YEARS  
(Unaudited)

<u>Fiscal Year</u>	<u>Property Value</u>	<u>New Construction</u>	<u>Bank Deposits</u>
1992-93	\$ 4,723,854,600	\$ 71,767,328	\$ 55,742,018,000
1993-94	4,992,923,200	71,938,670	73,438,460,000
1994-95	5,124,750,200	95,660,170	67,737,581,000
1995-96	5,255,443,590	79,791,127	115,465,544,000
1996-97	5,734,133,400	95,138,092	106,423,322,000
1997-98	6,098,723,400	135,196,054	64,514,625,000
1998-99	6,549,571,800	102,401,400	52,890,434,000
1999-00	7,080,522,000	101,023,700	75,400,277,000
2000-01	7,903,015,300	92,723,150	57,717,028,000 *
2001-02	7,903,015,300	133,835,686	42,911,831,000 *

Sources: City of Ann Arbor - Building Department and Finance Department, Assessing Division  
Local Financial Institutions

\* Includes deposits other than Michigan



TABLE XIV

CITY OF ANN ARBOR  
PRINCIPAL TAXPAYERS  
(Unaudited)

The twenty largest taxpayers for the 2001-02 fiscal year and their 2001 Taxable Values are as follows:

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Taxable Valuation</u>	<u>Percentage of Total Taxable Value</u>
Pfizer	Pharmaceuticals	\$129,479,500	4.02%
Briarwood Shopping Complex	Shopping Center	34,541,936	1.07%
Detroit Edison	Utility	28,750,249	0.89%
Great Lakes Real Estate Investment Trust	Office Building	19,581,081	0.61%
Arborland	Shopping Center	18,839,028	0.59%
McKinley Associates	Apartments	14,651,984	0.46%
Geddes Lakes Cooperative	Co-op Housing	14,213,468	0.44%
Michigan Consolidated Gas Co.	Utility	13,302,000	0.41%
Comcast	Cable Television	12,879,100	0.40%
EQR-Fancap	Apartments	12,462,800	0.39%
Windemere Park Apt.	Apartments	12,371,536	0.38%
Village Co-op	Co-op Housing	11,844,776	0.37%
Phoenix Drive LLC	Corporate Headquarters	11,312,757	0.35%
W.C. Martin	Office Building	11,286,711	0.35%
Botanical Gardens Assoc.	Apartments	10,875,679	0.34%
ERIM of Michigan	Office Building	10,027,840	0.31%
Signature Villas	Apartments	9,747,200	0.30%
Arbor Landings	Apartments	9,652,657	0.30%
Arbor Lake Village Apt.	Apartments	9,395,696	0.29%
Bella Costa	Apartments	7,670,430	0.24%
Total		<u>\$ 402,886,428</u>	<u>12.52%</u>

These taxpayers represent 12.52% of the City's 2001 valuation.

Source: City of Ann Arbor - Finance Department, Assessing Division

TABLE XV

CITY OF ANN ARBOR  
 MISCELLANEOUS STATISTICS  
 June 30, 2002  
 (Unaudited)

Date of incorporation	1851	Sewers:	
Form of government	Council-Administrator	Miles of sanitary sewers	337.24
Miles of streets	289.74	Miles of storm sewers	199.07
Number of street lights	8685		
Fire protection:		Culture and recreation:	
Number of stations	6	Number of parks	147 with 2,027 acres
Number of firefighters and officers	108		2 18-hole golf courses
Number of fire hydrants	3428		1 enclosed ice arena, 1 with roof
Water utilities department:			3 outdoor pools, 1 indoor pool
Number of connections	26,611		3 historic sites
Average daily consumption	13.957 MGD		1 art center, 1 senior center
Miles of water mains	448	Permanent employees:	2 canoe liveries
			914

Area and Population Data:

<u>Year</u>	<u>Population</u>	<u>Area in Square Miles</u>
1950	48,251	7.3
1960	67,340	15.0
1970	100,035	23.3
1980	107,969	23.5
1990	109,592	27.0
2000	109,472	28.5
2001	113,992	28.6
2002	114,024	28.6

Source: Various City of Ann Arbor Departments  
 U.S. Census Bureau

CITY OF ANN ARBOR  
COMMUNITY PROFILE/INFORMATION  
June 30, 2002  
(Unaudited)

The City of Ann Arbor 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. It is known nationally as the home of the University of Michigan, which currently employs approximately 16,800 people.

Ann Arbor offers a unique blend of business, education, and recreational opportunities. Through the efforts of local builders, contractors and retailers, the City has not only grown at its outer boundaries, but the central City remains a vibrant retail, service and entertainment location. The area is serviced by prominent legal counsel, excellent account and brokerage houses, several advertising agencies, employment services, insurance companies, realtors, data processing centers, travel agencies and testing facilities, as well as consultants and engineering firms for all needs. Additionally, the City has attracted high technology research industries in the computer, engineering, and energy fields, which are expected to aid in the future economic growth of the area.

Among the cultural and recreational attractions available to Ann Arbor residents are the Professional Theater Program at the University of Michigan, Ann Arbor Civic Theater, Ann Arbor Symphony Orchestra, University Musical Society presentations, and a number of museums and galleries. There are several public and private golf courses, and the City park system encompasses 2,027 acres, which includes 147 park sites. The collegiate sports spectator can see first-class sporting events throughout the year at the University, including football, basketball, baseball, and hockey.

#### **EMPLOYMENT**

Residents of the City are characterized as being well educated. According to the 2000 U. S. Census, over 69 percent of its residents over 25 years of age had completed four or more years of college. Sixty-one percent of the total work force is engaged in managerial and professional occupations, with the largest portions in the health service, education and research, retail and manufacturing industries.

#### **HIGHER EDUCATION**

The University of Michigan has a national reputation for academic excellence and is one of Ann Arbor's greatest assets. Rated among the top ten universities by the latest survey of the American Council of Education, the University enrolls over 38,000 students in 19 schools and colleges. The school is well equipped to provide instruction and research opportunities in a wide variety of fields.

There are four other institutions of higher learning located within a ten-mile radius of downtown Ann Arbor, they are: Washtenaw Community College, Cleary University, Eastern Michigan University, and Concordia University.

#### **MEDICAL FACILITIES**

Students and residents of Ann Arbor are served by the nationally acclaimed University of Michigan Medical Center, which houses seven hospitals and an eight-story patient tower with more than 800 beds and outpatient clinics in 15 major clinical areas. Ann Arbor residents are also served by these area medical institutions: Veterans Administration Hospital, and St. Joseph Mercy Health System.

COMMUNITY PROFILE/INFORMATION  
June 30, 2002

**HOUSING**

A varied housing supply exists in Ann Arbor to meet the wide range of needs of local residents. The housing stock includes single-family homes, duplexes, condominiums, multiple family apartments, and rooms in houses and dormitories. The housing market generally follows the University of Michigan's schedule (more housing is available in the spring and less at the start of each semester). In addition to several newer subdivisions in and around the City, Ann Arbor's older housing is generally in excellent condition and in considerable demand. The City's west side and downtown have been designated historical districts, where the homes retain the charm, character, and unique architecture of days past.

Rental housing is available throughout the City in a wide range of styles, sizes, and price, furnished and unfurnished. The following statistics further identify Ann Arbor's housing characteristics:

	1980 <u>U. S. Census</u>	1990 <u>U. S. Census</u>	2000 <u>U. S. Census</u>
Total year round housing units	40,139	44,010	47,218
Total occupied housing units	38,945	41,657	45,693
Median value owner occupied, single-family housing unit	\$69,600	\$116,400	\$181,400

**TRANSPORTATION**

A major expressway network surrounds Ann Arbor including Interstate 94, the major east-west artery across Michigan connecting Detroit and Chicago, and U. S. 23, which links Ann Arbor to northern Michigan and to Ohio to the south. M-14 is a major eastbound connector to I-275 and I-96, which supplies access to the northern metropolitan areas of Wayne, Oakland, and Macomb Counties.

The Ann Arbor Transportation Authority provides a variety of local transportation services. Greyhound Bus Lines, Overland Travel, and Indian Trails Motorcoach provide bus service to and from Ann Arbor. In addition, four local taxicab companies operate in the City; they are: Ann Arbor Taxi, Blue Cab Co., Veterans Cab Co., and Yellow Cab Co.

Passenger rail service is available to the east via Detroit and to the west via Chicago from the Amtrak Passenger Station in Ann Arbor. Rail freight service is provided by Norfolk & Western Rail Road Company of Milan, Michigan and Conrail of Ypsilanti, Michigan.

Corporate and flight training service is provided by the Ann Arbor Municipal Airport, located on the south side of Ann Arbor. Willow Run Airport, 11 miles from Ann Arbor, is a cargo transportation center; and passenger airline service is available on major commercial carriers from Detroit Wayne County Metropolitan Airport, 23 miles east of the City.

COMMUNITY PROFILE/INFORMATION  
June 30, 2002

**POPULATION CHARACTERISTICS**

The residents of the City are generally homeowners, have an above average education and enjoy a stable, fairly high income. The following comparative statistics were taken from 1980, 1990, and 2000 U.S. Census reports.

	1980 <u>U. S. Census</u>	1990 <u>U. S. Census</u>	2000 <u>U. S. Census</u>
<b>Age Distribution</b>			
Percent of persons 17 years and under	19.1%	17.3%	25.2%*
Percent of persons 18-64 years old	75.0	75.5	67.0%**
Percent of persons 65 years and over	5.9	7.2	7.9
<b>Education Levels (25 yrs. &amp; over)</b>			
Percent of persons who completed 4 years of high school or more	90.6%	93.9%	95.7
Percent of persons who completed 4 years of college or more	50.2	64.2	69.3%
Median Family Income	\$25,202	\$50,192	\$71,293 (Yr. 1999)

\* Persons 19 yrs. and under

\*\*Persons 20-64 yrs. old

**UTILITIES**

Ann Arbor residents are supplied with electric power and natural gas by DTE Energy Company. Ameritech provides local telephone service. The City of Ann Arbor Water Utilities Department provides water and sewage disposal.

COMMUNITY PROFILE/INFORMATION  
June 30, 2002

**DEVELOPMENT**

During the 2001-2002 fiscal year, two mixed-use projects containing residential dwellings were approved: 1310 South Main Street, consisting of a 14,000-square foot office building and six residential units; and a rezoning for The Carrot Way Developments at 1731 Dhu Varren Road, consisting of a non-profit food gathering packaging and redistribution center, 30 affordable housing units, and an office building. Several residential projects approved during this period, including Berkshire Creek on the west side of Huron Parkway north of Washtenaw Avenue for 64 residential units in eight buildings; Eagle Ridge Phase 4 for 11 units in three buildings at the northeast corner of South Maple Road and Pennsylvania Avenue; Cambridge Commons, a 42-unit condominium development at the southwest corner of Eisenhower Parkway and Signature Boulevard; and Main Street Commons at 2223 South Main Street, consisting of 48 multiple-family residential units. Non-residential projects approved were South State Commons on the east side of South State Street at Oakbrook Drive, consisting of three office buildings; Rudolf Steiner High School addition and renovation for a high school at 2230, 2244 and 2250 Pontiac Trail; Boardwalk Office Center Phase II for a two-story office building at 3005 Boardwalk; Huron Hills Baptist Church at 3150 Glazier Way for a two-story, 7,440-square foot addition; a new Bank of Ann Arbor at 2204 West Stadium Boulevard; Peace Neighborhood Center addition at 1111 North Maple Road; a new Ann Arbor District Library at the southwest corner of Eisenhower Parkway and Homestead Commons Drive; a rezoning for the Ann Arbor YMCA at Washington and Third Streets for development of a 78,371-square foot recreational building; a rezoning for Pfizer at 2800 Plymouth Road, 1600 Huron Parkway and adjacent acreage to the east for a unified campus development; Washtenaw Veterinary Hospital and employee child care center at 2729 Packard Road; and a new three-story, 109,000-square foot office building at 777 Eisenhower Parkway. Three public projects were reviewed: State Street area pedestrian improvements, Ann Arbor Homeless Shelter on West Huron Street, and Northeast Area Park improvements.

Source: Various City of Ann Arbor Departments and U.S. Census Bureau