

City of
Ann Arbor,
Michigan



Comprehensive
Annual Financial
Report

Year Ended
June 30, 2016

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CITY OF ANN ARBOR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

County of Washtenaw
State of Michigan

Fiscal Year Ended June 30, 2016



Prepared by:
Financial and Administrative Services
Accounting Services Unit
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CITY OF ANN ARBOR, MICHIGAN

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INTRODUCTORY SECTION

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November 4, 2016

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 ended June 30, 2016, is submitted. Staff in the Accounting Services Unit prepared the report, with assistance from the Pension System, Downtown Development Authority, Housing Commission and other City staff. The City has the responsibility for all disclosure and accuracy of material contained in this report.

State law requires that all local governments, subject to certain size criteria, publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Ann Arbor for the fiscal year ended June 30, 2016.

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

Rehmann, Certified Public Accountants, have issued an unmodified ("clean") opinion on the City of Ann Arbor financial statements for the year ended June 30, 2016. The independent auditor's report is located at the front of the financial section of this report.

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

Profile of the Government

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

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

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

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

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

The City takes pride in the service provided to its citizens and the community's well-earned reputation; 2016 honors include:

- Tree City USA (35th year), Arbor Day Foundation.
- Certified Bee City USA Affiliate.
- Top City Secretly Great for Tech Grads (No. 6), DataFox.
- Best Place in the United States for K-12 Teachers to Live and Work (No. 3), GoodCall.
- Top 15 2016 Best Public High Schools in Michigan (Huron No. 7, Community No. 8, Skyline No. 10, Pioneer No. 12), k.12niche.com.
- 10 Best College Towns (No. 5), Livability.com.
- Top 100 Best Places to Live 2016, Livability.com.
- Gold Recognition, Michigan Green Communities.
- Best Mid-Size City for Making a Living (No. 6), MoneyGeek.com.
- Best City for Women in the Workforce 2016 (No. 7), NerdWallet.
- Best Cities to Live In 2016 (No. 4), Niche.com.
- Walk Friendly Community (one of seven in the U.S.), The Pedestrian and Bicycle Information Center.
- Most Walkable Mid-sized Midwest Neighborhood (No. 1), Redfin.
- First Center of Excellence for Intelligent Traffic Technology, Siemens.
- Best Green City in the U.S. for Families (No. 5), SmartAsset.
- Most Environmentally Friendly City (No. 16), ValuePenguin.
- Most Educated City 2016 (No. 1), WalletHub.com.

Local Economy

The City is endowed with several major corporations located within its boundaries such as Google. In addition, Ann Arbor is home to one of the largest employers in the county, the University of Michigan, which employs approximately 46,000 people. Ann Arbor is also known for its excellent technology infrastructure that has attracted several large technology firms to the area.

The City has two higher educational centers: 1) The University of Michigan and; 2) Concordia College. Additionally, located within a 10-mile radius are two other higher educational centers.

The City of Ann Arbor has the largest population base in Washtenaw County and serves as the County Seat. The U.S. Census Bureau identified 113,932 residents in Ann Arbor, representing 33% of the population base in Washtenaw County. The median household income of our citizens is \$85,110. Personal income in the City has risen in recent years, which is an indication of a healthy economy.

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

The City of Ann Arbor is starting to see economic improvements take traction in its local economy. The local area unemployment rate had declined to 3.5% as of June 2016, receipts from sales taxes have increased modestly, and residential property values are increasing, primarily due to new construction. Offsetting some of this economic improvement are State laws limiting property tax revenues along with legislative uncertainty of funds provided by the State to the City.

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

Long-term Financial Planning

The City Council and City Administrator are committed to strategies designed to ensure the long-term financial health of the City. The City's financial policies have not changed significantly and an emphasis on strategic planning is being implemented.

During this economic environment, the City will strive to maintain an assigned and unassigned General Fund fund balance with a minimum of 15% to 20%. If it is necessary to use these funds, subsequent budgets will be planned for additions to restore fund balance. The City continues to manage its operating expenditures within levels supported by recurring revenues. The City is also striving to budget a consistent level of capital outlay sufficient to maintain current infrastructure.

Relevant Financial Policies

The City has adopted and adheres to several financial management policies governing debt, investments, fund balance, pension funding, other postemployment benefits funding and capital improvements. These policies govern the management of resources including use of one-time funds, sale and defeasance of bonds, and investment strategy. With respect to the pension and other postemployment benefits funding policies, to the extent that a fully funded plan has not been achieved, the City funds the higher of the actuarially required contribution or the existing level of funding adjusted annually by an increase of at least 2%.

Major Initiatives

Wastewater Treatment Plant

The Ann Arbor Wastewater Treatment Plant (WWTP) receives and treats approximately 18.0 million gallons of wastewater per day from the City of Ann Arbor, Pittsfield, Scio, and Ann Arbor townships. Due to aging and deteriorating facilities, two renovation projects, the Facilities Renovations Project and the Residuals Handling Improvements Project, have been implemented to ensure long-term treatment capacity and reliability. The Residuals Handling Improvements Project was completed at a construction cost of \$50,492,258. This project replaced the worn and inefficient residual solids processing equipment and renovates the existing structure housing the process equipment. Additional items such as odor management and treatment were also addressed.

Facilities Renovation Project (construction cost = \$109,512,731)

This project consists of upgrading, rehabilitating and/or replacing the aging and deteriorating facilities at the WWTP. The WWTP consists of an older West Plant (constructed in the 1930's) and a newer East Plant (constructed in the late 1970's). The Facilities Renovations Project is split into two phases, thereby providing significant construction and financial benefits. The first phase is the Storage Building Demolition and Improvements Project, which includes demolition of the Solids Re-aeration Tank and the Old Solids Storage Building, as well as some minor electrical modifications. The first phase is completed. The second phase of the Facilities Renovations Project includes complete replacement of the older West Plant, improvements to newer East Plant and replacement of the plant electrical grid and stand-by generators. The second phase project is State Revolving Funds funded and is 89% completed.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Ann Arbor for its comprehensive annual financial report for the fiscal year ended June 30, 2015. This was the twenty-seventh consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

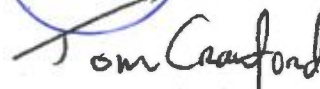
In addition, the City of Ann Arbor also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for fiscal year 2016. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

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

Sincerely,



Howard Lazarus
City Administrator



Tom Crawford,
Chief Financial Officer

CITY OF ANN ARBOR, MICHIGAN

ELECTED AND APPOINTED OFFICIALS

Christopher Taylor, Mayor

Council Members

Sumi Kailasapathy
Kirk Westphal
Julie Grand
Graydon Krapohi
Chuck Warpehoski

Sabra Briere
Jane Lumm
Zachary Ackerman
Jack Eaton
Chip Smith

Howard Lazarus
City Administrator

Tom Crawford
Chief Financial Officer

Karen M. Lancaster
Finance Director

Matthew V. Horning
City Treasurer

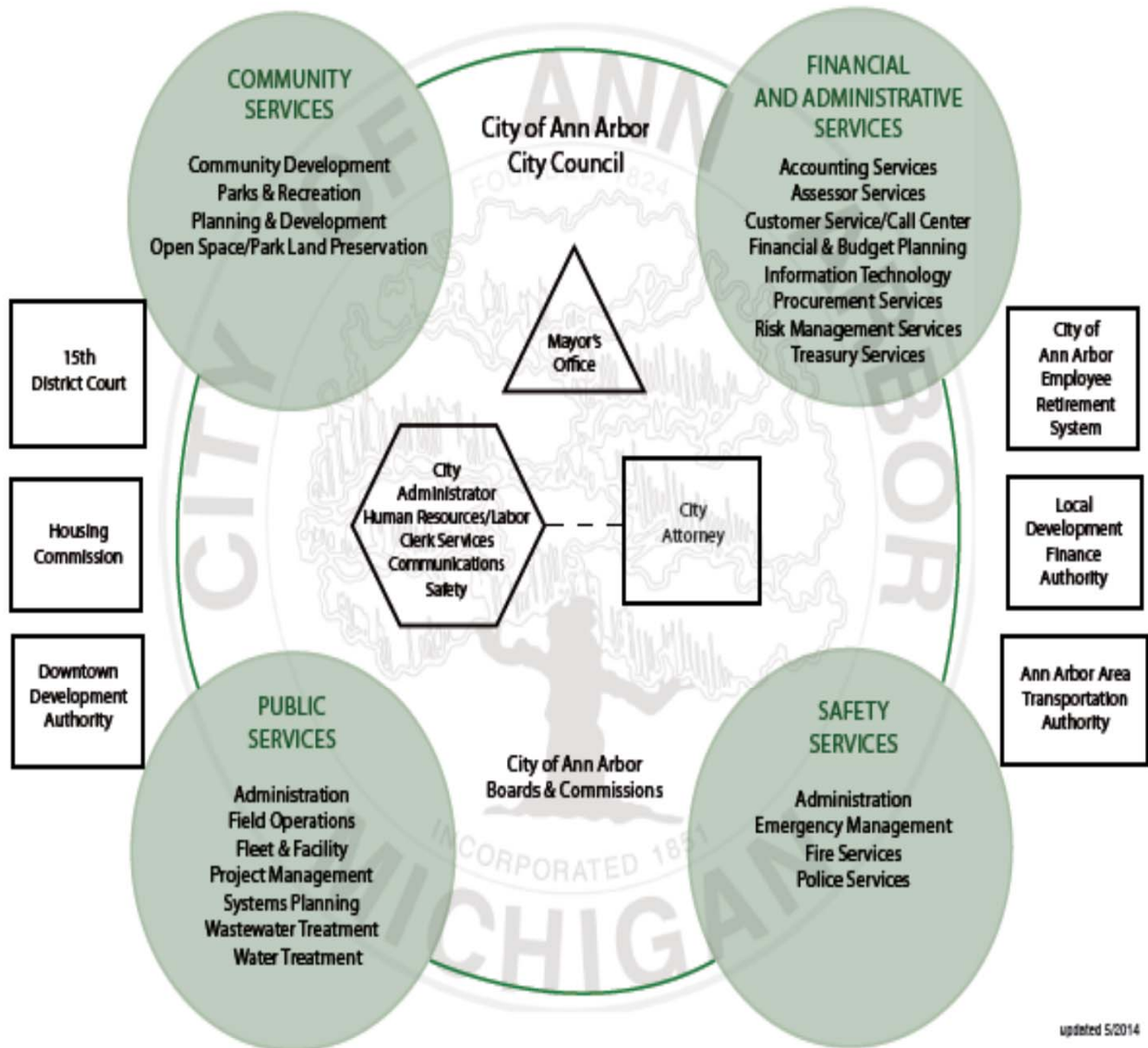
Stephen K. Postema
City Attorney

Jacqueline Beaudry
City Clerk

CITY OF ANN ARBOR, MICHIGAN

Organizational Chart

CITY OF ANN ARBOR ORGANIZATIONAL CHART





Government Finance Officers Association

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

Presented to

**City of Ann Arbor
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

November 4, 2016

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Ann Arbor, Michigan* (the "City"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Ann Arbor Housing Commission, which represents 13.4% of the assets and 38.3% of the revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report was furnished to us, and our opinion, insofar as it relates to the amounts included for the Ann Arbor Housing Commission, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ann Arbor, Michigan, as of June 30, 2016, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund and major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the schedules of pension and other postemployment benefits information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual 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 fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and statistical tables have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2016 on our consideration of the City of Ann Arbor's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Ann Arbor's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Rehmann Robson LLC". The signature is written in a cursive, flowing style.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF ANN ARBOR, MICHIGAN

Management's Discussion and Analysis

As management of the City of Ann Arbor, Michigan, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page 1 of this report.

Financial Highlights

- The City's governmental funds financial statements are prepared using modified accrual basis of accounting and all other funds are prepared using the full accrual basis of accounting.
- Government-wide financial statements are comprised of governmental activities, business-type activities and discretely presented component units. Governmental activities include general fund activities such as public safety and parks and recreation. Business-type activities include proprietary funds such as water, sewer, and solid waste.
 - In total, the assets and deferred outflows of resources of the City exceed its liabilities and deferred inflows of resources by \$1,052,999,402 at the close of the most recent fiscal year.
 - \$895,019,284 is the net investment in capital assets;
 - \$91,111,530 is restricted for specific purposes, such as capital projects;
 - \$66,868,588 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors, subject to the purpose of the fund in which they are located. This balance is comprised of \$526,826 in governmental activities and \$66,341,762 in business-type activities.
 - The City's total net position increased by \$10,173,900 during the year, primarily due to increases in capital assets and growth in unrestricted net position of the water, sewer and storm funds that are setting aside funding for future projects.
 - The City's total debt increased by \$12,540,256 (new issues less retirements) during the current fiscal year due to the increased draws on revolving lines of credit with the State of Michigan that are used to finance stormwater projects and the wastewater treatment plant construction.
- Fund financial statements are comprised of 31 governmental funds and 12 proprietary funds. Governmental funds include the general fund, street repair millage fund, and other special revenue, capital projects and debt service funds.
 - At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$93,713,183, increasing \$7,498,707 during the fiscal year.
 - Of the above fund balance amount, \$15,330,765 is unassigned and may be used to meet the government's ongoing obligations to citizens and creditors, \$15,018,201 is assigned, \$4,584,590 is committed and may be used subject to the purpose of the fund in which it is located, and the remaining amount of \$58,779,627 is restricted by external restrictions (such as state gas and weight tax, grants or millage funds) or nonspendable (as in the corpus of a trust).
 - The City's major funds, the general fund (\$25,135,349) and the street repair millage fund (\$13,264,960), account for 41% of total fund balance including restricted amounts. The remaining amount is represented across the other 29 nonmajor funds.
 - The general fund recognized an increase to fund balance of \$2,652,049. The general fund unassigned fund balance decreased from \$17,235,156 to \$15,330,765. The end result was an increase in assigned general fund balance of \$4,702,763. At the end of the current fiscal year, unassigned fund balance was 19% of the total general fund expenditures.

Overview of the Financial Statements

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

Government-wide Statements

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

- The statement of net position is the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources, which can be used as an indicator of the City's financial health or position.

CITY OF ANN ARBOR, MICHIGAN

Management's Discussion and Analysis

- The statement of activities provides information about the City activities as a whole, as it relates to the City's revenues and expenses. The statement of activities accounts for revenues and expenses when they occur, regardless of when cash is received or paid. This statement indicates whether the City's revenues exceed its expenses, which is another way to monitor the overall health of the City.

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

- Governmental activities - All of the City's basic services such as police, fire, public works, and general administration are included in the governmental activities. Property taxes, fees and charges, state shared revenues, and state and federal grants finance most of these activities.
- Business-type activities - Business-type activity areas include water, sewer and stormwater systems, parking facilities, solid waste and an airport. The City primarily utilizes fees and charges to cover the cost of services provided in these business-type activities with the exception of the solid waste activity that is supplemented by property taxes.
- Component units - Included in the component units for the City are the Downtown Development Authority, the SmartZone Local Development Finance Authority and the Ann Arbor Housing Commission. Although the component units are separate legal entities, the City is financially responsible for them. The Housing Commission provides low-income housing to City residents. The City provides limited, special purpose financial support to the Commission and is contingently liable for its debt.

Fund Financial Statements

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

Governmental funds

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

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

The City maintains 31 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general and the street repair millage special revenue funds. Data from the other 29 governmental funds are combined in a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

CITY OF ANN ARBOR, MICHIGAN

Management's Discussion and Analysis

Proprietary funds

The City maintains 12 different proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, stormwater and sanitary sewer operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its central stores, fleet services, information technology, project management, insurance funds and Wheeler Center Maintenance Facility operations. Because internal service funds benefit predominantly governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sanitary sewer operations, parking system, airport, stormwater system, and solid waste, each of which are considered major funds of the City.

Fiduciary funds

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

Additional Information

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This includes the management's discussion and analysis and the schedules concerning the City's progress in funding its obligation to provide pension and retiree health care benefits to its employees.

The combining and individual fund financial statements and schedules, referred to earlier in connection with nonmajor governmental funds and internal service funds, are presented immediately following the required supplementary information.

Financial Analysis of the City as a Whole

The government-wide financial analysis focuses on the net position and changes in net position of the City's governmental and business-type activities. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As the following table demonstrates, the City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$1,052,999,402 at June 30, 2016 compared to \$1,042,825,502 at June 30, 2015.

CITY OF ANN ARBOR, MICHIGAN

Management's Discussion and Analysis

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 140,680,590	\$ 137,687,008	\$ 134,893,465	\$ 123,019,270	\$ 275,574,055	\$ 260,706,278
Capital assets, net	807,547,164	812,887,948	398,801,228	379,278,941	1,206,348,392	1,192,166,889
Total assets	948,227,754	950,574,956	533,694,693	502,298,211	1,481,922,447	1,452,873,167
Deferred outflows of resources	14,594,638	7,466,626	19,978,540	3,153,646	34,573,178	10,620,272
Long-term liabilities	124,800,821	129,278,591	205,170,956	188,152,930	329,971,777	317,431,521
Pension and OPEB	61,960,165	57,262,334	26,303,002	11,697,413	88,263,167	68,959,747
Other liabilities	20,232,459	15,790,015	22,448,169	18,486,654	42,680,628	34,276,669
Total liabilities	206,993,445	202,330,940	253,922,127	218,336,997	460,915,572	420,667,937
Deferred inflows of resources	1,804,122	-	776,529	-	2,580,651	-
Net position						
Net investment in capital assets	696,101,749	697,791,106	198,917,535	193,410,202	895,019,284	891,201,308
Restricted	57,396,250	56,287,227	33,715,280	32,368,111	91,111,530	88,655,338
Unrestricted	526,826	1,632,309	66,341,762	61,336,547	66,868,588	62,968,856
Total net position	\$ 754,024,825	\$ 755,710,642	\$ 298,974,577	\$ 287,114,860	\$ 1,052,999,402	\$ 1,042,825,502

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

An additional portion of the City's net position at June 30, 2016 (\$91,111,530) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$66,868,588 may be used to meet the government's ongoing obligations to citizens and creditors, subject to the restrictions of the fund.

Long-term liabilities have increased from 2015 to 2016 due to the increase in revolving debt related to the wastewater treatment plant reconstruction and various storm water projects. Pension and OPEB liabilities have increased due to the increase in pension liability primarily related to the valuation of plan assets at June 30, 2016, compared to June 30, 2015. Other liabilities have increased from 2015 to 2016 primarily due to an increase in deposits in governmental activities related to new construction and an increase in estimated claims payable related to the City's closed landfill in business-type activities.

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

CITY OF ANN ARBOR, MICHIGAN

Management's Discussion and Analysis

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues:						
Charges for services	\$ 31,384,738	\$ 29,192,461	\$ 61,517,542	\$ 57,763,670	\$ 92,902,280	\$ 86,956,131
Operating grants	12,273,077	11,030,886	-	-	12,273,077	11,030,886
Capital grants	638,182	865,776	600,945	4,645,758	1,239,127	5,511,534
General revenues:						
Property taxes	71,544,363	69,605,519	12,072,979	11,728,679	83,617,342	81,334,198
State shared revenues and grants	10,215,633	10,317,088	-	-	10,215,633	10,317,088
Investment income	1,558,594	1,262,302	1,774,736	1,293,959	3,333,330	2,556,261
Other	320,426	150,905	59,650	67,250	380,076	218,155
Total revenues	127,935,013	122,424,937	76,025,852	75,499,316	203,960,865	197,924,253
Expenses						
Governmental activities:						
General government	15,951,143	16,550,948	-	-	15,951,143	16,550,948
Public safety	45,158,518	43,882,972	-	-	45,158,518	43,882,972
Public works	38,305,144	33,619,237	-	-	38,305,144	33,619,237
Community and economic development	2,925,711	2,749,048	-	-	2,925,711	2,749,048
Culture and recreation	12,865,261	13,374,937	-	-	12,865,261	13,374,937
Public transportation	10,038,406	9,735,605	-	-	10,038,406	9,735,605
Interest on debt	4,837,529	4,691,976	-	-	4,837,529	4,691,976
Business-type activities:						
Water	-	-	19,188,325	18,494,776	19,188,325	18,494,776
Sewer	-	-	17,880,966	16,842,294	17,880,966	16,842,294
Parking	-	-	2,048,444	2,144,727	2,048,444	2,144,727
Airport	-	-	670,167	746,680	670,167	746,680
Stormwater	-	-	5,616,057	5,986,171	5,616,057	5,986,171
Solid waste	-	-	18,301,294	12,986,803	18,301,294	12,986,803
Total expenses	130,081,712	124,604,723	63,705,253	57,201,451	193,786,965	181,806,174
Change in net position before transfers	(2,146,699)	(2,179,786)	12,320,599	18,297,865	10,173,900	16,118,079
Transfers	460,882	4,831,153	(460,882)	(4,831,153)	-	-
Change in net position	(1,685,817)	2,651,367	11,859,717	13,466,712	10,173,900	16,118,079
Net position:						
Beginning of year:						
Previously stated	755,710,642	799,167,887	287,114,860	282,161,148	1,042,825,502	1,081,329,035
Restatement for implementation of GASB 68	-	(46,108,612)	-	(8,513,000)	-	(54,621,612)
End of year	\$ 754,024,825	\$ 755,710,642	\$ 298,974,577	\$ 287,114,860	\$ 1,052,999,402	\$ 1,042,825,502

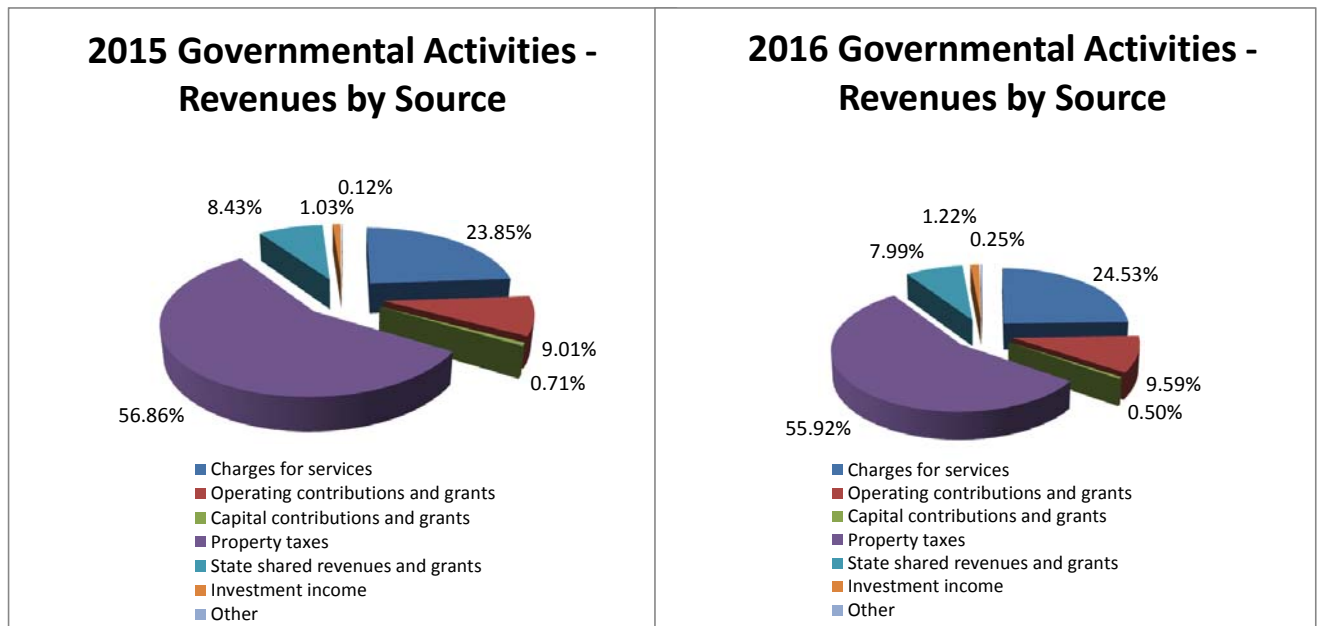
The City's net position increased by \$10,173,900 during the current fiscal year and \$16,118,079 in the prior fiscal year.

CITY OF ANN ARBOR, MICHIGAN

Management's Discussion and Analysis

Governmental activities decreased the City's net position by \$1,685,817. During fiscal year 2015, governmental activities increased by \$2,651,367, which was a 16% increase of the total growth for fiscal year 2015. Key elements are as follows:

- Property taxes increased 2.8% during fiscal year 2016 and 2.5% in fiscal year 2015.
- Investment income increased 23% due to an increase in the size of the investment portfolio. Last year, investment income decreased 22%. This is attributable to fluctuations in the market value of the investments. It is important to note that the City holds all of its investments until they mature and do not experience a realized loss on investments.
- Charges for services increased 7.5% compared to a increase of 8% in fiscal year 2015 primarily due to an increase in revenue from the parks and recreation activities.
- Capital contributions and grants decreased 26% due to decreased capital grant activity as compared to an decrease of 11% in fiscal year 2015. Grant activity is cyclical and this change is expected.

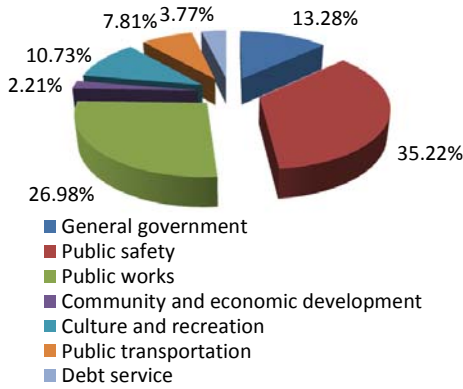


Expenses for governmental activities increased \$5,476,989 from 2015 to 2016. Key elements are as follows:

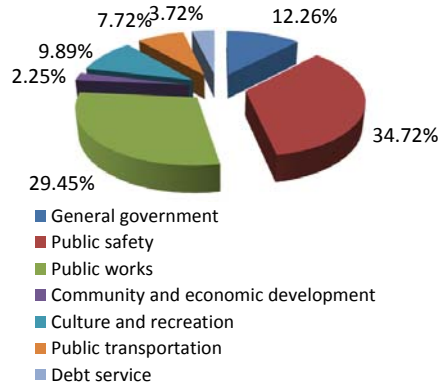
- Public safety expenses increased \$1.3 million due to increased personnel expenses for the pension liability accrual for GASB Statement Number 68, *Accounting and Financial Reporting for Pensions*.
- Public works expenses increased by \$4.7 million due to an increase in depreciation expense for street infrastructure.
- Expenses for culture and recreation decreased \$0.5 million due to decreased expenses in the open space millage fund.

Management's Discussion and Analysis

2015 Governmental Activities - Expenses by Function



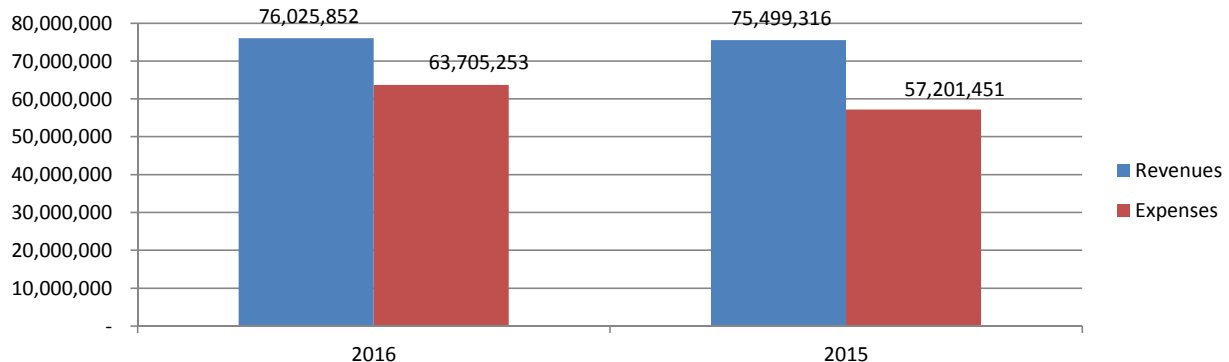
2016 Governmental Activities - Expenses by Function



Business-type activities increased the City’s net position by \$11,859,717 for fiscal year 2016 and by \$13,466,712 for fiscal year 2015, accounting for 100% and 84% of the total growth in the government’s net position for the current year and prior year, respectively. Key elements of this increase are as follows:

- Revenues were relatively flat overall in fiscal year 2016 due to decreased capital contributions in water funds from decreased intergovernmental participation to pay for funding an expanded water system offset with increased charges for services. In the prior year, there was an overall increase of 3%.
- Expenses increased \$6,503,802, or 10%, in fiscal year 2016 compared to an increase of \$4,209,379 or 8%, in fiscal year 2015, primarily due to the following:
 - Water expenses have increased \$0.7 million due to an increase in the pension liability accrual for GASB Statement Number 68, *Accounting and Financial Reporting for Pensions*, as well as an increase in depreciation.
 - Sewer expenses have increased \$1.0 million primarily due to an increase in the pension liability accrual for GASB Statement Number 68, *Accounting and Financial Reporting for Pensions*, as well as an increase in the liability for accrued compensated absences.
 - Solid Waste expenses have increased \$5.3 million primarily due to an increase in the contingent liability for landfill cleanup.

Revenues and Expenses Business-type Activities 2016 and 2015



CITY OF ANN ARBOR, MICHIGAN

Management's Discussion and Analysis

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned 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 \$93,713,183 at June 30, 2016 versus \$86,214,476 at June 30, 2015, an increase of \$7,498,707. Of the total fund balance amount, \$15,330,765 at June 30, 2016 is unassigned, indicating this money is available for spending at the government's discretion. At June 30, 2015, \$17,235,156 was unassigned.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$15,330,765 at June 30, 2016. At June 30, 2015, the unassigned fund balance was \$17,235,156. Total fund balance was \$25,135,349 and \$22,483,300 at June 30, 2016 and 2015, respectively. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 19.04% at June 30, 2016 of total general fund expenditures. Unassigned fund balance was 18.23% at June 30, 2015 of total general fund expenditures. The fund balance of the City's general fund increased by \$2,652,049 during the current fiscal year in comparison to an decrease of \$95,908 during the prior fiscal year. For fiscal year 2016, this is primarily attributable to departmental expenditures coming in under budget.

The street repair millage fund balance decreased by \$1,800,684 in fiscal year 2016 compared to a decrease of \$954,206 in fiscal year 2015. This decrease is attributable to planned use of fund balance for construction projects.

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

Unrestricted net position of the water, sanitary, stormwater sewer, parking system, solid waste and airport at the end of the year amounted to \$65,009,898. Water, sanitary, parking, airport and stormwater sewer had an increase in net position for the year totaling \$13,613,321. The solid waste fund, had a decrease in net position of \$3,085,468 due to the increased contingent liability expenses. Other factors concerning the finances of these funds have been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Differences between the original and final budgets for expenditures resulted in a 2.3% increase in fiscal year 2016 compared to a 1.5% increase in fiscal year 2015. The general fund revenues and other financing sources exceeded expenditures and other financing uses by \$2,652,049.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental/business-type activities as of June 30, 2016 was \$1,206,348,392 compared to \$1,192,166,889 at June 30, 2015 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, vehicles, drain benefit, intangible assets and infrastructure. The total increase in the City's investment in capital assets for the current fiscal year was 1.19% compared to 2.35% in fiscal year 2015. Major capital asset events during the fiscal year 2016 included an increase in buildings (\$47,834,170) capitalized from construction in progress, and an increase in infrastructure (\$20,662,602) for road and other improvements. Additional information on the City's capital assets can be located in note 7 of the notes to the financial statements.

CITY OF ANN ARBOR, MICHIGAN

Management's Discussion and Analysis

	Capital Assets (net of depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 59,869,749	\$ 59,835,599	\$ 7,291,349	\$ 7,291,349	\$ 67,161,098	\$ 67,126,948
Construction in progress	2,991,316	3,413,194	132,685,515	163,592,379	135,676,831	167,005,573
Buildings	141,309,343	146,080,326	119,569,152	71,427,731	260,878,495	217,508,057
Improvements other than buildings	14,155,753	12,192,174	130,409,726	127,168,655	144,565,479	139,360,829
Machinery and equipment	2,659,350	2,776,771	4,695,164	5,597,154	7,354,514	8,373,925
Vehicles	6,324,381	5,851,631	671,152	539,389	6,995,533	6,391,020
Drain benefit	-	-	3,479,170	3,662,284	3,479,170	3,662,284
Intangible assets	-	234,717	-	-	-	234,717
Infrastructure	580,237,272	582,503,536	-	-	580,237,272	582,503,536
Total capital assets, net	\$ 807,547,164	\$ 812,887,948	\$ 398,801,228	\$ 379,278,941	\$ 1,206,348,392	\$ 1,192,166,889

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$184,172,000. Of that amount, \$121,402,000 comprises debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

The City's total debt increased by \$12,540,256 or 4% during the fiscal year, primarily due to an increase in other long-term debt representing revolving lines of credit with the State of Michigan used to finance water, sewer and stormwater infrastructure. A summary of the City's outstanding debt can be found in note 12 of the notes to the financial statements.

	Long-term Debt					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 111,532,000	\$ 115,775,000	\$ 9,855,000	\$ 12,140,000	\$ 121,387,000	\$ 127,915,000
Special assessment bonds	15,000	35,000	-	-	15,000	35,000
Revenue bonds	-	-	62,770,000	65,755,000	62,770,000	65,755,000
Revolving loans	-	-	114,299,561	93,440,278	114,299,561	93,440,278
Drain notes	-	-	14,721,632	13,827,347	14,721,632	13,827,347
Capital leases	-	-	63,459	105,764	63,459	105,764
Deferred amounts:						
For issuance premiums	605,087	195,042	1,215,561	879,012	1,820,648	1,074,054
For issuance discounts	(218,264)	(345,712)	(13,688)	(96,690)	(231,952)	(442,402)
Compensated absences	12,866,998	13,619,261	2,259,431	2,102,219	15,126,429	15,721,480
Total long-term debt	\$ 124,800,821	\$ 129,278,591	\$ 205,170,956	\$ 188,152,930	\$ 329,971,777	\$ 317,431,521

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 \$611,857,370, which is significantly in excess of the City's outstanding general obligation debt.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for fiscal year 2017:

- Property tax revenues are budgeted to increase 2.03% in fiscal year 2017.
- Average salary costs were budgeted to increase 3.00% in fiscal year 2017.
- Healthcare costs were projected to increase 6.34% in fiscal year 2017.
- Pension contributions are projected to increase 5.56% in fiscal year 2017.

CITY OF ANN ARBOR, MICHIGAN

Management's Discussion and Analysis

Contacting the City's Financial Management

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

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BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF ANN ARBOR, MICHIGAN

Statement of Net Position

June 30, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash	\$ 71,186	\$ 14,101,469	\$ 14,172,655	\$ 1,555,716
Equity in pooled cash and investments	128,068,629	93,249,080	221,317,709	1,624,540
Investments, at fair value	2,093,259	-	2,093,259	14,986,881
Receivables	7,525,469	22,710,285	30,235,754	1,956,283
Internal balances	(670,228)	670,228	-	-
Other assets	3,592,275	4,162,403	7,754,678	73,572
Capital assets not being depreciated	62,861,065	139,976,864	202,837,929	343,627
Capital assets being depreciated, net	744,686,099	258,824,364	1,003,510,463	519,187
Total assets	948,227,754	533,694,693	1,481,922,447	21,059,806
Deferred outflows of resources				
Deferred charge on refunding	488,408	3,027,832	3,516,240	-
Deferred pension amounts	14,106,230	16,950,708	31,056,938	43,748
Total deferred outflows of resources	14,594,638	19,978,540	34,573,178	43,748
Liabilities				
Accounts payable and accrued liabilities	19,468,393	20,943,324	40,411,717	2,797,534
Accrued interest payable	764,066	1,504,845	2,268,911	231,149
Unearned revenue	-	-	-	1,041,464
Long-term liabilities:				
Due within one year	9,920,714	12,603,401	22,524,115	325,023
Due in more than one year	114,880,107	192,567,555	307,447,662	210,138
Other noncurrent liabilities:				
Net other postemployment benefits	849,988	-	849,988	-
Net pension liability	61,110,177	26,303,002	87,413,179	122,402
Total liabilities	206,993,445	253,922,127	460,915,572	4,727,710
Deferred inflows of resources				
Deferred pension amounts	1,804,122	776,529	2,580,651	3,614
Net position				
Net investment in capital assets	696,101,749	198,917,535	895,019,284	862,814
Restricted for:				
Debt service	323,174	13,919,996	14,243,170	-
Equipment replacement	-	19,614,293	19,614,293	-
Endowment (non-expendable)	1,984,000	-	1,984,000	-
Highway and streets	33,645,953	-	33,645,953	-
Culture and recreation	15,933,178	-	15,933,178	-
Other purposes	5,509,945	-	5,509,945	273,106
Landfill	-	180,991	180,991	-
Unrestricted	526,826	66,341,762	66,868,588	15,236,310
Total net position	\$ 754,024,825	\$ 298,974,577	\$ 1,052,999,402	\$ 16,372,230

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

CITY OF ANN ARBOR, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2016

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 15,951,143	\$ 8,691,577	\$ 802,537	\$ -	\$ (6,457,029)
Public safety	45,158,518	9,026,629	1,093,691	403,162	(34,635,036)
Public works	38,305,144	4,262,035	10,221,080	-	(23,822,029)
Community/economic development	2,925,711	-	5,686	-	(2,920,025)
Culture and recreation	12,865,261	5,121,351	150,083	235,020	(7,358,807)
Public transportation	10,038,406	-	-	-	(10,038,406)
Interest on long-term debt	4,837,529	4,283,146	-	-	(554,383)
Total governmental activities	130,081,712	31,384,738	12,273,077	638,182	(85,785,715)
Business-type activities:					
Water	19,188,325	24,053,723	-	8,141	4,873,539
Sewer	17,880,966	23,926,479	-	9,503	6,055,016
Parking	2,048,444	2,732,541	-	-	684,097
Airport	670,167	924,141	-	20,400	274,374
Stormwater	5,616,057	6,915,370	-	562,901	1,862,214
Solid waste	18,301,294	2,965,288	-	-	(15,336,006)
Total business-type activities	63,705,253	61,517,542	-	600,945	(1,586,766)
Total primary government	\$ 193,786,965	\$ 92,902,280	\$ 12,273,077	\$ 1,239,127	\$ (87,372,481)
Component units					
Housing Commission	\$ 19,178,577	\$ 176,749	\$ 18,319,564	\$ 23,145	\$ (659,119)
SmartZone LDFA	2,466,473	-	-	-	(2,466,473)
Downtown Development Authority	24,482,818	21,706,096	-	-	(2,776,722)
Total component units	\$ 46,127,868	\$ 21,882,845	\$ 18,319,564	\$ 23,145	\$ (5,902,314)

continued...

CITY OF ANN ARBOR, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net expense	\$ (85,785,715)	\$ (1,586,766)	\$ (87,372,481)	\$ (5,902,314)
General revenues:				
Property taxes	71,544,363	12,072,979	83,617,342	7,901,670
State shared revenues and grants (unrestricted)	10,215,633	-	10,215,633	-
Unrestricted investment earnings	1,558,594	1,774,736	3,333,330	200,893
Other	320,426	59,650	380,076	-
Transfers - internal activities	460,882	(460,882)	-	-
Total general revenues and transfers	84,099,898	13,446,483	97,546,381	8,102,563
Change in net position	(1,685,817)	11,859,717	10,173,900	2,200,249
Net position, beginning of year	755,710,642	287,114,860	1,042,825,502	14,171,981
Net position, end of year	\$ 754,024,825	\$ 298,974,577	\$ 1,052,999,402	\$ 16,372,230

concluded.

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

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FUND FINANCIAL STATEMENTS

CITY OF ANN ARBOR, MICHIGAN

Balance Sheet

Governmental Funds

June 30, 2016

	General Fund	Street Repair Millage Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 14,838	\$ -	\$ 56,148	\$ 70,986
Equity in pooled cash and investments	27,887,224	18,669,512	52,535,200	99,091,936
Investments, at fair value	-	-	2,093,259	2,093,259
Receivables:				
Taxes	119,526	2,791	20,915	143,232
Accounts	1,084,124	30,912	679,010	1,794,046
Special assessments	1,367	62,041	486,081	549,489
Accrued interest and dividends	-	-	6,424	6,424
Improvement charges	-	1,637	-	1,637
Loans	-	-	19,078	19,078
Due from other funds	82,228	-	-	82,228
Due from other governments	1,540,194	1,009,252	2,439,659	4,989,105
Advances to other funds	584,586	-	-	584,586
Inventories, at cost	34,725	-	-	34,725
Total assets	\$ 31,348,812	\$ 19,776,145	\$ 58,335,774	\$ 109,460,731
Liabilities				
Accounts payable	\$ 1,466,639	\$ 5,813,837	\$ 1,169,675	\$ 8,450,151
Accrued liabilities	3,105,229	99,731	386,149	3,591,109
Due to other funds	-	-	5,178	5,178
Due to other governments	509,267	-	-	509,267
Deposits payable	1,130,915	-	1,025,460	2,156,375
Total liabilities	6,212,050	5,913,568	2,586,462	14,712,080
Deferred inflows of resources				
Unavailable revenue	1,413	597,617	436,438	1,035,468
Fund balances				
Nonspendable	619,311	-	1,984,000	2,603,311
Restricted	-	13,264,960	42,911,356	56,176,316
Committed	-	-	4,584,590	4,584,590
Assigned	9,185,273	-	5,832,928	15,018,201
Unassigned	15,330,765	-	-	15,330,765
Total fund balances	25,135,349	13,264,960	55,312,874	93,713,183
Total liabilities, deferred inflows of resources and fund balances	\$ 31,348,812	\$ 19,776,145	\$ 58,335,774	\$ 109,460,731

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

CITY OF ANN ARBOR, MICHIGAN

Reconciliation

Fund Balances for Governmental Funds
to Net Position of Governmental Activities
June 30, 2016

Fund balances of governmental funds	\$ 93,713,183
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	62,861,065
Capital assets being depreciated, net	744,686,099
Less capital assets accounted for in internal service funds	(7,650,037)
Long-term debt and compensated absences are not due and payable in the current period and therefore have not been included in the governmental funds including:	
Bonds payable	(111,547,000)
Compensated absences	(12,866,998)
Unamortized bond discounts/premiums	(386,823)
Unamortized deferred loss on refunding	488,408
Net other postemployment benefit obligation	(849,988)
Certain pension-related amounts, such as the net pension liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	
Net pension liability	(61,110,177)
Deferred outflows related to the net pension liability	14,106,230
Deferred inflows related to the net pension liability	(1,804,122)
Accrued interest payable for the current portion of interest due on bonds has not been reported in the governmental funds.	(764,066)
Deferred inflows of resources in governmental funds is susceptible to full accrual on the entity-wide statements.	1,035,468
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds.	
Net position of governmental activities accounted for in internal service funds:	
Total internal service fund net position	35,445,447
Internal service fund net position accounted for in business-type activities	(1,331,864)
Net position of governmental activities	<u>\$ 754,024,825</u>

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

CITY OF ANN ARBOR, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2016

	General Fund	Street Repair Millage Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 53,396,465	\$ 10,423,035	\$ 7,724,863	\$ 71,544,363
Licenses, permits and registrations	1,454,769	-	5,917,071	7,371,840
Federal grants	-	-	890,919	890,919
State shared revenues and grants	11,514,655	-	10,343,604	21,858,259
Charges for services	10,020,885	-	5,494,951	15,515,836
Fines and forfeits	4,303,565	-	292,979	4,596,544
Investment income	398,907	205,525	586,383	1,190,815
Rentals	634,819	-	-	634,819
Contributions and donations	1,000	-	333,247	334,247
Intergovernmental revenue	-	2,372,098	255,807	2,627,905
Other revenues	383,060	-	211,410	594,470
Total revenues	82,108,125	13,000,658	32,051,234	127,160,017
Expenditures				
Current:				
General government	11,783,949	-	2,473,248	14,257,197
Public safety	43,629,994	-	3,559,463	47,189,457
Public works	4,355,383	5,629,461	8,878,384	18,863,228
Community and economic development	3,003,208	-	3,999	3,007,207
Culture and recreation	7,642,490	-	4,429,953	12,072,443
Public transportation	10,038,406	-	-	10,038,406
Capital outlay	74,109	15,171,710	2,797,842	18,043,661
Debt service:				
Principal retirement	-	-	4,148,000	4,148,000
Interest and fiscal charges	-	-	4,080,504	4,080,504
Total expenditures	80,527,539	20,801,171	30,371,393	131,700,103
Revenues over (under) expenditures	1,580,586	(7,800,513)	1,679,841	(4,540,086)
Other financing sources (uses)				
Transfers in	4,612,179	6,891,234	10,299,717	21,803,130
Transfers out	(3,557,066)	(891,405)	(5,018,807)	(9,467,278)
Sale of property and equipment	16,350	-	-	16,350
Issuance of debt	-	-	17,710,000	17,710,000
Payment to escrow agent	-	-	(18,439,571)	(18,439,571)
Bond premium	-	-	416,162	416,162
Total other financing sources (uses)	1,071,463	5,999,829	4,967,501	12,038,793
Net change in fund balances	2,652,049	(1,800,684)	6,647,342	7,498,707
Fund balances, beginning of year	22,483,300	15,065,644	48,665,532	86,214,476
Fund balances, end of year	\$ 25,135,349	\$ 13,264,960	\$ 55,312,874	\$ 93,713,183

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

CITY OF ANN ARBOR, MICHIGAN

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2016

Net change in fund balances - total governmental funds	\$ 7,498,707
<p>Amounts reported for <i>governmental activities</i> in the statement of activities differs from the amounts reported in the statement of revenue, expenditures, and changes in fund balances because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense.</p>	
Capital outlay	28,473,786
Depreciation expense	(33,388,850)
Loss on disposal of capital assets	(677,999)
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>	
Principal payments on long-term liabilities	4,148,000
Proceeds from bond issuance	(17,710,000)
Payment to escrow agent	18,439,571
Bond premium	(416,162)
Accrued interest is recognized on the government-wide financial statements.	52,957
Amortization of bond premium, discount and deferred loss on refunding is an expense on statement of activities.	(809,982)
<p>Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as fund expenditures including the changes in accruals for:</p>	
Compensated absences	752,263
Other postemployment benefits liability	3,959,948
Net pension liability and related deferred amounts	(3,259,809)
Deferred inflow of resources in governmental funds is susceptible to full accrual on the government-wide statements.	(149,839)
<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.</p>	
Total change in net position of the internal service funds	(7,266,544)
Internal service fund change in net position accounted for in business-type activities	(1,331,864)
Change in net position of governmental activities	<u>\$ (1,685,817)</u>

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

CITY OF ANN ARBOR, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - General Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 53,288,065	\$ 53,288,065	\$ 53,396,465	\$ 108,400
Licenses, permits and registrations	2,055,000	2,055,000	1,454,769	(600,231)
State shared revenues and grants	12,030,777	12,030,777	11,514,655	(516,122)
Charges for services	8,714,733	8,814,733	10,020,885	1,206,152
Fines and forfeits	4,237,632	4,237,632	4,303,565	65,933
Investment income	387,839	387,839	398,907	11,068
Rentals	588,990	588,990	634,819	45,829
Contributions and donations	1,000	1,000	1,000	-
Other revenues	194,420	269,420	383,060	113,640
Total revenues	81,498,456	81,673,456	82,108,125	434,669
Expenditures				
Current:				
General government:				
Mayor and Council	376,077	378,151	377,891	(260)
Administration	989,246	1,105,217	973,340	(131,877)
Human resources	1,866,526	1,892,668	1,864,190	(28,478)
Attorney	2,025,833	2,113,809	2,083,826	(29,983)
Clerk / Elections	1,117,502	1,198,223	1,132,247	(65,976)
Finance	7,171,608	7,303,203	6,830,923	(472,280)
Environmental coordination services	229,191	156,371	154,647	(1,724)
District court	4,469,819	4,526,138	4,260,039	(266,099)
Planning	1,323,082	1,298,748	1,171,199	(127,549)
Other unallocated	3,294,243	1,148,719	474,777	(673,942)
Municipal service charge	(7,552,251)	(7,521,829)	(7,539,130)	(17,301)
	<u>15,310,876</u>	<u>13,599,418</u>	<u>11,783,949</u>	<u>(1,815,469)</u>
Public safety:				
Police department	25,434,073	26,312,034	26,308,883	(3,151)
Fire department	14,964,957	15,808,143	15,790,369	(17,774)
Building department	1,524,069	1,602,960	1,530,742	(72,218)
	<u>41,923,099</u>	<u>43,723,137</u>	<u>43,629,994</u>	<u>(93,143)</u>
Public works:				
Public services	9,642,850	9,844,216	8,345,920	(1,498,296)
Municipal service charge	(5,480,996)	(5,480,996)	(3,990,537)	1,490,459
	<u>4,161,854</u>	<u>4,363,220</u>	<u>4,355,383</u>	<u>(7,837)</u>

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CITY OF ANN ARBOR, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - General Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (concluded)				
Current (concluded):				
Community development:				
Community development	\$ 4,047,988	\$ 5,594,026	\$ 5,065,903	\$ (528,123)
Municipal service charge	(1,902,671)	(2,083,093)	(2,062,695)	20,398
	<u>2,145,317</u>	<u>3,510,933</u>	<u>3,003,208</u>	<u>(507,725)</u>
Culture and recreation -				
Parks and recreation	<u>7,852,568</u>	<u>7,983,102</u>	<u>7,642,490</u>	<u>(340,612)</u>
Public transportation	<u>10,070,668</u>	<u>10,070,668</u>	<u>10,038,406</u>	<u>(32,262)</u>
Capital outlay	<u>219,456</u>	<u>300,416</u>	<u>74,109</u>	<u>(226,307)</u>
Total expenditures	<u>81,683,838</u>	<u>83,550,894</u>	<u>80,527,539</u>	<u>(3,023,355)</u>
Revenues over (under) expenditures	<u>(185,382)</u>	<u>(1,877,438)</u>	<u>1,580,586</u>	<u>3,458,024</u>
Other financing sources (uses)				
Transfers in	4,438,516	4,438,516	4,612,179	173,663
Transfers out	(3,030,587)	(3,557,868)	(3,557,066)	(802)
Sale of property and equipment	-	-	16,350	16,350
Total other financing sources (uses)	<u>1,407,929</u>	<u>880,648</u>	<u>1,071,463</u>	<u>190,815</u>
Net change in fund balance	1,222,547	(996,790)	2,652,049	3,648,839
Fund balance, beginning of year	<u>22,483,300</u>	<u>22,483,300</u>	<u>22,483,300</u>	<u>-</u>
Fund balance, end of year	<u>\$ 23,705,847</u>	<u>\$ 21,486,510</u>	<u>\$ 25,135,349</u>	<u>\$ 3,648,839</u>

concluded.

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

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CITY OF ANN ARBOR, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Street Repair Millage Special Revenue Fund

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 10,408,642	\$ 10,408,642	\$ 10,423,035	\$ 14,393
Charges for services	-	40,567	-	(40,567)
Investment income	206,137	206,137	205,525	(612)
Intergovernmental revenue	-	111,596	2,372,098	2,260,502
Total revenues	10,614,779	10,766,942	13,000,658	2,233,716
Expenditures				
Current - public works	13,943,850	5,042,205	5,629,461	587,256
Capital outlay	-	16,311,194	15,171,710	(1,139,484)
Total expenditures	13,943,850	21,353,399	20,801,171	(552,228)
Revenues under expenditures	(3,329,071)	(10,586,457)	(7,800,513)	2,785,944
Other financing sources (uses)				
Transfers in	2,851,660	7,556,940	6,891,234	(665,706)
Transfers out	(68,954)	(892,054)	(891,405)	(649)
Total other financing sources (uses)	2,782,706	6,664,886	5,999,829	(665,057)
Net change in fund balance	(546,365)	(3,921,571)	(1,800,684)	2,120,887
Fund balance, beginning of year	15,065,644	15,065,644	15,065,644	-
Fund balance - end of year	\$ 14,519,279	\$ 11,144,073	\$ 13,264,960	\$ 2,120,887

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

CITY OF ANN ARBOR, MICHIGAN

Statement of Net Position
 Proprietary Funds
 June 30, 2016

	Business-type Activities - Enterprise Funds				
	Water Supply System	Sewage Disposal System	Parking System	Airport	Stormwater Sewer System
Assets					
Current assets:					
Cash	\$ 3,526,111	\$ 10,394,335	\$ -	\$ 30	\$ -
Equity in pooled cash and investments	28,123,400	29,983,284	1,842,476	955,876	10,102,040
Receivables:					
Accounts, net	4,870,181	6,738,925	-	91,800	2,126,281
Special assessments	13,540	25,148	-	-	-
Improvement charges	16,626	25,217	-	-	801
Taxes receivable	26,829	-	-	-	-
Due from other governments	4,381,416	3,369,950	1,200	-	-
Prepaid items	7,724	3,298,791	-	-	32,807
Inventories, at cost	729,760	93,321	-	-	-
Total current assets	41,695,587	53,928,971	1,843,676	1,047,706	12,261,929
Noncurrent assets:					
Receivables:					
Special assessments	33,298	53,631	-	-	-
Improvement charges	98,563	111,507	-	-	1,138
Capital assets not depreciated	21,135,878	112,024,349	3,934,897	708,927	280,078
Capital assets being depreciated, net	86,430,737	107,128,478	32,654,403	1,384,463	19,793,665
Total noncurrent assets	107,698,476	219,317,965	36,589,300	2,093,390	20,074,881
Total assets	149,394,063	273,246,936	38,432,976	3,141,096	32,336,810
Deferred outflows of resources					
Deferred charge on refunding	1,028,152	1,724,488	275,192	-	-
Deferred pension amounts	6,120,811	5,883,022	-	-	2,086,405
Total deferred outflows of resources	7,148,963	7,607,510	275,192	-	2,086,405
Liabilities					
Current liabilities:					
Accounts payable	2,331,069	9,411,614	-	45,307	230,591
Accrued liabilities	296,503	229,847	-	-	92,886
Due to other funds	-	-	-	77,050	-
Accrued interest payable	207,372	1,161,966	64,167	2,255	69,085
Deposits	157,069	-	-	-	-
Bonds payable, current	2,955,000	2,635,000	2,450,000	-	709,742
Estimated claims payable, current	-	-	-	-	-
Compensated absences, current	367,284	326,406	-	-	114,557
Capital lease payable, current	-	-	-	-	-
Total current liabilities	6,314,297	13,764,833	2,514,167	124,612	1,216,861
Noncurrent liabilities:					
Advance from other funds	-	-	-	584,586	-
Bonds payable, net	41,108,278	131,302,476	7,675,680	-	14,011,890
Estimated claims payable, net	-	-	-	-	-
Compensated absences, net	670,838	388,422	-	-	48,164
Capital lease payable, net	-	-	-	-	-
Net pension liability	9,497,876	9,129,327	-	-	3,237,716
Total noncurrent liabilities	51,276,992	140,820,225	7,675,680	584,586	17,297,770
Total liabilities	57,591,289	154,585,058	10,189,847	709,198	18,514,631
Deferred inflows of resources					
Deferred charge on refunding	280,400	269,520	-	-	95,586
Net position					
Net investment in capital assets	64,531,489	86,939,839	26,738,812	2,093,390	5,352,111
Restricted for debt service	3,525,661	10,394,335	-	-	-
Restricted for equipment replacement	10,912,529	8,701,764	-	-	-
Restricted for landfill	-	-	-	-	-
Unrestricted	19,701,658	19,963,930	1,779,509	338,508	10,460,887
Total net position	\$ 98,671,337	\$ 125,999,868	\$ 28,518,321	\$ 2,431,898	\$ 15,812,998

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CITY OF ANN ARBOR, MICHIGAN

Statement of Net Position
 Proprietary Funds
 June 30, 2016

	Business-type Activities - Enterprise Funds		Governmental Activities
	Solid Waste	Total	Internal Service Funds
Assets			
Current assets:			
Cash	\$ 180,993	\$ 14,101,469	\$ 200
Equity in pooled cash and investments	22,242,004	93,249,080	28,976,693
Receivables:			
Accounts, net	716,749	14,543,936	22,458
Special assessments	-	38,688	-
Improvement charges	-	42,644	-
Taxes receivable	7,485	34,314	-
Due from other governments	-	7,752,566	-
Prepaid items	-	3,339,322	2,611,707
Inventories, at cost	-	823,081	945,843
Total current assets	<u>23,147,231</u>	<u>133,925,100</u>	<u>32,556,901</u>
Noncurrent assets:			
Receivables:			
Special assessments	-	86,929	-
Improvement charges	-	211,208	-
Capital assets not depreciated	1,892,735	139,976,864	150,240
Capital assets being depreciated, net	11,432,618	258,824,364	7,499,797
Total noncurrent assets	<u>13,325,353</u>	<u>399,099,365</u>	<u>7,650,037</u>
Total assets	<u>36,472,584</u>	<u>533,024,465</u>	<u>40,206,938</u>
Deferred outflows of resources			
Deferred charge on refunding	-	3,027,832	-
Deferred pension amounts	2,860,470	16,950,708	-
Total deferred outflows of resources	<u>2,860,470</u>	<u>19,978,540</u>	<u>-</u>
Liabilities			
Current liabilities:			
Accounts payable	911,506	12,930,087	1,907,379
Accrued liabilities	111,138	730,374	1,562
Due to other funds	-	77,050	-
Accrued interest payable	-	1,504,845	-
Deposits	-	157,069	-
Bonds payable, current	-	8,749,742	-
Estimated claims payable, current	245,151	245,151	1,569,930
Compensated absences, current	124,588	932,835	-
Capital lease payable, current	42,305	42,305	-
Total current liabilities	<u>1,434,688</u>	<u>25,369,458</u>	<u>3,478,871</u>
Noncurrent liabilities:			
Advance from other funds	-	584,586	-
Bonds payable, net	-	194,098,324	-
Estimated claims payable, net	6,880,643	6,880,643	1,282,620
Compensated absences, net	219,172	1,326,596	-
Capital lease payable, net	21,154	21,154	-
Net pension liability	4,438,083	26,303,002	-
Total noncurrent liabilities	<u>11,559,052</u>	<u>229,214,305</u>	<u>1,282,620</u>
Total liabilities	<u>12,993,740</u>	<u>254,583,763</u>	<u>4,761,491</u>
Deferred inflows of resources			
Deferred charge on refunding	131,023	776,529	-
Net position			
Net investment in capital assets	13,261,894	198,917,535	7,650,037
Restricted for debt service	-	13,919,996	-
Restricted for equipment replacement	-	19,614,293	-
Restricted for landfill	180,991	180,991	-
Unrestricted	12,765,406	65,009,898	27,795,410
Total net position	<u>\$ 26,208,291</u>	<u>\$ 297,642,713</u>	<u>\$ 35,445,447</u>

concluded.

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

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CITY OF ANN ARBOR, MICHIGAN

Reconciliation

Net Position of Enterprise Funds
to Net Position of Business-type Activities
June 30, 2016

Net position of enterprise funds	\$ 297,642,713
Amounts reported for <i>business-type activities</i> in the statement of net position are different because:	
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. A portion of the net position of the internal service funds is allocated to the enterprise funds and reported in the statement of net position.	
Net position of business-type activities accounted for in governmental-type internal service funds	<u>1,331,864</u>
Net position of business-type activities	<u><u>\$ 298,974,577</u></u>

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

CITY OF ANN ARBOR, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds				
	Water Supply System	Sewage Disposal System	Parking System	Airport	Stormwater Sewer System
Operating revenues					
Charges for services	\$ 24,053,723	\$ 23,926,479	\$ 2,732,541	\$ 924,141	\$ 6,915,370
Operating expenses					
Personal services	7,395,206	6,774,904	-	283,015	2,381,739
Municipal service charge	396,012	521,436	-	28,752	208,296
Information technology charge	841,810	303,379	-	11,796	119,616
Other operating costs	6,154,468	4,831,673	83,057	255,085	2,123,880
Depreciation	3,686,594	2,300,058	1,687,836	62,433	657,248
Total operating expenses	18,474,090	14,731,450	1,770,893	641,081	5,490,779
Operating income (loss)	5,579,633	9,195,029	961,648	283,060	1,424,591
Nonoperating revenues (expenses)					
Interest income	285,177	1,098,577	15,844	8,871	107,169
Gain (loss) on sale of capital assets	21,650	(173,884)	-	8,000	3,000
Interest and fiscal charges	(917,596)	(3,175,100)	(277,551)	(29,086)	(300,736)
Property taxes	-	-	-	-	-
Total nonoperating revenues (expenses)	(610,769)	(2,250,407)	(261,707)	(12,215)	(190,567)
Income (loss) before contributions and transfers	4,968,864	6,944,622	699,941	270,845	1,234,024
Capital contributions	8,141	9,503	-	20,400	562,901
Transfers in	3,942,174	633,700	-	20,772	680,154
Transfers out	(2,629,512)	(1,300,446)	-	(7,884)	(2,444,878)
Changes in net position	6,289,667	6,287,379	699,941	304,133	32,201
Net position, beginning of year	92,381,670	119,712,489	27,818,380	2,127,765	15,780,797
Net position, end of year	\$ 98,671,337	\$ 125,999,868	\$ 28,518,321	\$ 2,431,898	\$ 15,812,998

continued...

CITY OF ANN ARBOR, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds		Governmental Activities
	Solid Waste	Total	Internal Service Funds
Operating revenues			
Charges for services	\$ 2,965,288	\$ 61,517,542	\$ 46,664,312
Operating expenses			
Personal services	3,520,484	20,355,348	8,138,195
Municipal service charge	295,560	1,450,056	1,384,092
Information technology charge	225,566	1,502,167	704,025
Other operating costs	14,152,773	27,600,936	30,399,383
Depreciation	838,488	9,232,657	2,678,507
Total operating expenses	19,032,871	60,141,164	43,304,202
Operating income (loss)	(16,067,583)	1,376,378	3,360,110
Nonoperating revenues (expenses)			
Interest income	259,098	1,774,736	367,779
Gain (loss) on sale of capital assets	5,000	(136,234)	290,724
Interest and fiscal charges	-	(4,700,069)	-
Property taxes	12,072,979	12,072,979	-
Total nonoperating revenues (expenses)	12,337,077	9,011,412	658,503
Income (loss) before contributions and transfers	(3,730,506)	10,387,790	4,018,613
Capital contributions	-	600,945	589,813
Transfers in	1,086,720	6,363,520	399,972
Transfers out	(441,682)	(6,824,402)	(12,274,942)
Changes in net position	(3,085,468)	10,527,853	(7,266,544)
Net position, beginning of year	29,293,759	287,114,860	42,711,991
Net position, end of year	\$ 26,208,291	\$ 297,642,713	\$ 35,445,447

concluded.

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

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CITY OF ANN ARBOR, MICHIGAN

Reconciliation

Net Changes in Net Position of Enterprise Funds
to Changes in Net Position of Business-type Activities
For the Year Ended June 30, 2016

Net change in net position - total enterprise funds	\$ 10,527,853
Amounts reported for <i>business-type activities</i> in the statement of activities differs from the amounts reported in the statement of revenues, expenses, and changes in fund net position because:	
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. A portion of the operating income (loss) of the internal service funds is allocated to the enterprise funds and reported in the statement of activities.	
Net operating income from business-type activities accounted for in governmental-type internal service funds	<u>1,331,864</u>
Change in net position of business-type activities	<u><u>\$ 11,859,717</u></u>

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

CITY OF ANN ARBOR, MICHIGAN

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds				
	Water System	Sewage Disposal System	Parking System	Airport	Stormwater Sewer System
Cash flow from operating activities					
Receipts from customers	\$ 24,861,157	\$ 19,910,403	\$ 2,731,341	\$ 935,471	\$ 6,781,632
Payments to suppliers	(6,299,770)	(5,237,362)	(83,056)	(236,421)	(2,084,098)
Payments on behalf of employees	(6,861,909)	(6,170,226)	-	(283,015)	(2,198,934)
Payments received for interfund services	-	-	-	-	-
Payments made for interfund services	(1,316,303)	(731,772)	-	(46,709)	(698,078)
Net cash provided by (used in) operating activities	10,383,175	7,771,043	2,648,285	369,326	1,800,522
Cash flows from noncapital financing activities					
Transfers in	3,942,174	633,700	-	20,772	680,154
Transfers out	(2,629,512)	(1,300,446)	-	(7,884)	(2,444,878)
Property taxes	-	-	-	-	-
Repayment of advance	-	-	-	(73,993)	-
Net cash provided by (used in) noncapital financing activities	1,312,662	(666,746)	-	(61,105)	(1,764,724)
Cash flows from capital and related financing activities					
Proceeds from sales of bonds and notes	945,279	21,457,029	-	-	1,208,499
Capital contributions	8,141	9,503	-	-	562,901
Acquisition and construction of capital assets [1]	(6,204,710)	(22,311,474)	-	(48,723)	(277,167)
Principal paid on revenue bonds, maturities, capital leases and notes	(3,521,867)	(3,153,872)	(2,323,294)	-	(474,045)
Interest paid on bonds, notes, and capital leases	(1,257,924)	(3,145,864)	(347,540)	(29,339)	(303,017)
Proceeds from sale of equipment	21,650	22,000	-	8,000	3,000
Net cash provided by (used in) capital and related financing activities	(10,009,431)	(7,122,678)	(2,670,834)	(70,062)	720,171
Cash flows from investing activities					
Interest and dividends on investments	285,177	1,098,577	15,844	8,871	107,169
Net change in cash and cash equivalents	1,971,583	1,080,196	(6,705)	247,030	863,138
Cash and cash equivalents, beginning of the year	29,677,928	39,297,423	1,849,181	708,876	9,238,902
Cash and cash equivalents, end of the year	\$ 31,649,511	\$ 40,377,619	\$ 1,842,476	\$ 955,906	\$ 10,102,040
Reconciliation to statement of net position					
Cash	\$ 3,526,111	\$ 10,394,335	\$ -	\$ 30	\$ -
Equity in pooled cash and investments	28,123,400	29,983,284	1,842,476	955,876	10,102,040
Cash and cash equivalent, end of year	\$ 31,649,511	\$ 40,377,619	\$ 1,842,476	\$ 955,906	\$ 10,102,040

continued...

CITY OF ANN ARBOR, MICHIGAN

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds		Governmental Activities
	Solid Waste	Total	Internal Service Funds
Cash flow from operating activities			
Receipts from customers	\$ 2,939,863	\$ 58,159,867	\$ -
Payments to suppliers	(6,942,225)	(20,882,932)	(33,636,580)
Payments on behalf of employees	(3,176,188)	(18,690,272)	(8,136,635)
Payments received for interfund services	-	-	46,691,123
Payments made for interfund services	(2,797,644)	(5,590,506)	-
Net cash provided by (used in) operating activities	(9,976,194)	12,996,157	4,917,908
Cash flows from noncapital financing activities			
Transfers in	1,086,720	6,363,520	399,972
Transfers out	(441,682)	(6,824,402)	(12,274,942)
Property taxes	12,072,979	12,072,979	-
Repayment of advance	-	(73,993)	-
Net cash provided by (used in) noncapital financing activities	12,718,017	11,538,104	(11,874,970)
Cash flows from capital and related financing activities			
Proceeds from sales of bonds and notes	-	23,610,807	-
Capital contributions	-	580,545	-
Acquisition and construction of capital assets [1]	(88,354)	(28,930,428)	(2,446,504)
Principal paid on revenue bonds, maturities, capital leases and notes	(42,307)	(9,515,385)	-
Interest paid on bonds, notes, and capital leases	-	(5,083,684)	-
Proceeds from sale of equipment	5,000	59,650	396,255
Net cash provided by (used in) capital and related financing activities	(125,661)	(19,278,495)	(2,050,249)
Cash flows from investing activities			
Interest and dividends on investments	259,100	1,774,738	367,779
Net change in cash and cash equivalents	2,875,262	7,030,504	(8,639,532)
Cash and cash equivalents, beginning of the year	19,547,735	100,320,045	37,616,425
Cash and cash equivalents, end of the year	\$ 22,422,997	\$ 107,350,549	\$ 28,976,893
Reconciliation to statement of net position			
Cash	\$ 180,993	\$ 14,101,469	\$ 200
Equity in pooled cash and investments	22,242,004	93,249,080	28,976,693
Cash and cash equivalent, end of year	\$ 22,422,997	\$ 107,350,549	\$ 28,976,893

continued..

CITY OF ANN ARBOR, MICHIGAN

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds				
	Water System	Sewage Disposal System	Parking System	Airport	Stormwater Sewer System
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ 5,579,633	\$ 9,195,029	\$ 961,648	\$ 283,060	\$ 1,424,591
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	3,686,594	2,300,058	1,687,836	62,433	657,248
Changes in assets and liabilities:					
Receivables	(541,251)	(2,117,213)	-	15,102	(292,374)
Allowance for uncollectible accounts	1,451	3,101	-	(3,771)	(1,194)
Due from other governments	1,347,235	(1,901,967)	(1,199)	-	159,829
Prepaid items	(7,724)	(43,375)	-	-	(32,807)
Inventories	(4,172)	(5,278)	-	-	-
Accounts payable	(204,262)	(263,987)	-	12,502	(297,576)
Accrued liabilities	60,125	21,218	-	-	6,822
Deposits	(7,622)	-	-	-	-
Estimated claims payable	-	-	-	-	-
Accrued compensated absences	(33,478)	96,470	-	-	3,273
Net pension liability	506,646	486,987	-	-	172,710
Net cash provided by (used in) operating activities	<u>\$ 10,383,175</u>	<u>\$ 7,771,043</u>	<u>\$ 2,648,285</u>	<u>\$ 369,326</u>	<u>\$ 1,800,522</u>

continued...

[1] This includes a non-cash transaction in the amount of \$20,400 for an asset received from the Federal Aviation Administration in the airport fund.

CITY OF ANN ARBOR, MICHIGAN

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds		Governmental Activities
	Solid Waste	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ (16,067,583)	\$ 1,376,378	\$ 3,360,110
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	838,488	9,232,657	2,678,507
Changes in assets and liabilities:			
Receivables	(33,401)	(2,969,137)	29,271
Allowance for uncollectible accounts	7,976	7,563	(2,462)
Due from other governments	-	(396,102)	-
Prepaid items	-	(83,906)	(350,066)
Inventories	-	(9,450)	117,554
Accounts payable	28,902	(724,421)	511,865
Accrued liabilities	16,592	104,757	1,561
Deposits	-	(7,622)	-
Estimated claims payable	4,905,142	4,905,142	(1,428,432)
Accrued compensated absences	90,949	157,214	-
Net pension liability	236,741	1,403,084	-
Net cash provided by (used in) operating activities	<u>\$ (9,976,194)</u>	<u>\$ 12,996,157</u>	<u>\$ 4,917,908</u>

concluded.

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

CITY OF ANN ARBOR, MICHIGAN

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2016

	Pension and Employee Benefit Trust Funds	Agency Funds
Assets		
Cash	\$ -	\$ 91,214
Equity in pooled cash and investments	2,956,473	301,011
Investments, at fair value:		
Equities	314,880,939	-
Fixed income	203,808,333	-
Other	74,795,800	-
Accrued interest and dividends	759,083	-
Due from broker for securities sold	237,634	-
Capital assets (net of depreciation of \$112,093)	373,957	-
Total assets	<u>597,812,219</u>	<u>\$ 392,225</u>
Deferred outflows of resources		
Deferred pension amounts	<u>416,214</u>	
Liabilities		
Accounts payable	3,048,647	\$ -
Accrued liabilities	127,953	-
Due to broker for securities purchased	763,491	-
Mortgage payable, due in one year	27,369	-
Mortgage payable, due in more than one year	192,104	-
Net pension liability	645,821	-
Due to others	-	171,049
Due to other governments	-	157,793
Deposits	-	63,383
Total liabilities	<u>4,805,385</u>	<u>\$ 392,225</u>
Deferred inflows of resources		
Deferred pension amounts	<u>19,066</u>	
Net position		
Net investment in capital assets	154,484	
Restricted for pensions	593,249,498	
Total net position	<u>\$ 593,403,982</u>	

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

CITY OF ANN ARBOR, MICHIGAN

Statement of Changes in Fiduciary Net Position

Pension and Other Employee Benefit Trust Funds

For the Year Ended June 30, 2016

Additions

Investment income:

From investing activities:

Depreciation in fair value of investments	\$ (1,282,169)
Interest and dividends	5,242,691
Total investment income	<u>3,960,522</u>
Investment management fees	<u>(1,015,620)</u>
Net investment income from investing activities	<u>2,944,902</u>

From securities lending activities:

Gross earnings	86,151
Borrower rebates received (paid)	15,653
Securities lending fees	<u>(30,390)</u>
Net investment income from securities lending activities	<u>71,414</u>

Total net investment income	<u>3,016,316</u>
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Contributions:

Employer	28,523,423
Plan members	<u>3,139,266</u>
Total contributions	<u>31,662,689</u>

Total additions	<u>34,679,005</u>
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Deductions

Benefits	45,091,758
Refund of contributions	963,896
Administrative expense	<u>782,305</u>

Total deductions	<u>46,837,959</u>
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Change in net position	(12,158,954)
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Net position, beginning of year	<u>605,562,936</u>
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Net position, end of year	<u><u>\$ 593,403,982</u></u>
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The accompanying notes are an integral part of the financial statements.

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COMPONENT UNIT FINANCIAL STATEMENTS

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Net Position

Discretely Presented Component Units

June 30, 2016

	Housing Commission	SmartZone Local Development Finance Authority	Downtown Development Authority	Total
Assets				
Cash	\$ 1,221,093	\$ -	\$ 334,623	\$ 1,555,716
Equity in pooled cash and investments	-	1,624,540	-	1,624,540
Investments, at fair value	-	-	14,986,881	14,986,881
Receivables	663,067	1,040,382	252,834	1,956,283
Other assets	73,572	-	-	73,572
Capital assets not being depreciated	343,627	-	-	343,627
Capital assets being depreciated, net	519,187	-	-	519,187
Total assets	2,820,546	2,664,922	15,574,338	21,059,806
Deferred outflows of resources				
Deferred pension amounts	43,748	-	-	43,748
Liabilities				
Accounts payable and accrued liabilities	619,904	154,766	2,022,864	2,797,534
Due to other governments	186,089	-	45,060	231,149
Unearned revenue	1,082	1,040,382	-	1,041,464
Long-term liabilities:				
Due within one year	37,152	-	287,871	325,023
Due in more than one year	16,727	-	193,411	210,138
Net pension liability	122,402	-	-	122,402
Total liabilities	983,356	1,195,148	2,549,206	4,727,710
Deferred inflows of resources				
Deferred pension amounts	3,614	-	-	3,614
Net position				
Net investment in capital assets	862,814	-	-	862,814
Restricted for capital projects	273,106	-	-	273,106
Unrestricted	741,404	1,469,774	13,025,132	15,236,310
Total net position	\$ 1,877,324	\$ 1,469,774	\$ 13,025,132	\$ 16,372,230

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

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Activities Discretely Presented Component Units For the Year Ended June 30, 2016

	Housing Commission	SmartZone Local Development Finance Authority	Downtown Development Authority	Total
Expenses				
Housing and economic development	\$ 19,178,577	\$ 2,466,473	\$ 24,482,818	\$ 46,127,868
Program revenues				
Charges for services	176,749	-	21,706,096	21,882,845
Operating grants and contributions	18,319,564	-	-	18,319,564
Capital grants and contributions	23,145	-	-	23,145
Total program revenues	18,519,458	-	21,706,096	40,225,554
Net program expense	(659,119)	(2,466,473)	(2,776,722)	(5,902,314)
General revenues				
Property taxes	-	2,512,493	5,389,177	7,901,670
Unrestricted investment earnings	4,136	16,897	179,860	200,893
Total general revenues	4,136	2,529,390	5,569,037	8,102,563
Change in net position	(654,983)	62,917	2,792,315	2,200,249
Net position, beginning of year	2,532,307	1,406,857	10,232,817	14,171,981
Net position, end of year	\$ 1,877,324	\$ 1,469,774	\$ 13,025,132	\$ 16,372,230

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

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NOTES TO FINANCIAL STATEMENTS

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Blended Component Unit

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

Discretely Presented Component Units

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

Downtown Development Authority (DDA). The DDA was created to finance rehabilitation and redevelopment in the downtown area. Commissioners of the DDA are appointed by the Mayor and approved by City Council. Development plans are approved by Council and Council must approve all modifications to the plans. The DDA's primary source of funding is charges for services (parking) and tax increment financing revenues. Bonds secured by those revenues are issued by the City on behalf of the DDA, which does not have the ability to issue debt. During the fiscal year, the DDA paid \$3.5 million to the City as part of an agreement between the City and DDA, wherein the DDA distributes 17% of the parking revenues to the City. Also, during the fiscal year the DDA transferred \$7.0 million for debt service payments and other transfers for maintenance and \$0.18 million as a parks grant for the Farmer's Market project. The DDA issues separate audited financial statements.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

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

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

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

Related Organizations. The Ann Arbor Area Transportation Authority (AAATA) and the Ann Arbor Economic Development Corporation (EDC) are not included in the financial reporting entity. The members of the governing board of each are appointed by the Mayor and confirmed by the City Council, but the City's accountability for these organizations does not extend beyond making these appointments. The EDC, whose purpose is to foster business development within the City and which has issued bonds bearing the City's tax-exempt status (for which the City is not contingently liable), had assets and fund balance of \$44,670 as of June 30, 2016.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain component units for which the primary government is financially accountable.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Property taxes, franchise taxes, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major funds:

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

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

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

The government reports the following major enterprise funds:

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

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

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

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

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

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

Additionally, the government reports the following fund types:

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

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

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

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

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

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the wastewater and water enterprise funds and of the government's internal service funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

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

Investments are reported at fair value.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". Interfund balances at year-end relate to items accrued after year-end related to interfund transfers. These items are repaid immediately in the new year.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

Inventories and Prepaid Items

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

Capital Assets

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

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

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government reports deferred outflows of resources for changes in expected and actual investment returns, assumptions, and benefits provided in its pension plans as well as for the deferred loss on refunding. A deferred refunding loss results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

Compensated Absences

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

Deferred Inflows of Resources

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

Fund Balances

Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. *Committed fund balance* is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the City Council. A formal resolution of the City Council is required to establish, modify, or rescind a fund balance commitment. The City reports *assigned fund balance* for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. City Council, by adoption of its Fund Balance Policy, designates the Chief Financial Officer as the authority to assign fund balance. Unassigned fund balance is the residual classification for the general fund and any governmental funds reporting a deficit at year end.

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

Statements of Cash Flows

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

Use of Estimates

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

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting (under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation) is utilized in the governmental funds. Outstanding encumbrances at year-end of \$287,401 are included in assigned fund balance of the general fund, \$9,171,758 in restricted fund balance of the street repair millage special revenue fund, and \$1,859,257 in the restricted or assigned fund balance of the other governmental funds. The encumbrances do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

2. BUDGETARY CONTROLS AND INFORMATION

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

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

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

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

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

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

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

3. EXPENDITURES IN EXCESS OF APPROPRIATIONS AND NET POSITION DEFICIT

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the City were adopted on a department level basis for the general fund and the fund level for the special revenue funds. During the year ended June 30, 2016, the City did not incur any expenditures in excess of the amounts appropriated at the legal level of budgetary control.

4. DEPOSITS AND INVESTMENTS

The following is a reconciliation of deposit and investment balances as of June 30, 2016:

	Primary Government	Component Units	Total
Statement of net position			
Cash	\$ 14,172,655	\$ 1,555,716	\$ 15,728,371
Equity in pooled cash and investments	221,317,709	1,624,540	222,942,249
Investments	2,093,259	14,986,881	17,080,140
Statement of fiduciary net position			
Cash	91,214	-	91,214
Equity in pooled cash and investments	3,257,484	-	3,257,484
Investments	593,485,072	-	593,485,072
Total	\$ 834,417,393	\$ 18,167,137	\$ 852,584,530
Deposits and investments			
Bank deposits (demand accounts)			\$ 26,887,874
Certificates of deposit due within one year			500,750
Certificates of deposit due in one to five years			250,000
Investments in securities, mutual funds and similar vehicles:			
City investment pool			216,465,133
Employees' Retirement System			459,538,337
Retiree Health Care Trust Fund			133,946,735
Downtown Development Authority			14,986,881
Cash on hand			8,820
			<u>\$ 852,584,530</u>

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

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

Deposits

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

	Carrying Amount	Bank Balance	Insured	Uninsured
City cash pool	\$ 25,268,275	\$ 23,372,867	\$ 1,025,814	\$ 22,347,053
15th District Court	63,983	491,213	250,000	241,213
Downtown Development Authority	334,623	430,913	250,000	180,913
Housing Commission	1,220,993	1,541,932	500,000	1,041,932
Totals	<u>\$ 26,887,874</u>	<u>\$ 25,836,925</u>	<u>\$ 2,025,814</u>	<u>\$ 23,811,111</u>

The uninsured bank balance of \$22,911,111 was exposed to custodial credit risk as it was uninsured and uncollateralized, except that the Housing Commission's uninsured balance was collateralized with government securities having a fair value of \$1,234,642 as of year-end.

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

Investments - City Investment Pool

Following is a summary of the City's investments as of June 30, 2016:

U.S. treasuries	\$ 82,788,403
U.S. agencies	133,433,927
Money market accounts	<u>242,803</u>
Total Investments	<u>\$ 216,465,133</u>

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

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

Custodial Credit Risk - Investments. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s investment policy requires that investment securities be held in third-party safekeeping by a designated institution and that the safekeeping agent follow the procedure of delivery vs. payment. As of June 30, 2016, none of the City’s investments were exposed to risk since the securities are held in the City’s name by the counterparty.

Credit Risk. The City analyzes credit risk of banking institutions and issuers of securities prior to depositing or investing City funds. State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROS). In addition to the restrictions placed on the City by Public Act 20 of 1943, the City’s investment policy further requires that banks in which the City invests public funds must have maintained an average Highline Banking Data Services Rating of 30 or better for the four most recent reporting quarters. Securities purchased by the City always conform to the rating requirements set forth in Public Act 20. As of June 30, 2016, all of the City’s investments in securities of the U.S. Treasury and U.S. agencies were rated AAA by Standard & Poor’s (S&P) and Aaa by Moody’s. All of the City’s investments comply with its policy regarding the types of investments it may hold.

Concentration of Credit Risk. At June 30, 2016, the investment portfolio was concentrated as follows:

Investment Type	Issuer	% of Portfolio
U.S. agencies	Federal Farm Credit Bank	18.60%
U.S. agencies	Federal National Mortgage Association	18.17%
U.S. agencies	Federal Home Loan Bank	15.45%
U.S. agencies	Federal Home Loan Mortgage	9.42%

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

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

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

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

Interest Rate Risk. As of June 30, 2016, maturities of the City's debt securities were as follows:

Investment Type	Fair Value	Investments Maturities (fair value by years)		
		<1	1-5	6-10
U.S. treasuries	\$ 82,788,403	\$ 40,428,930	\$ 41,897,695	\$ 461,778
U.S. agencies	133,433,927	15,030,950	113,402,877	5,000,100
	<u>\$ 216,222,330</u>	<u>\$ 55,459,880</u>	<u>\$ 155,300,572</u>	<u>\$ 5,461,878</u>

Of the above balances, \$30,038,400 of U.S. agencies securities are callable.

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

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

The City's only recurring fair value measurements as of June 30, 2016 were related to its investments in U.S. treasuries, U.S agencies and money market cash funds. These investments are valued using quoted market pricing of the underlying securities (Level 1 inputs).

Investments - Employees' Retirement System

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

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

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

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

The adopted asset allocation policy as of June 30, 2016, is as follows:

Asset Class	Target Allocation	Allocation Range
Equities		
Domestic equities	31%	25% to 37%
Developed foreign equities	12%	9% to 15%
Emerging markets equities	6%	0% to 9%
Private equities	3%	0% to 5%
	<u>52%</u>	<u>34% to 66%</u>
Fixed income		
Investment grade bonds	19%	15% to 24%
TIPS (Treasury inflation-protected securities)	8%	0% to 10%
High yield bonds	3%	1% to 5%
Bank loans	2%	0% to 4%
Emerging market debts	2%	0% to 4%
	<u>34%</u>	<u>16% to 47%</u>
Other investments		
Real estate	9%	2% to 12%
Natural resources	3%	0% to 5%
Hedge funds	2%	1% to 5%
Cash	0%	<5%
	<u>14%</u>	<u>3% to 27%</u>
Total investments	<u>100%</u>	

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

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

The System's investments are held by an independent trust company. Following is a summary of the System's investments as of June 30, 2016 (investments at fair value, as determined by quoted market price):

	Domestic	Foreign	Total	On Loan
Equities				
Common stock	\$ 24,842,593	\$ 358,572	\$ 25,201,165	\$ 11,681,548
Common stock funds	155,775,124	54,349,889	210,125,013	-
Private equity	7,400,495	-	7,400,495	-
	<u>188,018,212</u>	<u>54,708,461</u>	<u>242,726,673</u>	<u>11,681,548</u>
Fixed income				
Government agency funds	88,699,777	-	88,699,777	-
Corporate bonds	-	2,746,837	2,746,837	-
Corporate bond funds	18,042,577	6,929,513	24,972,090	-
Bank loan participation	14,512,216	-	14,512,216	-
Private credit	5,870,476	-	5,870,476	-
Index linked government bonds	19,962,799	-	19,962,799	-
	<u>147,087,845</u>	<u>9,676,350</u>	<u>156,764,195</u>	<u>-</u>
Other				
Real estate	35,050,439	-	35,050,439	-
Hedge funds	6,219,445	8,511,247	14,730,692	-
Short-term investment funds	10,266,338	-	10,266,338	-
	<u>51,536,222</u>	<u>8,511,247</u>	<u>60,047,469</u>	<u>-</u>
Total	<u>\$ 386,642,279</u>	<u>\$ 72,896,058</u>	<u>\$ 459,538,337</u>	<u>\$ 11,681,548</u>

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

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investments in any particular asset class may or may not be consistent with the objectives of the System. The investment policy statement specifically indicates permissible asset classes, including high yield fixed income and alternatives, in appropriate target percentages. The System's investments in government agency funds, corporate bond funds, bank loan participation, private credit, and index linked government bonds (each of which are essentially funds) are not rated.

The System's fixed income securities consisted of the following at June 30, 2016:

Government agency funds	\$ 88,699,777
Corporate bonds	2,746,837
Corporate bond funds	24,972,090
Bank loan participation	14,512,216
Private credit	5,870,476
Index linked government bonds	<u>19,962,799</u>
	<u>\$ 156,764,195</u>

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

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

Rate of return. For the year ended June 30, 2016, the annual money-weighted rate of return on plan investments, net of investment expenses, was 0.5 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

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

At June 30, 2016, the total collateral received from borrowers had a fair value of \$11,853,116, all of which was cash.

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

The System had the following recurring fair value measurements as of June 30, 2016:

	Level 1	Level 2	Level 3	Total
Equities				
Common stock	\$ 24,973,894	\$ 227,271	\$ -	\$ 25,201,165
Common stock funds	16,148,156	193,976,857	-	210,125,013
Private equity	-	-	7,400,495	7,400,495
	<u>41,122,050</u>	<u>194,204,128</u>	<u>7,400,495</u>	<u>242,726,673</u>
Fixed income				
Government agency bonds	-	88,699,777	-	88,699,777
Corporate bonds	-	-	2,746,837	2,746,837
Corporate bond funds	6,929,513	18,042,577	-	24,972,090
Bank loan participation	-	-	14,512,216	14,512,216
Private credit	-	-	5,870,476	5,870,476
Index linked government bonds	19,962,799	-	-	19,962,799
	<u>26,892,312</u>	<u>106,742,354</u>	<u>23,129,529</u>	<u>156,764,195</u>
Other				
Real estate	-	-	35,050,439	35,050,439
Hedge funds	-	-	14,730,692	14,730,692
Short-term investment funds	10,266,338	-	-	10,266,338
	<u>10,266,338</u>	<u>-</u>	<u>49,781,131</u>	<u>60,047,469</u>
Total	<u>\$ 78,280,700</u>	<u>\$ 300,946,482</u>	<u>\$ 80,311,155</u>	<u>\$ 459,538,337</u>

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

Investments - Retiree Health Care Trust Fund

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

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

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

The Association's investments are held by an independent trust company. Following is a summary of the Association's investments as of June 30, 2016:

	Domestic	Foreign	Total	On Loan
Common stock	\$ 15,656,771	\$ -	\$ 15,656,771	\$ 9,717,127
Common stock funds	36,321,271	20,176,224	56,497,495	-
Corporate bond funds	30,473,673	3,381,557	33,855,230	-
Bank loan participation	5,164,490	-	5,164,490	-
Index linked government bonds	6,580,967	-	6,580,967	-
Private credit	1,443,451	-	1,443,451	-
Real estate	13,695,337	-	13,695,337	-
Short-term fund	1,052,994	-	1,052,994	-
Total	\$ 110,388,954	\$ 23,557,781	\$ 133,946,735	\$ 9,717,127

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

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

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

The Association's fixed income securities, which are not rated for credit risk, consisted of the following at June 30, 2016:

Corporate bond funds	\$ 33,855,230
Bank loan participation	5,164,490
Index linked government bonds	<u>6,580,967</u>
	<u>\$ 45,600,687</u>

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

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

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

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

At June 30, 2016, the total collateral received from borrowers had a fair value of \$9,842,505, all of which was cash.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

Fair Value Measurements. The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The System had the following recurring fair value measurements as of June 30, 2016:

The System had the following recurring fair value measurements as of June 30, 2016:

	Level 1	Level 2	Level 3	Total
Common stock	\$ 15,656,771	\$ -	\$ -	\$ 15,656,771
Common stock funds	3,941,274	52,556,221	-	56,497,495
Corporate bond funds	3,381,557	30,473,673	-	33,855,230
Bank loan participation	-	-	5,164,490	5,164,490
Index linked government bonds	6,580,967	-	-	6,580,967
Private credit	-	-	1,443,451	1,443,451
Real estate	5,682,732	-	8,012,605	13,695,337
Short-term fund	1,052,994	-	-	1,052,994
Total investments	\$ 36,296,295	\$ 83,029,894	\$ 14,620,546	\$ 133,946,735

Investments - DDA Component Unit

Custodial Credit Risk - Deposits. As of June 30, 2016, the carrying amounts of the DDA's deposits were \$334,423 and the bank balance was \$430,913 of which \$180,913 was exposed to custodial credit risk because it was uninsured and uncollateralized. For the deposits held at the City of Ann Arbor, it is impossible to determine custodial credit risk since the DDA's deposits are pooled with other City deposits.

Custodial Credit Risk - Investment. Following is a summary of the DDA's investments as of June 30, 2016:

U.S. government agencies	\$ 10,563,419
Money market accounts	<u>4,423,462</u>
Total Investments	<u>\$ 14,986,881</u>

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

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The DDA does not have an investment policy that sets specific limits in excess of state law on investment credit risk. As of June 30, 2016, all of the investments in U.S. agencies were rated AAA by Moody's.

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

As of June 30, 2016, the maturities of the DDA's investments in U.S. agencies were as follows:

Investment Type	Fair Value	Investments Maturities (fair value by years)		
		1-5	6-10	More Than 10
U.S. agencies	\$ 10,563,419	\$ 10,061,733	\$ 501,686	\$ -

Fair Value. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Authority's only recurring fair value measurements as of June 30, 2016 were related to its investments in government agency funds. These investments are valued using quoted market pricing of the underlying securities (Level 1 inputs).

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

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

5. RECEIVABLES

Receivables in the governmental and business-type activities, of which \$483,001 and \$298,137, respectively, are not expected to be collected within one year, are as follows:

	Governmental Activities	Business-type Activities
Taxes	\$ 143,232	\$ 34,314
Accounts	1,816,504	14,543,936
Special assessments	549,489	125,617
Accrued interest and dividends	6,424	-
Improvement charges	1,637	253,852
Loans	19,078	-
Due from other governments	4,989,105	7,752,566
	<u>\$ 7,525,469</u>	<u>\$ 22,710,285</u>

6. INTERFUND RECEIVABLES AND PAYABLES

For the year ended June 30, 2016, interfund receivables and payables consisted of the following:

	Due from Other Funds	Due to Other Funds
General fund	\$ 82,228	\$ -
Nonmajor governmental funds	-	5,178
Airport enterprise fund	-	77,050
	<u>\$ 82,228</u>	<u>\$ 82,228</u>

	Advances to Other Funds	Advances from Other Funds
General fund	\$ 584,586	\$ -
Airport enterprise fund	-	584,586
	<u>\$ 584,586</u>	<u>\$ 584,586</u>

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”. Interfund balances at year-end relate to items accrued after year-end related to interfund transfers. These items are repaid immediately in the new year.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 59,835,599	\$ 34,150	\$ -	\$ 59,869,749
Construction in progress	3,413,194	2,401,293	(2,823,171)	2,991,316
Total capital assets not depreciated	<u>63,248,793</u>	<u>2,435,443</u>	<u>(2,823,171)</u>	<u>62,861,065</u>
Capital assets being depreciated:				
Buildings	168,805,530	-	(1,172,671)	167,632,859
Improvements other than buildings	20,468,223	2,693,137	(32,888)	23,128,472
Machinery and equipment	15,703,339	925,060	(677,656)	15,950,743
Vehicles	17,941,755	2,547,764	(1,011,933)	19,477,586
Intangible assets	1,173,590	-	-	1,173,590
Infrastructure	776,174,603	25,731,870	(5,069,268)	796,837,205
Total capital assets being depreciated	<u>1,000,267,040</u>	<u>31,897,831</u>	<u>(7,964,416)</u>	<u>1,024,200,455</u>
Less accumulated depreciation for:				
Buildings	(22,725,204)	(4,165,102)	566,790	(26,323,516)
Improvements other than buildings	(8,276,049)	(724,148)	27,478	(8,972,719)
Machinery and equipment	(12,926,568)	(879,053)	514,228	(13,291,393)
Vehicles	(12,090,124)	(2,075,014)	1,011,933	(13,153,205)
Intangible assets	(938,873)	(234,717)	-	(1,173,590)
Infrastructure	(193,671,067)	(27,989,323)	5,060,457	(216,599,933)
Total accumulated depreciation	<u>(250,627,885)</u>	<u>(36,067,357)</u>	<u>7,180,886</u>	<u>(279,514,356)</u>
Total capital assets being depreciated, net	<u>749,639,155</u>	<u>(4,169,526)</u>	<u>(783,530)</u>	<u>744,686,099</u>
Governmental activities capital assets, net	<u>\$ 812,887,948</u>	<u>\$ (1,734,083)</u>	<u>\$ (3,606,701)</u>	<u>\$ 807,547,164</u>

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

Depreciation of governmental activities by function	
General government	\$ 447,673
Public safety	128,224
Public works	31,674,851
Culture and recreation	1,138,102
Capital assets held by the government's internal service are charged to various activities based on asset usage	<u>2,678,507</u>
Total depreciation expense - governmental activities	<u>\$ 36,067,357</u>

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Ending Balance
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 7,291,349	\$ -	\$ -	\$ 7,291,349
Construction in progress	163,592,379	28,273,120	(59,179,984)	132,685,515
Total capital assets not depreciated	170,883,728	28,273,120	(59,179,984)	139,976,864
Capital assets being depreciated:				
Buildings	141,556,985	51,888,563	(2,881,724)	190,563,824
Improvements other than buildings	207,253,311	7,317,477	-	214,570,788
Machinery and equipment	28,609,147	331,674	(97,576)	28,843,245
Vehicles	2,814,578	319,978	(349,009)	2,785,547
Drain benefit	3,662,284	-	-	3,662,284
Total capital assets being depreciated	383,896,305	59,857,692	(3,328,309)	440,425,688
Less accumulated depreciation for:				
Buildings	(70,129,254)	(3,551,258)	2,685,840	(70,994,672)
Improvements other than buildings	(80,084,656)	(4,076,406)	-	(84,161,062)
Machinery and equipment	(23,011,993)	(1,233,664)	97,576	(24,148,081)
Vehicles	(2,275,189)	(188,215)	349,009	(2,114,395)
Drain benefit	-	(183,114)	-	(183,114)
Total accumulated depreciation	(175,501,092)	(9,232,657)	3,132,425	(181,601,324)
Total capital assets being depreciated, net	208,395,213	50,625,035	(195,884)	258,824,364
Total capital assets				
being depreciated, net	208,395,213	50,625,035	(195,884)	258,824,364
Business-type activities capital assets, net	\$ 379,278,941	\$ 78,898,155	\$ (59,375,868)	\$ 398,801,228

8. PAYABLES

Payables in the governmental activities are 18.5% accrued liabilities, 53.1% vendors, 14.7% claims payable, 11.1% deposits payable and 2.6% due to other governments. Payables in the business-type activities are 3.5% accrued liabilities, 61.8% vendors, 34.0% claims payable and 0.7% deposits payable.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

9. LEASES

Operating Leases Payable. The City is the lessee of various properties (primarily office and storage space, as well as parking facilities) under operating leases for periods through 2019. The expenses and related revenues in connection with the leases are recorded in the general, special revenue and pension trust funds. The total rent expense for fiscal year 2016 was \$236,225. The following is a table of future minimum noncancellable lease payments by the City:

2017	\$ 141,605
2018	114,728
2019	19,336
	<hr/>
Total	\$ 275,669

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

Operating Leases Receivable. The City is the lessor of various parking, office and airport facilities under operating leases for periods through 2036. Revenues and the related expenses for these leases are recorded in various funds. The total rent revenue for fiscal year 2016 was \$1,091,869. The total revenue includes \$531,972 for cell towers, \$29,610 for office space, \$347,069 for airport hangers, and \$183,218 for other rentals. All related City assets are fully depreciated. The following is a table of future minimum noncancellable lease payments to the City:

2017	\$ 911,331
2018	901,199
2019	904,017
2020	807,825
2021	585,668
2022-2026	2,379,438
2027-2031	1,006,391
2032-2036	563,496
	<hr/>
Total	\$ 8,059,365

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

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

10. TRANSFERS

A summary of interfund transfers for the year ended June 30, 2016, is as follows:

		Transfers In								
	General	Street Repair Millage	NMGF	Water Supply System	Sewage Disposal System	Airport	Stormwater System	Solid Waste	Internal Service	Totals
Transfers Out										
General	\$ -	\$ 364,285	\$ 3,134,125	\$ 58,656	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,557,066
SRM	-	-	36,529	854,876	-	-	-	-	-	891,405
NMGF	188,703	-	4,739,648	90,456	-	-	-	-	-	5,018,807
WTR	1,134,600	1,318,712	176,200	-	-	-	-	-	-	2,629,512
SWR	-	556,244	795	730,945	-	-	12,462	-	-	1,300,446
AIR	-	-	-	7,884	-	-	-	-	-	7,884
STRM	84,996	2,164,609	-	296,477	(101,204)	-	-	-	-	2,444,878
SW	30,000	-	225,778	185,904	-	-	-	-	-	441,682
ISF	3,173,880	2,487,384	1,986,642	1,716,976	734,904	20,772	667,692	1,086,720	399,972	12,274,942
	<u>\$ 4,612,179</u>	<u>\$ 6,891,234</u>	<u>\$ 10,299,717</u>	<u>\$ 3,942,174</u>	<u>\$ 633,700</u>	<u>\$ 20,772</u>	<u>\$ 680,154</u>	<u>\$ 1,086,720</u>	<u>\$ 399,972</u>	<u>\$ 28,566,622</u>

- SRM - Street repair millage special revenue fund
- NMGF - Nonmajor governmental funds
- WTR - Water supply system enterprise fund
- SWR - Sewer disposal system enterprise fund
- AIR - Airport enterprise fund
- STRM - Stormwater system enterprise fund
- SW - Solid waste enterprise fund
- ISF - Internal service funds

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

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

11. CONTINGENT LIABILITIES

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

Landfill. The City owns and maintains a closed landfill in full compliance with Michigan Department of Environmental Quality (MDEQ) requirements. The City had received approval for an onsite and (interim) offsite Remedial Action Plan (RAP) that has been implemented. This implementation included a slurry wall almost two miles in length enclosing most of the landfill. As part of these requirements, the City has posted a \$1,000,000 letter of credit to ensure compliance with the landfill cleanup regulations. The City is working on a final RAP and evaluating the feasibility of treating the collected landfill groundwater prior to discharge to the sanitary sewer. Treating the water onsite with discharge to surface or groundwater may reduce annual operating costs because of reduced payments for discharge to the sanitary system. Capital costs associated with the landfill cleanup were funded by a series of voter-approved bonds totaling \$28,000,000. Operating and maintenance costs for the closed landfill are funded out of the annual solid waste budget. A liability has been accrued in the solid waste fund for offsite remediation in the amount of \$7,125,794. These costs will be funded through the City's earmarked solid waste (refuse collection) property tax levy. The projects to be accomplished are subject to major changes (both in the nature of the work to be accomplished and in the cost thereof) due to inflation, changes in technology or changes in regulatory requirements.

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

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

12. LONG-TERM DEBT

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

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

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

	Year of Maturity	Interest Rates	Original Amount	Amount Outstanding
Governmental activities				
2002 special assessment (G.O. portion)	2017	4.4 - 4.7%	\$ 290,000	\$ 25,000
2008 court and police facilities	2038	4.0 - 5.0%	27,660,000	24,665,000
2009 capital improvements (BAB)	2035	3.5 - 6.5%	49,420,000	43,265,000
2012 transportation fund	2023	2.0 - 2.4%	2,670,000	1,770,000
2013 1st and Washington (series A)	2032	1.75 - 3.0%	4,480,000	3,925,000
2013 1st and Washington (series B)	2032	2.0 - 3.75%	4,045,000	3,510,000
2013 clean energy	2024	4.25 - 4.34%	560,000	427,000
2015 open space preservation refunding	2034	2.0 - 3.375%	16,235,000	16,235,000
2015 maintenance facility refunding	2029	2.0 - 3.0%	17,710,000	17,710,000
Total governmental activities			\$ 123,070,000	\$ 111,532,000
Business-type activities				
2007 parking	2017	4.0 - 4.25%	\$ 4,250,000	\$ 205,000
2009 parking - refunding	2017	3.0 - 3.5%	3,570,000	555,000
2012 parking - refunding	2022	2.0%	2,230,000	1,400,000
2015 parking - refunding	2020	2.0 - 3.0%	6,335,000	4,905,000
2016 parking - refunding	2027	2.0%	2,790,000	2,790,000
Total business-type activities			\$ 19,175,000	\$ 9,855,000

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

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 4,778,000	\$ 3,944,662	\$ 2,450,000	\$ 313,203
2018	4,899,000	3,820,131	1,870,000	229,942
2019	5,028,000	3,687,333	1,865,000	147,983
2020	5,198,000	3,547,521	1,190,000	78,392
2021	5,354,000	3,402,501	500,000	46,667
2022-26	28,675,000	14,501,191	1,675,000	111,650
2027-31	30,495,000	9,263,780	305,000	4,067
2032-36	23,670,000	3,511,562	-	-
2037-38	3,435,000	259,750	-	-
	\$ 111,532,000	\$ 45,938,431	\$ 9,855,000	\$ 931,904

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

Refunded Debt

During fiscal year 2016, the City issued \$17,710,000 of refunding bonds to advance refund \$18,231,140 of the 2006 general obligation maintenance facility bonds to provide resources to purchase U.S. government securities that were placed in an irrevocable trust to generate resources for all future debt service payments. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities. The refunding resulted in a savings of \$4,133,888 and an economic gain of \$3,110,043.

Also during fiscal year 2016, the City issued \$2,790,000 of refunding bonds to partially advance refund \$2,789,716 of the 2007 parking facility capital improvement bonds to provide resources to purchase U.S. government securities that were placed in an irrevocable trust to generate resources for all future debt service payments. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the business-type activities. The refunding resulted in a savings of \$296,154 and an economic gain of \$269,211.

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

	Year of Maturity	Interest Rates	Original Amount	Amount Outstanding
Business-type activities				
2008 water	2018	4.0%	\$ 23,375,000	\$ 2,400,000
2012 water - refunding	2024	2.0 - 2.5%	10,450,000	6,080,000
2016 water - refunding	2027	2.0 - 2.5%	16,285,000	16,285,000
2008 sewer	2019	3.50 - 4.00%	24,550,000	2,550,000
2013 sewer - refunding	2025	3.25 - 4.75%	17,985,000	16,175,000
2016 sewer - refunding	2031	2.0 - 2.5%	19,280,000	19,280,000
Total business-type activities			<u>\$ 111,925,000</u>	<u>\$ 62,770,000</u>

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

	Principal	Interest
2017	\$ 5,590,000	\$ 1,414,921
2018	5,295,000	1,241,656
2019	5,450,000	1,093,204
2020	5,310,000	985,321
2021	5,415,000	868,625
2022-26	25,550,000	2,396,772
2027-31	10,160,000	413,758
	<u>\$ 62,770,000</u>	<u>\$ 8,414,257</u>

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

Refunded Debt

During fiscal year 2016, the City issued \$16,285,000 of refunding bonds to partially advance refund \$16,708,402 of the water supply system revenue bonds, series 2008-A to provide resources to purchase U.S. government securities that were placed in an irrevocable trust to generate resources for all future debt service payments. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the business-type activities. The refunding resulted in a savings of \$2,326,381 and an economic gain of \$1,937,509.

Also during fiscal year 2016, the City issued \$19,280,000 of refunding bonds to partially advance refund \$19,685,655 of the sewage disposal system revenue bonds, series 2008-A to provide resources to purchase U.S. government securities that were placed in an irrevocable trust to generate resources for all future debt service payments. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the business-type activities. The refunding resulted in a savings of \$3,769,987 and an economic gain of \$2,836,507.

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

	Year of Maturity	Interest Rates	Original Amount	Amount Outstanding
Business-type activities				
DWRF #7319-01	2031	2.50%	\$ 4,575,000	\$ 3,630,000
DWRF #7146-01	2024	2.125%	557,950	237,950
DWRF #7325-01	2030	2.50%	624,750	458,271
DWRF #7333-01	2032	2.50%	5,614,250	4,055,604
DWRF #7362-01	2034	2.50%	8,864,396	7,987,720
DWRF #7375-01	2035	2.00%	3,025,000	2,545,244
2004 SWQIF #3002-01	2024	1.625%	874,672	384,672
2005 SWQIF #3002-02	2025	1.625%	879,382	429,382
2006 SWQIF #3002-03	2026	1.625%	889,903	479,903
2007 SWQIF #3002-04	2027	1.625%	964,976	569,976
2008 SWQIF #3002-05	2028	2.50%	900,000	595,000
2009 SWQIF #3010-01	2029	2.50%	1,310,000	920,000

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CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

	Year of Maturity	Interest Rates	Original Amount	Amount Outstanding
2010 SWQIF #3010-02	2030	2.50%	\$ 1,320,000	\$ 990,000
2012 SWQIF #3010-03	2032	2.50%	1,365,000	1,139,760
2013 SWQIF #3010-04	2033	2.50%	891,703	746,703
2012 CWRP #5441-01	2036	2.50%	34,407,832	34,407,832
2013 CWRP #5441-02	2038	2.00%	73,305,000	54,721,544
Total business-type activities			<u>\$ 140,369,814</u>	<u>\$ 114,299,561</u>

concluded.

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

	Principal	Interest
2017	\$ 2,747,832	\$ 2,466,383
2018	2,815,000	2,481,639
2019	5,890,000	2,414,005
2020	6,020,000	2,299,823
2021	6,155,000	2,183,034
2022-26	32,661,907	9,069,696
2027-31	34,993,247	5,768,102
2032-36	33,412,067	2,416,305
2037-38	8,720,000	195,954
	<u>133,415,053</u>	<u>29,294,941</u>
Remaining available to draw	(19,115,492)	-
	<u>\$ 114,299,561</u>	<u>\$ 29,294,941</u>

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

	Year of Maturity	Interest Rates	Original Amount	Amount Outstanding
Governmental activities				
2002 special assessment	2017	4.4 - 4.7%	<u>\$ 525,000</u>	<u>\$ 15,000</u>

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

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

	Principal	Interest
2017	\$ 15,000	\$ 705

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

	Year of Maturity	Interest Rates	Original Amount	Amount Outstanding
Business-type activities				
2006 Mallets Creek project	2028	1.625%	\$ 2,180,000	\$ 1,016,883
2009 Pioneer High project	2031	2.5%	2,661,000	1,991,126
2010 Stadium Blvd phase I	2029	2.5%	165,000	130,000
2010 Stadium Blvd phase II	2032	2.5%	953,386	763,995
2010 West Park project	2031	2.5%	1,035,000	788,020
2010 Sylvan Ave project	2030	2.5%	405,000	310,000
2011 Swift Run cistern	2032	2.5%	26,362	22,862
2011 County Farm streambank	2032	2.5%	349,699	287,199
2011 Stadium Bridge project	2033	2.5%	162,209	137,209
2011 Burns Park project	2032	2.5%	1,122,487	867,360
2011 Traver Creek cistern	2032	2.5%	206,794	153,762
2011 Allen Creek cistern I	2032	2.5%	140,746	120,746
2011 Allen Creek cistern II	2032	2.5%	31,261	27,761
2012 Leslie Park project	2033	2.5%	717,106	569,353
2012 Willard Street project	2032	2.5%	123,819	101,319
2012 SRF tree planting	2033	2.5%	167,467	149,967
2013 Huron River infrastructure I	2034	2.5%	232,500	162,345
2013 Huron River infrastructure II	2035	2.0%	278,379	268,379
2013 Allen Creek Miller Ave	2034	2.0%	805,723	736,373
2013 Allen Creek Madison Ave	2034	2.0%	890,130	800,466
2013 Allen Creek Fourth Ave I	2033	2.0%	175,163	155,163
2013 Allen Creek Fourth Ave II	2034	2.0%	211,099	191,099
2014 Allen Creek Fairgrounds	2034	2.0 - 3.5%	2,430,000	2,265,000
2014 Mallets Creek Stone School	2035	2.5%	2,025,000	1,901,859
2014 Mallets Creek Springwater	2035	2.5%	332,447	317,602
2014 SRF (Washtenaw County)	TBD	2.00%	TBD	114,376
2015 Huron Green Tree Planting	2036	2.5%	215,000	27,453
2015 Geddes	2037	2.5%	1,015,000	343,955
			<u>\$ 19,057,777</u>	<u>\$ 14,721,632</u>

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

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

	Principal	Interest
2017	\$ 722,689	\$ 337,741
2018	785,597	321,720
2019	799,895	305,587
2020	814,895	288,771
2021	843,370	271,524
2022-26	4,518,843	1,074,692
2027-31	4,804,350	546,957
2032-36	2,207,005	92,158
2037	65,000	441
	<u>15,561,644</u>	<u>3,239,591</u>
Remaining available to draw	(954,388)	-
Unscheduled maturities	<u>114,376</u>	-
	<u>\$ 14,721,632</u>	<u>\$ 3,239,591</u>

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

Capital leases. The City has entered into certain lease agreements as lessee for financing of two materials recovery facility loaders. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. The following is an analysis of the items recorded under capital leases in the enterprise funds as of June 30, 2016:

Equipment	\$ 211,528
Less: accumulated depreciation	<u>(66,983)</u>
Net book value	<u>\$ 144,545</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, 2016:

2017	\$ 42,305
2018	<u>21,154</u>
Present value of future minimum lease payments	<u>\$ 63,459</u>

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

Changes in long-term debt. Long-term debt activity for fiscal 2016 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Primary government					
Governmental activities					
General obligation bonds	\$ 115,775,000	\$ 17,710,000	\$ (21,953,000)	\$ 111,532,000	\$ 4,778,000
Special assessment bonds	35,000	-	(20,000)	15,000	15,000
Deferred amounts:					
For issuance premiums	195,042	416,162	(6,117)	605,087	34,343
For issuance discounts	(345,712)	-	127,448	(218,264)	(8,892)
Compensated absences	13,619,261	4,349,999	(5,102,262)	12,866,998	5,102,263
Total governmental activities debt	\$ 129,278,591	\$ 22,476,161	\$ (26,953,931)	\$ 124,800,821	\$ 9,920,714
Business-type activities					
General obligation bonds	\$ 12,140,000	\$ 2,790,000	\$ (5,075,000)	\$ 9,855,000	\$ 2,450,000
Revenue bonds	65,755,000	35,565,000	(38,550,000)	62,770,000	5,590,000
Revolving loans	93,440,278	22,389,114	(1,529,831)	114,299,561	2,747,832
Drain notes	13,827,347	1,666,833	(772,548)	14,721,632	722,689
Capital leases	105,764	-	(42,305)	63,459	42,305
Deferred amounts:					
For issuance premiums	879,012	609,741	(273,192)	1,215,561	127,652
For issuance discounts	(96,690)	-	83,002	(13,688)	(9,912)
Compensated absences	2,102,219	1,090,049	(932,837)	2,259,431	932,835
Total business-type activities debt	\$ 188,152,930	\$ 64,110,737	\$ (47,092,711)	\$ 205,170,956	\$ 12,603,401
Component unit					
Downtown Development Authority purchase agreement					
	\$ 579,626	\$ -	\$ (269,211)	\$ 310,415	\$ 285,815
Downtown Development Authority compensated absences					
	-	172,923	(2,056)	170,867	2,056
Housing Commission compensated absences					
	52,959	77,790	(76,870)	53,879	37,152
Total component unit	\$ 632,585	\$ 250,713	\$ (348,137)	\$ 535,161	\$ 325,023

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

13. RISK MANAGEMENT

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

All funds of the City participate in the insurance program and make payments to the insurance fund based on estimates of the amounts needed to pay prior and current year claims and to establish a reserve for incurred but not reported (IBNR) losses. The IBNR reserve was \$1,221,473 at June 30, 2016 and is included in estimated claims payable. The total estimated claims payable of \$2,852,550 is reflected in the insurance fund at June 30, 2016. A liability for claims must be reported if information prior to the issuance of the financial statements indicates it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claim liability amount for the last two years are summarized below:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2015	\$ 4,518,707	\$ 17,539,684	\$ (17,777,409)	\$ 4,280,982
2016	4,280,982	16,191,797	(17,620,229)	2,852,550

14. PROPERTY TAXES

Each July 1, the City property tax is levied and becomes a lien on the related property, the value of which is equalized by the State of Michigan and limited by Act 415 of 1994. The City's operating tax rate levied July 1, 2015 as controlled by the Headlee Amendment, Act 415 and City Charter, is 6.1657 mills raising \$31.5 million. Other tax rates and amounts raised are as follows: employee benefits (2.0552) raising \$10.5 million, refuse collection (2.4660) raising \$12.6 million, Ann Arbor Transportation Authority (2.0552) raising \$10.5 million, street & sidewalk repair (2.1242) raising \$10.85 million, parks maintenance and repair (1.0996) raising \$5.6 million, and open space and parkland preservation Millage (0.4777) raising \$2.44 million. Real and personal property located in the City as of December 31, 2014 were assessed and equalized at \$6,116,285,818, 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 2015 taxable value on March 14, 2016, was \$5,105,352,756. Property taxes are due July 31st of each year and any delinquent real property taxes are turned over to Washtenaw County for collection the following March 1st. Delinquent personal property taxes are immaterial.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

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

15. EMPLOYEES' RETIREMENT SYSTEM

General Information about the Pension Plan

Plan administration. The City of Ann Arbor Employees' Retirement Plan is a single-employer defined benefit plan administered by the City of Ann Arbor Employees' Retirement System (CAAERS). CAAERS provides retirement, disability and death benefits to plan members and beneficiaries. Cost of living adjustments are provided to members and beneficiaries per the Ann Arbor City Code Section 1:573 of Chapter 18. Chapter 17.1 of the Ann Arbor City Charter assigns the authority to establish and amend benefit provisions to City Council. CAAERS issues a publicly available financial report that may be obtained by writing to City of Ann Arbor Employees' Retirement System, 532 South Maple Road, Ann Arbor, Michigan, 48103 or by calling 734-794-6710.

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

Plan membership. At June 30, 2015, the date of the latest actuarial valuation, System membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	996
Terminated employees entitled to but not yet receiving benefits	145
Active members	<u>688</u>
Total membership	<u><u>1,829</u></u>

Benefits provided. The System provides retirement, disability, and death benefits. Retirement benefits for general plan members are calculated as 2.5 percent of the member's final three-year average salary or five-year average salary depending on hire date, times the member's years of service. Benefits for public safety plan members (police and fire) are calculated as 2.75 percent of the member's final three-year average salary or five-year average depending on hire date, times the member's years of service. General plan members with 20 years of service are eligible to retire at age 50 with an early retirement reduction of .333% for each month that retirement precedes the normal retirement date. Public safety plan members with 20 years of service are eligible to retire at age 50 with an early retirement reduction of .333% for each month that retirement precedes the normal retirement date.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

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

The System offers a minimum benefit of \$9,800 adjusted by a cost of living factor each year and prorated for less than 20 years of service. In addition, annually, the Board of Trustees, in consultation with its actuary and upon receipt of the actuarial report for each fiscal year, determines whether to grant a permanent pension benefit adjustment or pay a one-time supplemental benefit based upon the amount, if any, of funds in the pension adjustment account which may be distributed to eligible retirees and beneficiaries. The aggregate cost of such benefit adjustment or supplemental benefit distribution is funded by a transfer from the pension adjustment account to the pension reserve. No pension benefit adjustment or supplemental benefit can be paid unless the amount available in the pension adjustment account is equal to or greater than 1% of the total pension payroll. The term "total pension payroll" means the total amount of pension benefits paid to retirees and beneficiaries in the prior fiscal year as reflected in the annual actuarial report.

Contributions. All plan members are required to contribute 6% of annual compensation. The City is required to contribute at an actuarially determined rate; the rates for 2016 were 24.7% to 29.1% of annual covered payroll, respectively, depending on employee group. Plan provisions and contribution requirements are established and can be amended by the City Council. System administrative costs are financed through investment earnings.

Net pension liability. The total pension liability was determined by an actuarial valuation as of June 30, 2015 (and rolled forward to June 30, 2016), using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 percent
Salary increases	3.5 percent, average, including inflation
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation
Mortality rate	RP-2000 Combined Table

These actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 (see the discussion of the System's investment allocation policy) are summarized in the following table:

Asset Class	Target Allocation	Allocation Range	Long-term Expected Real Rate of Return
Equities			
Domestic equities	31.0%	25% to 37%	9.3%
Developed foreign equities	12.0%	9% to 15%	10.1%
Emerging markets equities	6.0%	0% to 9%	11.5%
Private equities	3.0%	0% to 5%	10.0%
	<u>52.0%</u>	<u>34% to 66%</u>	
Fixed income			
Investment grade bonds	19.0%	15% to 24%	2.8-5.5%
TIPS (Treasury inflation-protected securities)	8.0%	0% to 10%	3.2%
High yield bonds	3.0%	1% to 5%	6.8%
Bank loans	2.0%	0% to 4%	5.9%
Emerging market debts	2.0%	0% to 4%	6.9%
	<u>34.0%</u>	<u>16% to 47%</u>	
Other investments			
Real estate	9.0%	2% to 12%	6.9-10.2%
Natural resources	3.0%	0% to 5%	10.3%
Hedge funds	2.0%	1% to 5%	5.9%
Cash	0.0%	<5%	2.5%
	<u>14.0%</u>	<u>3% to 27%</u>	
	<u>100.0%</u>		

Discount rate. The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

Changes in the Net Pension Liability. The components of the change in the net pension liability are summarized as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 536,810,895	\$ 472,373,897	\$ 64,436,998
Changes for the year:			
Service cost	8,729,000	-	8,729,000
Interest	36,925,458	-	36,925,458
Differences between expected and actual experience	(3,826,000)	-	(3,826,000)
Employer contributions	-	13,352,412	(13,352,412)
Employee contributions	-	3,139,266	(3,139,266)
Net investment income	-	2,434,339	(2,434,339)
Benefit payments, including refunds of employee contributions	(33,960,032)	(33,960,032)	-
Administrative expense	-	(719,561)	719,561
Net changes	<u>7,868,426</u>	<u>(15,753,576)</u>	<u>23,622,002</u>
Balances at June 30, 2016	<u>\$ 544,679,321</u>	<u>\$ 456,620,321</u>	<u>\$ 88,059,000</u>
		Primary government	\$ 87,413,179
		Fiduciary funds	645,821
			<u>\$ 88,059,000</u>

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.0 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

	1% Decrease (6.0%)	Current Discount (7.0%)	1% Increase (8.0%)
City's net pension liability	\$ 147,643,000	\$ 88,059,000	\$ 37,741,000

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

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

Pension expense and deferred outflows of resources related to pensions. For the year ended June 30, 2016, the City recognized pension expense of \$18,049,341. At June 30, 2016, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ 100,150	\$ 2,599,717	\$ (2,499,567)
Net difference between projected and actual earnings on pension plan investments	31,373,002	-	31,373,002
Total	\$ 31,473,152	\$ 2,599,717	\$ 28,873,435
Statement of net position	\$ 31,056,938	\$ 2,580,651	\$ 28,476,287
Statement of fiduciary net position	416,214	19,066	397,148
Total	\$ 31,473,152	\$ 2,599,717	\$ 28,873,435

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

Year Ended June 30,	Net Amount
2017	\$ 7,316,341
2018	7,237,649
2019	8,306,045
2020	6,013,400
	<u>\$ 28,873,435</u>

16. OTHER POSTEMPLOYMENT BENEFITS

The City of Ann Arbor Retiree Health Care Benefits Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the City of Ann Arbor Employees' Retirement System. The plan provides certain health care and life insurance benefits for eligible retired employees and their dependents in accordance with Ann Arbor City Code Chapter 21. Substantially all the City's employees may become eligible for these benefits if they retire directly from City employment. These and similar benefits for active employees are provided by various insurance companies. Health insurance benefits' are provided through an administrative service contract under which the City reimburses the administrator for claims paid plus an administration fee. The Plan issues a publicly available financial report that may be obtained by writing to City of Ann Arbor Employees' Retirement System, 532 South Maple Road, Ann Arbor, Michigan, 48103 or by calling 734-794-6710.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

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

The Plan's investments are stated at fair value which is determined as follows: (a) short-term investments are reported at cost, which approximates fair value; (b) securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates; (c) investments for which market quotations are not readily available are valued at their fair values as determined by the custodian under the direction of the System's governing body, with the assistance of a valuation service; and (d) cash deposits are reported at carrying amounts which reasonably approximates fair value.

The contribution requirements of plan members and the City are established and may be amended by the City Council. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the actuary. For fiscal year 2016, the City contributed \$15,171,011 to the plan, including \$12,095,622 for current premiums and an additional \$3,075,389 to prefund benefits.

The City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 11,179,000
Interest on net OPEB obligation	336,696
Adjustment to annual required contribution	<u>(210,696)</u>
Net OPEB cost	11,305,000
Other adjustments	(93,937)
Contributions made	<u>15,171,011</u>
Change in net OPEB obligation	<u>(3,959,948)</u>
Net OPEB obligation, beginning of year	<u>4,809,936</u>
 Net OPEB obligation, end of year	 <u><u>\$ 849,988</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the new OPEB obligation for 2016 and the prior two years were as follows:

Three-Year Trend Information			
Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	\$ 11,305,000	134%	\$ 849,988
2015	12,145,999	123%	4,809,936
2014	12,296,122	124%	7,643,669

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

As of June 30, 2015, the most recent actuarial valuation date, the plan was 47.9 percent funded. The actuarial accrued liability for benefits was \$276.0 million, and the actuarial value of assets was \$132.2 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$143.8 million. The covered payroll (annual payroll of active employees covered by the plan) was \$48.8 million, and the ratio of the UAAL to the covered payroll was 294.8 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress and employer contributions, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility and actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The June 30, 2015, actuarial valuation used the entry age actuarial cost method. The actuarial assumptions included a 7.0 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.25 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 16 years. Both rates include a 3.5 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll contributions on an open basis over 30 years.

17. PERMANENT FUND

In 1964, the City became the recipient of an endowment from Elizabeth Dean which is recorded as a permanent fund. The corpus of the trust is to remain invested and may not be liquidated in order to generate investment income. This investment income is to be used for the purchase and maintenance of trees in the City of Ann Arbor. Net appreciation on investments is not considered investment income until realized. The amount in the Elizabeth Dean fund is shown as restricted for endowment on the statement of net position. The corpus of the trust is and shall remain \$1,984,000. Fund balance at June 30, 2016 was \$2,189,541, representing the corpus of the trust and appreciation of investments from prior years. This amount is reflected in cash, equity in pooled cash, investments and accrued interest. The corpus of the trust is restricted to the limitations established by the trust and is considered nonspendable. The entire amount exceeding the corpus, \$1,984,000, is also restricted to the limitations established by the trust, but is available for expenditure and is restricted as to use.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

18. SIGNIFICANT COMMITMENTS

As of June 30, 2016, the City had \$11,265,470 in construction commitments for various projects including wastewater treatment plant reconstruction, resurfacing of streets, bridge reconstruction and other road improvements. The commitments will be satisfied using millage proceeds, fund balance and bond proceeds.

19. ADVANCES FROM POOLED INVESTMENTS

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

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

Fiscal Year	Repayment Schedules			
	2009 Retirement (\$400,000) 7/1/2008; Due 3/1 & 9/1		2009 Airport (\$1,150,000) 7/3/2008; Due 6/1 & 12/1	
	Principal	Interest (4.45%)	Principal	Interest (4.09%)
2017	\$ 27,369	\$ 9,465	\$ 77,050	\$ 26,281
2018	28,601	8,234	80,234	23,098
2019	29,887	6,947	83,549	19,782
2020	31,232	5,602	87,001	16,330
2021	32,637	4,197	90,596	12,736
2022	34,106	2,728	94,339	8,993
2023	35,641	1,194	98,237	5,094
2024	-	-	50,630	1,035
	<u>\$ 219,473</u>	<u>\$ 38,367</u>	<u>\$ 661,636</u>	<u>\$ 113,349</u>
Total principal	\$ 881,109			
Total interest	151,716			
Total requirements	<u>\$ 1,032,825</u>			

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

20. DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS

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

	General	Street Repair Millage	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Long-term advances	\$ 584,586	\$ -	\$ -	\$ 584,586
Inventories	34,725	-	-	34,725
Trust corpus	-	-	1,984,000	1,984,000
Total nonspendable	619,311	-	1,984,000	2,603,311
Restricted				
Debt service	-	-	1,087,240	1,087,240
Culture and recreation	-	-	15,933,178	15,933,178
Road maintenance and repairs	-	-	20,380,993	20,380,993
Road construction	-	13,264,960	-	13,264,960
Law enforcement	-	-	975,944	975,944
Energy projects	-	-	100,000	100,000
Community television network	-	-	3,660,092	3,660,092
Major grants	-	-	773,909	773,909
Total restricted	-	13,264,960	42,911,356	56,176,316
Committed				
Culture and recreation	-	-	57,640	57,640
Energy projects	-	-	270,485	270,485
Special assistance	-	-	5,403	5,403
Construction code	-	-	3,834,672	3,834,672
Cemetery perpetual care	-	-	96,672	96,672
Alternative transportation	-	-	319,718	319,718
Total committed	-	-	4,584,590	4,584,590
Assigned				
Capital projects	-	-	5,832,928	5,832,928
Future market needs	453,720	-	-	453,720
Affordable housing fund initiatives	695,853	-	-	695,853
Subsequent years expenditures and potential retirement payouts	8,035,700	-	-	8,035,700
Total assigned	9,185,273	-	5,832,928	15,018,201
Unassigned	15,330,765	-	-	15,330,765
Total fund balances	\$ 25,135,349	\$ 13,264,960	\$ 55,312,874	\$ 93,713,183

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

21. NET INVESTMENT IN CAPITAL ASSETS

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

	Governmental Activities	Business-type Activities
Capital assets		
Not being depreciated	\$ 62,861,065	\$ 139,976,864
Being depreciated	744,686,099	258,824,364
Total capital assets	<u>807,547,164</u>	<u>398,801,228</u>
Less related debt		
General obligation bonds	(111,532,000)	(9,855,000)
Revenue bonds	-	(62,770,000)
Revolving loans	-	(114,299,561)
Drain notes	-	(14,721,632)
Special assessment debt	(15,000)	-
Capital leases	-	(63,459)
Deferred amounts:		
For issuance premiums	(605,087)	(1,215,561)
For issuance discounts	218,264	13,688
On refunding	488,408	3,027,832
Net investment in capital assets	<u>\$ 696,101,749</u>	<u>\$ 198,917,535</u>



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ANN ARBOR, MICHIGAN

Required Supplementary Information Employees' Retirement System

Schedule of Changes in the City's Net Pension Liability and Related Ratios

	Fiscal Year Ended June 30,		
	2014	2015	2016
Change in total pension liability			
Service cost	\$ 9,802,000	\$ 9,760,000	\$ 8,729,000
Interest	34,400,755	35,978,096	36,925,458
Differences between expected and actual experience	3,834,000	279,000	(3,826,000)
Benefit payments, including refunds of member contributions	(32,011,444)	(32,667,512)	(33,960,032)
Net change in total pension liability	16,025,311	13,349,584	7,868,426
Total pension liability, beginning	507,436,000	523,461,311	536,810,895
Total pension liability, ending (a)	523,461,311	536,810,895	544,679,321
Change in plan fiduciary net position			
Contributions - employer	11,227,290	13,091,474	13,352,412
Contributions - member	2,948,177	3,013,353	3,139,266
Net investment income	60,253,683	20,144,251	2,434,339
Benefit payments, including refunds of member contributions	(32,011,444)	(32,667,512)	(33,960,032)
Administrative expense	(644,051)	(683,980)	(719,561)
Net change in plan fiduciary net position	41,773,655	2,897,586	(15,753,576)
Plan fiduciary net position, beginning, before restatement	427,911,656	469,685,311	472,373,897
Restatement for pension liability	-	(209,000)	-
Plan fiduciary net position, ending (b)	469,685,311	472,373,897	456,620,321
City's net pension liability, ending (a)-(b)	\$53,776,000	\$64,436,998	\$88,059,000
Plan fiduciary net position as a percentage of the total pension liability	89.73%	88.00%	83.83%
Covered-employee payroll	\$47,956,745	\$49,638,000	\$46,887,000
City's net pension liability as a percentage of covered payroll	112.13%	129.81%	187.81%

Note: GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, ten years of data will be presented.

CITY OF ANN ARBOR, MICHIGAN

Required Supplementary Information
Employees' Retirement System

Schedule of the Net Pension Liability

Fiscal Year Ended June 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as Percentage of Total Pension Liability	Covered-Employee Payroll	Net Pension Liability as Percentage of Covered Payroll
2014	\$523,461,311	\$ 469,685,311	\$ 53,776,000	89.73%	\$ 47,956,745	112.13%
2015	536,810,895	472,373,897	64,436,998	88.00%	49,638,000	129.81%
2016	544,679,321	456,620,321	88,059,000	83.83%	46,887,000	187.81%

Note: GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, ten years of data will be presented.

CITY OF ANN ARBOR, MICHIGAN

Required Supplementary Information Employees' Retirement System

Schedule of Contributions

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as Percentage of Covered-Employee Payroll
2014	\$ 11,217,000	\$ 11,227,290	\$ (10,290)	\$ 47,956,745	23.4%
2015	12,327,000	13,091,474	(764,474)	49,638,000	26.4%
2016	12,233,000	13,352,412	(1,119,412)	46,887,000	28.5%

Note: GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, ten years of data will be presented.

Notes to Schedule of Contributions

Valuation date	Actuarially determined contribution rates are calculated as of June 30 that is 12 months prior to the beginning of the fiscal year for which the contributions are reported.
Other information	There were no benefit changes during the year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	25 years
Asset valuation method	5-year smoothed market
Inflation	3.5%
Salary increases	3.5% including inflation
Investment rate of return	7.0% net of pension plan investment expense, including inflation
Mortality rates	RP-2000 combined table

CITY OF ANN ARBOR, MICHIGAN

Required Supplementary Information Employees' Retirement System

Schedule of Investment Returns

Fiscal Year Ending June 30,	Annual Return ⁽¹⁾
2013	12.96%
2014	14.01%
2015	4.35%
2016	0.50%

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

Note: GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, ten years of data will be presented.

CITY OF ANN ARBOR, MICHIGAN

Required Supplementary Information

Retiree Healthcare Trust Fund

Schedule of Funding Progress
(in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
6/30/2015	\$ 132,162	\$ 275,912	\$ 143,750	47.9%	\$ 48,759	294.8%
6/30/2014	116,566	264,164	147,598	44.1%	47,957	307.8%
6/30/2013	99,822	258,853	159,031	38.6%	45,063	352.9%
6/30/2012	87,660	249,844	162,184	35.1%	44,004	368.6%
6/30/2011	82,416	241,122	158,706	34.2%	45,921	345.6%
6/30/2010	73,205	242,842	169,637	30.1%	48,688	348.4%
6/30/2009	70,770	232,180	161,410	30.5%	51,076	316.0%

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contributions	Current Premiums Paid by City	Pre-funding Contributions to VEBA Trust	Percentage Contributed
2016	\$ 11,179,000	\$ 12,095,622	\$ 3,075,389	135.7%
2015	11,974,000	10,758,954	4,220,778	125.1%
2014	12,203,000	10,650,463	4,537,637	124.5%
2013	12,379,000	9,207,043	5,790,086	121.1%
2012	14,859,285	8,889,686	2,163,202	74.4%
2011	14,395,148	9,181,437	4,839,659	97.4%
2010	14,284,470	9,349,438	927,417	71.9%

**COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES**

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CITY OF ANN ARBOR, MICHIGAN

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

continued...

CITY OF ANN ARBOR, MICHIGAN

Nonmajor Governmental Funds

Special Revenue Funds (Concluded)

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

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

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

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

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

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

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

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

Debt Service Funds

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

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

Capital Projects Funds

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

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

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

Permanent Fund

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

CITY OF ANN ARBOR, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2016

	Special Revenue			
	Energy Projects	Local Law Enforcement Block Grant	Community Television Network	Homeland Security Fund
Assets				
Cash	\$ 56,148	\$ -	\$ -	\$ -
Equity in pooled cash and investments	240,645	243	3,138,782	-
Investments, at fair value	-	-	-	-
Receivables:				
Taxes	-	-	-	-
Accounts	375	-	569,737	-
Special assessments	444,383	-	-	-
Accrued interest and dividends	-	-	-	-
Loans	19,078	-	-	-
Due from other governments	-	-	-	7,593
Total assets	<u>\$ 760,629</u>	<u>\$ 243</u>	<u>\$ 3,708,519</u>	<u>\$ 7,593</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ 4,537	\$ -
Accrued liabilities	93	-	43,890	-
Due to other funds	-	-	-	5,178
Deposits payable	-	-	-	-
Total liabilities	<u>93</u>	<u>-</u>	<u>48,427</u>	<u>5,178</u>
Deferred inflows of resources				
Unavailable revenue	390,051	-	-	2,265
Fund balances				
Nonspendable	-	-	-	-
Restricted for:				
Debt service	-	-	-	-
Culture and recreation	-	-	-	-
Road maintenance and repairs	-	-	-	-
Law enforcement	-	243	-	150
Other purposes	100,000	-	3,660,092	-
Committed for:				
Culture and recreation	-	-	-	-
Other purposes	270,485	-	-	-
Assigned to capital projects	-	-	-	-
Total fund balances	<u>370,485</u>	<u>243</u>	<u>3,660,092</u>	<u>150</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 760,629</u>	<u>\$ 243</u>	<u>\$ 3,708,519</u>	<u>\$ 7,593</u>

continued...

CITY OF ANN ARBOR, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2016

	Special Revenue			
	Major Streets	Local Streets	Court Facilities	Open Space & Parkland Preservation
Assets				
Cash	\$ -	\$ -	\$ -	\$ -
Equity in pooled cash and investments	13,414,858	4,723,141	16,206	10,519,578
Investments, at fair value	-	-	-	-
Receivables:				
Taxes	-	-	-	625
Accounts	77,887	-	-	-
Special assessments	-	-	-	-
Accrued interest and dividends	-	-	-	-
Loans	-	-	-	-
Due from other governments	1,277,098	370,698	-	-
Total assets	<u>\$ 14,769,843</u>	<u>\$ 5,093,839</u>	<u>\$ 16,206</u>	<u>\$ 10,520,203</u>
Liabilities				
Accounts payable	\$ 269,294	\$ 62,020	\$ -	\$ 36,870
Accrued liabilities	108,552	36,555	-	2,547
Due to other funds	-	-	-	-
Deposits payable	1,025,460	-	-	-
Total liabilities	<u>1,403,306</u>	<u>98,575</u>	<u>-</u>	<u>39,417</u>
Deferred inflows of resources				
Unavailable revenue	-	-	-	-
Fund balances				
Nonspendable	-	-	-	-
Restricted for:				
Debt service	-	-	-	-
Culture and recreation	-	-	-	10,480,786
Road maintenance and repairs	13,366,537	4,995,264	-	-
Law enforcement	-	-	16,206	-
Other purposes	-	-	-	-
Committed for:				
Culture and recreation	-	-	-	-
Other purposes	-	-	-	-
Assigned to capital projects	-	-	-	-
Total fund balances	<u>13,366,537</u>	<u>4,995,264</u>	<u>16,206</u>	<u>10,480,786</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 14,769,843</u>	<u>\$ 5,093,839</u>	<u>\$ 16,206</u>	<u>\$ 10,520,203</u>

continued...

CITY OF ANN ARBOR, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2016

	Special Revenue			
	Bandemer	Construction Code	Drug Enforcement	Federal Equitable Sharing Forfeiture
Assets				
Cash	\$ -	\$ -	\$ -	\$ -
Equity in pooled cash and investments	56,490	3,990,324	127,601	107,097
Investments, at fair value	-	-	-	-
Receivables:				
Taxes	-	-	-	-
Accounts	1,150	10,050	-	-
Special assessments	-	-	-	-
Accrued interest and dividends	-	-	-	-
Loans	-	-	-	-
Due from other governments	-	-	-	-
Total assets	<u>\$ 57,640</u>	<u>\$ 4,000,374</u>	<u>\$ 127,601</u>	<u>\$ 107,097</u>
Liabilities				
Accounts payable	\$ -	\$ 97,155	\$ 4,131	\$ 43,696
Accrued liabilities	-	68,547	-	-
Due to other funds	-	-	-	-
Deposits payable	-	-	-	-
Total liabilities	<u>-</u>	<u>165,702</u>	<u>4,131</u>	<u>43,696</u>
Deferred inflows of resources				
Unavailable revenue	-	-	-	-
Fund balances				
Nonspendable	-	-	-	-
Restricted for:				
Debt service	-	-	-	-
Culture and recreation	-	-	-	-
Road maintenance and repairs	-	-	-	-
Law enforcement	-	-	123,470	63,401
Other purposes	-	-	-	-
Committed for:				
Culture and recreation	57,640	-	-	-
Other purposes	-	3,834,672	-	-
Assigned to capital projects	-	-	-	-
Total fund balances	<u>57,640</u>	<u>3,834,672</u>	<u>123,470</u>	<u>63,401</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 57,640</u>	<u>\$ 4,000,374</u>	<u>\$ 127,601</u>	<u>\$ 107,097</u>

continued...

CITY OF ANN ARBOR, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2016

	Special Revenue			
	Parks Memorial & Contribution	Metro Expansion	Special Assistance	Open Space Endowment
Assets				
Cash	\$ -	\$ -	\$ -	\$ -
Equity in pooled cash and investments	975,076	1,625,200	8,526	726,785
Investments, at fair value	-	-	-	-
Receivables:				
Taxes	-	-	-	-
Accounts	-	-	877	-
Special assessments	-	-	-	-
Accrued interest and dividends	-	-	-	-
Loans	-	-	-	-
Due from other governments	-	403,366	-	-
Total assets	<u>\$ 975,076</u>	<u>\$ 2,028,566</u>	<u>\$ 9,403</u>	<u>\$ 726,785</u>
Liabilities				
Accounts payable	\$ 9,602	\$ 5,887	\$ 4,000	\$ -
Accrued liabilities	-	3,487	-	-
Due to other funds	-	-	-	-
Deposits payable	-	-	-	-
Total liabilities	<u>9,602</u>	<u>9,374</u>	<u>4,000</u>	<u>-</u>
Deferred inflows of resources				
Unavailable revenue	-	-	-	-
Fund balances				
Nonspendable	-	-	-	-
Restricted for:				
Debt service	-	-	-	-
Culture and recreation	965,474	-	-	726,785
Road maintenance and repairs	-	2,019,192	-	-
Law enforcement	-	-	-	-
Other purposes	-	-	-	-
Committed for:				
Culture and recreation	-	-	-	-
Other purposes	-	-	5,403	-
Assigned to capital projects	-	-	-	-
Total fund balances	<u>965,474</u>	<u>2,019,192</u>	<u>5,403</u>	<u>726,785</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 975,076</u>	<u>\$ 2,028,566</u>	<u>\$ 9,403</u>	<u>\$ 726,785</u>

continued...

CITY OF ANN ARBOR, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2016

	Special Revenue			
	Police and Fire Relief	Cemetery Perpetual Care	Art in Public Places	Alternative Transportation
Assets				
Cash	\$ -	\$ -	\$ -	\$ -
Equity in pooled cash and investments	696,325	96,672	184,729	341,519
Investments, at fair value	61,810	-	-	-
Receivables:				
Taxes	-	-	-	-
Accounts	-	-	-	-
Special assessments	-	-	-	35,950
Accrued interest and dividends	-	-	-	-
Loans	-	-	-	-
Due from other governments	-	-	-	-
Total assets	<u>\$ 758,135</u>	<u>\$ 96,672</u>	<u>\$ 184,729</u>	<u>\$ 377,469</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ 13,000	\$ 16,350
Accrued liabilities	-	-	-	4,845
Due to other funds	-	-	-	-
Deposits payable	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>13,000</u>	<u>21,195</u>
Deferred inflows of resources				
Unavailable revenue	-	-	-	36,556
Fund balances				
Nonspendable	-	-	-	-
Restricted for:				
Debt service	-	-	-	-
Culture and recreation	-	-	171,729	-
Road maintenance and repairs	-	-	-	-
Law enforcement	758,135	-	-	-
Other purposes	-	-	-	-
Committed for:				
Culture and recreation	-	-	-	-
Other purposes	-	96,672	-	319,718
Assigned to capital projects	-	-	-	-
Total fund balances	<u>758,135</u>	<u>96,672</u>	<u>171,729</u>	<u>319,718</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 758,135</u>	<u>\$ 96,672</u>	<u>\$ 184,729</u>	<u>\$ 377,469</u>

continued...

CITY OF ANN ARBOR, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2016

	Special Revenue			Debt Service
	Michigan Justice Training	Parks Maint & Capital Imp Millage	Major Grants	General Debt Service
Assets				
Cash	\$ -	\$ -	\$ -	\$ -
Equity in pooled cash and investments	14,339	3,738,460	632,040	443,922
Investments, at fair value	-	-	-	-
Receivables:				
Taxes	-	455	-	-
Accounts	-	-	1,278	-
Special assessments	-	-	-	-
Accrued interest and dividends	-	-	-	-
Loans	-	-	-	-
Due from other governments	-	-	380,904	-
Total assets	<u>\$ 14,339</u>	<u>\$ 3,738,915</u>	<u>\$ 1,014,222</u>	<u>\$ 443,922</u>
Liabilities				
Accounts payable	\$ -	\$ 255,552	\$ 227,356	\$ -
Accrued liabilities	-	100,500	11,139	-
Due to other funds	-	-	-	-
Deposits payable	-	-	-	-
Total liabilities	<u>-</u>	<u>356,052</u>	<u>238,495</u>	<u>-</u>
Deferred inflows of resources				
Unavailable revenue	-	-	1,818	-
Fund balances				
Nonspendable	-	-	-	-
Restricted for:				
Debt service	-	-	-	443,922
Culture and recreation	-	3,382,863	-	-
Road maintenance and repairs	-	-	-	-
Law enforcement	14,339	-	-	-
Other purposes	-	-	773,909	-
Committed for:				
Culture and recreation	-	-	-	-
Other purposes	-	-	-	-
Assigned to capital projects	-	-	-	-
Total fund balances	<u>14,339</u>	<u>3,382,863</u>	<u>773,909</u>	<u>443,922</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 14,339</u>	<u>\$ 3,738,915</u>	<u>\$ 1,014,222</u>	<u>\$ 443,922</u>

continued...

CITY OF ANN ARBOR, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2016

	Debt Service		Capital Projects	
	Special Assessment Bonds	Maintenance Facility	Municipal Center	General Capital Improvements
Assets				
Cash	\$ -	\$ -	\$ -	\$ -
Equity in pooled cash and investments	643,318	1,667,182	-	4,253,851
Investments, at fair value	-	-	-	-
Receivables:				
Taxes	-	-	-	19,835
Accounts	-	-	-	17,656
Special assessments	5,748	-	-	-
Accrued interest and dividends	-	-	-	-
Loans	-	-	-	-
Due from other governments	-	-	-	-
Total assets	<u>\$ 649,066</u>	<u>\$ 1,667,182</u>	<u>\$ -</u>	<u>\$ 4,291,342</u>
Liabilities				
Accounts payable	\$ -	\$ 690	\$ -	\$ 118,912
Accrued liabilities	-	2,473	-	3,521
Due to other funds	-	-	-	-
Deposits payable	-	-	-	-
Total liabilities	<u>-</u>	<u>3,163</u>	<u>-</u>	<u>122,433</u>
Deferred inflows of resources				
Unavailable revenue	5,748	-	-	-
Fund balances				
Nonspendable	-	-	-	-
Restricted for:				
Debt service	643,318	-	-	-
Culture and recreation	-	-	-	-
Road maintenance and repairs	-	-	-	-
Law enforcement	-	-	-	-
Other purposes	-	-	-	-
Committed for:				
Culture and recreation	-	-	-	-
Other purposes	-	-	-	-
Assigned to capital projects	-	1,664,019	-	4,168,909
Total fund balances	<u>643,318</u>	<u>1,664,019</u>	<u>-</u>	<u>4,168,909</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 649,066</u>	<u>\$ 1,667,182</u>	<u>\$ -</u>	<u>\$ 4,291,342</u>

continued...

CITY OF ANN ARBOR, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2016

	Permanent	
	Elizabeth R. Dean Trust	Total
Assets		
Cash	\$ -	\$ 56,148
Equity in pooled cash and investments	152,291	52,535,200
Investments, at fair value	2,031,449	2,093,259
Receivables:		
Taxes	-	20,915
Accounts	-	679,010
Special assessments	-	486,081
Accrued interest and dividends	6,424	6,424
Loans	-	19,078
Due from other governments	-	2,439,659
Total assets	<u>\$ 2,190,164</u>	<u>\$ 58,335,774</u>
Liabilities		
Accounts payable	\$ 623	\$ 1,169,675
Accrued liabilities	-	386,149
Due to other funds	-	5,178
Deposits payable	-	1,025,460
Total liabilities	<u>623</u>	<u>2,586,462</u>
Deferred inflows of resources		
Unavailable revenue	-	436,438
Fund balances		
Nonspendable	1,984,000	1,984,000
Restricted for:		
Debt service	-	1,087,240
Culture and recreation	205,541	15,933,178
Road maintenance and repairs	-	20,380,993
Law enforcement	-	975,944
Other purposes	-	4,534,001
Committed for:		
Culture and recreation	-	57,640
Other purposes	-	4,526,950
Assigned to capital projects	-	5,832,928
Total fund balances	<u>2,189,541</u>	<u>55,312,874</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,190,164</u>	<u>\$ 58,335,774</u>

concluded.

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds
For the Year Ended June 30, 2016

	Special Revenue			
	Energy Projects	Local Law Enforcement Block Grant	Community Television Network	Homeland Security Grant
Revenues				
Taxes	\$ 642	\$ -	\$ -	\$ -
Licenses, permits and registration	-	-	2,255,389	-
Federal grants	-	18,606	-	46,739
State shared revenues and grants	-	-	-	-
Charges for services	62,236	-	-	-
Fines and forfeits	-	-	-	-
Investment income (loss)	23,166	6	41,846	76
Contributions and donations	-	-	-	-
Intergovernmental revenue	-	-	-	-
Other revenues	10,158	-	1,270	-
Total revenues	96,202	18,612	2,298,505	46,815
Expenditures				
Current:				
General government	45,531	-	1,752,891	-
Public safety	-	18,606	-	46,739
Public works	-	-	-	-
Community and economic development	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	18,416	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	45,531	18,606	1,771,307	46,739
Revenues over (under) expenditures	50,671	6	527,198	76
Other financing sources (uses)				
Transfers in	6,228	-	79,056	-
Transfers out	(72,639)	-	(2,500,000)	-
Issuance of debt	-	-	-	-
Payment to escrow agent	-	-	-	-
Bond premium	-	-	-	-
Total other financing sources (uses)	(66,411)	-	(2,420,944)	-
Net change in fund balances	(15,740)	6	(1,893,746)	76
Fund balances, beginning of year	386,225	237	5,553,838	74
Fund balances, end of year	\$ 370,485	\$ 243	\$ 3,660,092	\$ 150

continued...

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2016

	Special Revenue			
	Major Streets	Local Streets	Court Facilities	Open Space & Parkland Preservation
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ 2,338,322
Licenses, permits and registration	770	-	-	-
Federal grants	26,519	-	-	-
State shared revenues and grants	7,395,255	2,087,073	-	-
Charges for services	782,318	184,932	-	-
Fines and forfeits	-	-	104,526	-
Investment income (loss)	118,343	42,956	100	109,542
Contributions and donations	1,835	-	-	-
Intergovernmental revenue	255,807	-	-	-
Other revenues	34,527	-	-	280
Total revenues	8,615,374	2,314,961	104,626	2,448,144
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	6,544,241	1,462,016	-	-
Community and economic development	-	-	-	-
Culture and recreation	-	-	-	298,179
Capital outlay	-	-	-	34,150
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	6,544,241	1,462,016	-	332,329
Revenues over (under) expenditures	2,071,133	852,945	104,626	2,115,815
Other financing sources (uses)				
Transfers in	564,795	147,876	136,576	2,220
Transfers out	(910,527)	(147,158)	(225,000)	(878,603)
Issuance of debt	-	-	-	-
Payment to escrow agent	-	-	-	-
Bond premium	-	-	-	-
Total other financing sources (uses)	(345,732)	718	(88,424)	(876,383)
Net change in fund balances	1,725,401	853,663	16,202	1,239,432
Fund balances, beginning of year	11,641,136	4,141,601	4	9,241,354
Fund balances, end of year	\$ 13,366,537	\$ 4,995,264	\$ 16,206	\$ 10,480,786

continued...

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2016

	Special Revenue			
	Bandemer	Construction Code	Drug Enforcement	Federal Equitable Sharing Forfeiture
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses, permits and registration	-	3,660,912	-	-
Federal grants	-	-	-	-
State shared revenues and grants	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	44,993	143,460
Investment income (loss)	762	38,177	1,211	1,023
Contributions and donations	-	-	-	-
Intergovernmental revenue	-	-	-	-
Other revenues	6,900	1,901	-	-
Total revenues	7,662	3,700,990	46,204	144,483
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	3,202,712	71,496	147,873
Public works	-	-	-	-
Community and economic development	-	-	-	-
Culture and recreation	719	-	-	-
Capital outlay	72,546	45,086	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	73,265	3,247,798	71,496	147,873
Revenues over (under) expenditures	(65,603)	453,192	(25,292)	(3,390)
Other financing sources (uses)				
Transfers in	-	131,424	-	-
Transfers out	-	-	-	-
Issuance of debt	-	-	-	-
Payment to escrow agent	-	-	-	-
Bond premium	-	-	-	-
Total other financing sources (uses)	-	131,424	-	-
Net change in fund balances	(65,603)	584,616	(25,292)	(3,390)
Fund balances, beginning of year	123,243	3,250,056	148,762	66,791
Fund balances, end of year	\$ 57,640	\$ 3,834,672	\$ 123,470	\$ 63,401

continued...

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2016

	Special Revenue			
	Parks Memorial & Contributions	Metro Expansion	Special Assistance	Open Space Endowment
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses, permits and registration	-	-	-	-
Federal grants	-	-	-	-
State shared revenues and grants	-	403,366	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Investment income (loss)	10,108	17,324	60	7,373
Contributions and donations	135,394	-	5,686	-
Intergovernmental revenue	-	-	-	-
Other revenues	-	-	-	-
Total revenues	145,502	420,690	5,746	7,373
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	191,514	-	-
Community and economic development	-	-	3,999	-
Culture and recreation	15,811	-	-	3,408
Capital outlay	68,670	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	84,481	191,514	3,999	3,408
Revenues over (under) expenditures	61,021	229,176	1,747	3,965
Other financing sources (uses)				
Transfers in	396	6,168	-	23,867
Transfers out	(11,450)	-	-	-
Issuance of debt	-	-	-	-
Payment to escrow agent	-	-	-	-
Bond premium	-	-	-	-
Total other financing sources (uses)	(11,054)	6,168	-	23,867
Net change in fund balances	49,967	235,344	1,747	27,832
Fund balances, beginning of year	915,507	1,783,848	3,656	698,953
Fund balances, end of year	\$ 965,474	\$ 2,019,192	\$ 5,403	\$ 726,785

continued...

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2016

	Special Revenue			
	Police and Fire Relief	Cemetery Perpetual Care	Art in Public Places	Alternative Transportation
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ 39
Licenses, permits and registration	-	-	-	-
Federal grants	-	-	-	-
State shared revenues and grants	-	-	-	-
Charges for services	-	10,650	-	-
Fines and forfeits	-	-	-	-
Investment income (loss)	7,042	765	2,535	2,791
Contributions and donations	-	-	36,000	-
Intergovernmental revenue	-	-	-	-
Other revenues	-	-	-	-
Total revenues	<u>7,042</u>	<u>11,415</u>	<u>38,535</u>	<u>2,830</u>
Expenditures				
Current:				
General government	-	-	-	19,452
Public safety	-	-	-	-
Public works	-	-	1,815	247,943
Community and economic development	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	282,968	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>284,783</u>	<u>267,395</u>
Revenues over (under) expenditures	<u>7,042</u>	<u>11,415</u>	<u>(246,248)</u>	<u>(264,565)</u>
Other financing sources (uses)				
Transfers in	-	-	-	348,565
Transfers out	-	-	-	-
Issuance of debt	-	-	-	-
Payment to escrow agent	-	-	-	-
Bond premium	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>348,565</u>
Net change in fund balances	<u>7,042</u>	<u>11,415</u>	<u>(246,248)</u>	<u>84,000</u>
Fund balances, beginning of year	<u>751,093</u>	<u>85,257</u>	<u>417,977</u>	<u>235,718</u>
Fund balances, end of year	<u>\$ 758,135</u>	<u>\$ 96,672</u>	<u>\$ 171,729</u>	<u>\$ 319,718</u>

continued...

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2016

	Special Revenue			Debt Service
	Michigan Justice Training	Parks Maint. & Capital Impr. Millage	Major Grants	General Debt Service
Revenues				
Taxes	\$ -	\$ 5,383,283	\$ -	\$ 2,340
Licenses, permits and registration	-	-	-	-
Federal grants	-	-	799,055	-
State shared revenues and grants	23,471	-	434,439	-
Charges for services	-	175,000	-	4,279,815
Fines and forfeits	-	-	-	-
Investment income (loss)	48	49,898	4,124	(4,833)
Contributions and donations	-	129,000	25,332	-
Intergovernmental revenue	-	-	-	-
Other revenues	-	48,297	46,302	3,331
Total revenues	23,519	5,785,478	1,309,252	4,280,653
Expenditures				
Current:				
General government	-	-	530,517	-
Public safety	20,000	-	52,037	-
Public works	-	-	254,698	-
Community and economic development	-	-	-	-
Culture and recreation	-	4,000,891	98,090	-
Capital outlay	-	1,259,434	347,777	-
Debt service:				
Principal retirement	-	-	-	4,128,000
Interest and fiscal charges	-	-	-	4,078,652
Total expenditures	20,000	5,260,325	1,283,119	8,206,652
Revenues over (under) expenditures	3,519	525,153	26,133	(3,925,999)
Other financing sources (uses)				
Transfers in	-	336,668	22,256	4,245,822
Transfers out	-	(15,000)	(53,552)	-
Issuance of debt	-	-	-	17,710,000
Payment to escrow agent	-	-	-	(18,439,571)
Bond premium	-	-	-	416,162
Total other financing sources (uses)	-	321,668	(31,296)	3,932,413
Net change in fund balances	3,519	846,821	(5,163)	6,414
Fund balances, beginning of year	10,820	2,536,042	779,072	437,508
Fund balances, end of year	\$ 14,339	\$ 3,382,863	\$ 773,909	\$ 443,922

continued...

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds
For the Year Ended June 30, 2016

	Debt Service		Capital Projects	
	Special Assessment Bonds	Maintenance Facility	Municipal Center	General Capital Improvements
Revenues				
Taxes	\$ 237	\$ -	\$ -	\$ -
Licenses, permits and registration	-	-	-	-
Federal grants	-	-	-	-
State shared revenues and grants	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Investment income (loss)	6,922	17,377	124	28,824
Contributions and donations	-	-	-	-
Intergovernmental revenue	-	-	-	-
Other revenues	-	-	-	44,890
Total revenues	7,159	17,377	124	73,714
Expenditures				
Current:				
General government	-	-	-	124,857
Public safety	-	-	-	-
Public works	-	-	-	176,157
Community and economic development	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	63,767	-	605,028
Debt service:				
Principal retirement	20,000	-	-	-
Interest and fiscal charges	1,852	-	-	-
Total expenditures	21,852	63,767	-	906,042
Revenues over (under) expenditures	(14,693)	(46,390)	124	(832,328)
Other financing sources (uses)				
Transfers in	-	-	-	4,246,000
Transfers out	(27,625)	-	(177,253)	-
Issuance of debt	-	-	-	-
Payment to escrow agent	-	-	-	-
Bond premium	-	-	-	-
Total other financing sources (uses)	(27,625)	-	(177,253)	4,246,000
Net change in fund balances	(42,318)	(46,390)	(177,129)	3,413,672
Fund balances, beginning of year	685,636	1,710,409	177,129	755,237
Fund balances, end of year	\$ 643,318	\$ 1,664,019	\$ -	\$ 4,168,909

continued...

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2016

	Permanent	
	Elizabeth R. Dean Trust	Total
Revenues		
Taxes	\$ -	\$ 7,724,863
Licenses, permits and registration	-	5,917,071
Federal grants	-	890,919
State shared revenues and grants	-	10,343,604
Charges for services	-	5,494,951
Fines and forfeits	-	292,979
Investment income (loss)	58,693	586,383
Contributions and donations	-	333,247
Intergovernmental revenue	-	255,807
Other revenues	13,554	211,410
Total revenues	72,247	32,051,234
Expenditures		
Current:		
General government	-	2,473,248
Public safety	-	3,559,463
Public works	-	8,878,384
Community and economic development	-	3,999
Culture and recreation	12,855	4,429,953
Capital outlay	-	2,797,842
Debt service:		
Principal retirement	-	4,148,000
Interest and fiscal charges	-	4,080,504
Total expenditures	12,855	30,371,393
Revenues over (under) expenditures	59,392	1,679,841
Other financing sources (uses)		
Transfers in	1,800	10,299,717
Transfers out	-	(5,018,807)
Issuance of debt	-	17,710,000
Payment to escrow agent	-	(18,439,571)
Bond premium	-	416,162
Total other financing sources (uses)	1,800	4,967,501
Net change in fund balances	61,192	6,647,342
Fund balances, beginning of year	2,128,349	48,665,532
Fund balances, end of year	\$ 2,189,541	\$ 55,312,874

concluded.

CITY OF ANN ARBOR, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2016

	Energy Projects		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ -	\$ 642	\$ 642
Licenses, permits and registration	-	-	-
Federal grants	-	-	-
State shared revenues and grants	-	-	-
Charges for services	75,511	62,236	(13,275)
Fines and forfeits	-	-	-
Investment income (loss)	5,943	23,166	17,223
Contributions and donations	-	-	-
Intergovernmental revenue	-	-	-
Other revenues	6,802	10,158	3,356
Total revenues	88,256	96,202	7,946
Expenditures			
Current:			
General government	184,353	45,531	(138,822)
Public safety	-	-	-
Public works	-	-	-
Community and economic development	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	184,353	45,531	(138,822)
Revenues over (under) expenditures	(96,097)	50,671	146,768
Other financing sources (uses)			
Transfers in	6,221	6,228	7
Transfers out	(76,443)	(72,639)	(3,804)
Total other financing sources (uses)	(70,222)	(66,411)	3,811
Net change in fund balances	(166,319)	(15,740)	150,579
Fund balances, beginning of year	386,225	386,225	-
Fund balances, end of year	\$ 219,906	\$ 370,485	\$ 150,579

continued...

CITY OF ANN ARBOR, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2016

	Local Law Enforcement Block Grant		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ -	\$ -	\$ -
Licenses, permits and registration	-	-	-
Federal grants	18,606	18,606	-
State shared revenues and grants	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Investment income (loss)	-	6	6
Contributions and donations	-	-	-
Intergovernmental revenue	-	-	-
Other revenues	-	-	-
Total revenues	18,606	18,612	6
Expenditures			
Current:			
General government	-	-	-
Public safety	18,606	18,606	-
Public works	-	-	-
Community and economic development	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	18,606	18,606	-
Revenues over (under) expenditures	-	6	6
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	-	6	6
Fund balances, beginning of year	237	237	-
Fund balances, end of year	\$ 237	\$ 243	\$ 6

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CITY OF ANN ARBOR, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2016

	Community Television Network		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ -	\$ -	\$ -
Licenses, permits and registration	1,964,000	2,255,389	291,389
Federal grants	-	-	-
State shared revenues and grants	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Investment income (loss)	48,679	41,846	(6,833)
Contributions and donations	-	-	-
Intergovernmental revenue	-	-	-
Other revenues	1,000	1,270	270
Total revenues	2,013,679	2,298,505	284,826
Expenditures			
Current:			
General government	1,754,507	1,752,891	(1,616)
Public safety	-	-	-
Public works	-	-	-
Community and economic development	-	-	-
Culture and recreation	-	-	-
Capital outlay	250,000	18,416	(231,584)
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	2,004,507	1,771,307	(233,200)
Revenues over (under) expenditures	9,172	527,198	518,026
Other financing sources (uses)			
Transfers in	79,057	79,056	(1)
Transfers out	(2,500,000)	(2,500,000)	-
Total other financing sources (uses)	(2,420,943)	(2,420,944)	(1)
Net change in fund balances	(2,411,771)	(1,893,746)	518,025
Fund balances, beginning of year	5,553,838	5,553,838	-
Fund balances, end of year	\$ 3,142,067	\$ 3,660,092	\$ 518,025

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CITY OF ANN ARBOR, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2016

	Homeland Security Grant		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ -	\$ -	\$ -
Licenses, permits and registration	-	-	-
Federal grants	60,947	46,739	(14,208)
State shared revenues and grants	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Investment income (loss)	-	76	76
Contributions and donations	-	-	-
Intergovernmental revenue	-	-	-
Other revenues	-	-	-
Total revenues	60,947	46,815	(14,132)
Expenditures			
Current:			
General government	-	-	-
Public safety	50,476	46,739	(3,737)
Public works	-	-	-
Community and economic development	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	50,476	46,739	(3,737)
Revenues over (under) expenditures	10,471	76	(10,395)
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	10,471	76	(10,395)
Fund balances, beginning of year	74	74	-
Fund balances, end of year	\$ 10,545	\$ 150	\$ (10,395)

continued...

CITY OF ANN ARBOR, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2016

	Major Streets		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ -	\$ -	\$ -
Licenses, permits and registration	-	770	770
Federal grants	76,954	26,519	(50,435)
State shared revenues and grants	6,711,071	7,395,255	684,184
Charges for services	818,875	782,318	(36,557)
Fines and forfeits	-	-	-
Investment income (loss)	107,608	118,343	10,735
Contributions and donations	-	1,835	1,835
Intergovernmental revenue	230,000	255,807	25,807
Other revenues	20,000	34,527	14,527
Total revenues	7,964,508	8,615,374	650,866
Expenditures			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	7,401,601	6,544,241	(857,360)
Community and economic development	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	7,401,601	6,544,241	(857,360)
Revenues over (under) expenditures	562,907	2,071,133	1,508,226
Other financing sources (uses)			
Transfers in	563,998	564,795	797
Transfers out	(910,535)	(910,527)	(8)
Total other financing sources (uses)	(346,537)	(345,732)	805
Net change in fund balances	216,370	1,725,401	1,509,031
Fund balances, beginning of year	11,641,136	11,641,136	-
Fund balances, end of year	\$ 11,857,506	\$ 13,366,537	\$ 1,509,031

continued...

CITY OF ANN ARBOR, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2016

	Local Streets		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ -	\$ -	\$ -
Licenses, permits and registration	-	-	-
Federal grants	-	-	-
State shared revenues and grants	1,915,586	2,087,073	171,487
Charges for services	196,694	184,932	(11,762)
Fines and forfeits	-	-	-
Investment income (loss)	37,429	42,956	5,527
Contributions and donations	-	-	-
Intergovernmental revenue	-	-	-
Other revenues	1,000	-	(1,000)
Total revenues	2,150,709	2,314,961	164,252
Expenditures			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	2,061,369	1,462,016	(599,353)
Community and economic development	-	-	-
Culture and recreation	-	-	-
Capital outlay	260,271	-	(260,271)
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	2,321,640	1,462,016	(859,624)
Revenues over (under) expenditures	(170,931)	852,945	1,023,876
Other financing sources (uses)			
Transfers in	147,878	147,876	(2)
Transfers out	(147,173)	(147,158)	(15)
Total other financing sources (uses)	705	718	13
Net change in fund balances	(170,226)	853,663	1,023,889
Fund balances, beginning of year	4,141,601	4,141,601	-
Fund balances, end of year	\$ 3,971,375	\$ 4,995,264	\$ 1,023,889

continued...

CITY OF ANN ARBOR, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2016

	Court Facilities		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ -	\$ -	\$ -
Licenses, permits and registration	-	-	-
Federal grants	-	-	-
State shared revenues and grants	-	-	-
Charges for services	-	-	-
Fines and forfeits	125,000	104,526	(20,474)
Investment income (loss)	-	100	100
Contributions and donations	-	-	-
Intergovernmental revenue	-	-	-
Other revenues	-	-	-
Total revenues	125,000	104,626	(20,374)
Expenditures			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Community and economic development	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	-	-	-
Revenues over (under) expenditures	125,000	104,626	(20,374)
Other financing sources (uses)			
Transfers in	100,000	136,576	36,576
Transfers out	(225,000)	(225,000)	-
Total other financing sources (uses)	(125,000)	(88,424)	36,576
Net change in fund balances	-	16,202	16,202
Fund balances, beginning of year	4	4	-
Fund balances, end of year	\$ 4	\$ 16,206	\$ 16,202

continued...

CITY OF ANN ARBOR, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2016

	Open Space & Parkland Preservation		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ 2,340,842	\$ 2,338,322	\$ (2,520)
Licenses, permits and registration	-	-	-
Federal grants	-	-	-
State shared revenues and grants	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Investment income (loss)	102,004	109,542	7,538
Contributions and donations	-	-	-
Intergovernmental revenue	-	-	-
Other revenues	-	280	280
Total revenues	2,442,846	2,448,144	5,298
Expenditures			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Community and economic development	-	-	-
Culture and recreation	194,199	298,179	103,980
Capital outlay	151,870	34,150	(117,720)
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	346,069	332,329	(13,740)
Revenues over (under) expenditures	2,096,777	2,115,815	19,038
Other financing sources (uses)			
Transfers in	2,218	2,220	2
Transfers out	(1,266,543)	(878,603)	(387,940)
Total other financing sources (uses)	(1,264,325)	(876,383)	387,942
Net change in fund balances	832,452	1,239,432	406,980
Fund balances, beginning of year	9,241,354	9,241,354	-
Fund balances, end of year	\$ 10,073,806	\$ 10,480,786	\$ 406,980

continued...

CITY OF ANN ARBOR, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2016

	Bandemer		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ -	\$ -	\$ -
Licenses, permits and registration	-	-	-
Federal grants	-	-	-
State shared revenues and grants	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Investment income (loss)	1,229	762	(467)
Contributions and donations	-	-	-
Intergovernmental revenue	-	-	-
Other revenues	6,900	6,900	-
Total revenues	8,129	7,662	(467)
Expenditures			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Community and economic development	-	-	-
Culture and recreation	716	719	3
Capital outlay	72,551	72,546	(5)
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	73,267	73,265	(2)
Revenues over (under) expenditures	(65,138)	(65,603)	(465)
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(65,138)	(65,603)	(465)
Fund balances, beginning of year	123,243	123,243	-
Fund balances, end of year	\$ 58,105	\$ 57,640	\$ (465)

continued...

CITY OF ANN ARBOR, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2016

	Construction Code		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ -	\$ -	\$ -
Licenses, permits and registration	2,758,000	3,660,912	902,912
Federal grants	-	-	-
State shared revenues and grants	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Investment income (loss)	39,429	38,177	(1,252)
Contributions and donations	-	-	-
Intergovernmental revenue	-	-	-
Other revenues	-	1,901	1,901
Total revenues	2,797,429	3,700,990	903,561
Expenditures			
Current:			
General government	-	-	-
Public safety	3,508,674	3,202,712	(305,962)
Public works	-	-	-
Community and economic development	-	-	-
Culture and recreation	-	-	-
Capital outlay	42,086	45,086	3,000
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	3,550,760	3,247,798	(302,962)
Revenues over (under) expenditures	(753,331)	453,192	1,206,523
Other financing sources (uses)			
Transfers in	131,417	131,424	7
Transfers out	-	-	-
Total other financing sources (uses)	131,417	131,424	7
Net change in fund balances	(621,914)	584,616	1,206,530
Fund balances, beginning of year	3,250,056	3,250,056	-
Fund balances, end of year	\$ 2,628,142	\$ 3,834,672	\$ 1,206,530

continued...

CITY OF ANN ARBOR, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2016

	Drug Enforcement		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ -	\$ -	\$ -
Licenses, permits and registration	-	-	-
Federal grants	-	-	-
State shared revenues and grants	-	-	-
Charges for services	-	-	-
Fines and forfeits	44,994	44,993	(1)
Investment income (loss)	-	1,211	1,211
Contributions and donations	-	-	-
Intergovernmental revenue	-	-	-
Other revenues	-	-	-
Total revenues	44,994	46,204	1,210
Expenditures			
Current:			
General government	-	-	-
Public safety	174,994	71,496	(103,498)
Public works	-	-	-
Community and economic development	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	174,994	71,496	(103,498)
Revenues over (under) expenditures	(130,000)	(25,292)	104,708
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(130,000)	(25,292)	104,708
Fund balances, beginning of year	148,762	148,762	-
Fund balances, end of year	\$ 18,762	\$ 123,470	\$ 104,708

continued...

CITY OF ANN ARBOR, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2016

	Federal Equitable Sharing Forfeiture		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ -	\$ -	\$ -
Licenses, permits and registration	-	-	-
Federal grants	-	-	-
State shared revenues and grants	-	-	-
Charges for services	-	-	-
Fines and forfeits	139,070	143,460	4,390
Investment income (loss)	-	1,023	1,023
Contributions and donations	-	-	-
Intergovernmental revenue	-	-	-
Other revenues	-	-	-
Total revenues	139,070	144,483	5,413
Expenditures			
Current:			
General government	-	-	-
Public safety	187,070	147,873	(39,197)
Public works	-	-	-
Community and economic development	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	187,070	147,873	(39,197)
Revenues over (under) expenditures	(48,000)	(3,390)	44,610
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(48,000)	(3,390)	44,610
Fund balances, beginning of year	66,791	66,791	-
Fund balances, end of year	\$ 18,791	\$ 63,401	\$ 44,610

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CITY OF ANN ARBOR, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2016

	Parks & Memorial Contributions		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ -	\$ -	\$ -
Licenses, permits and registration	-	-	-
Federal grants	-	-	-
State shared revenues and grants	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Investment income (loss)	9,591	10,108	517
Contributions and donations	136,020	135,394	(626)
Intergovernmental revenue	-	-	-
Other revenues	-	-	-
Total revenues	145,611	145,502	(109)
Expenditures			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Community and economic development	-	-	-
Culture and recreation	27,572	15,811	(11,761)
Capital outlay	68,670	68,670	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	96,242	84,481	(11,761)
Revenues over (under) expenditures	49,369	61,021	11,652
Other financing sources (uses)			
Transfers in	391	396	5
Transfers out	(15,000)	(11,450)	(3,550)
Total other financing sources (uses)	(14,609)	(11,054)	3,555
Net change in fund balances	34,760	49,967	15,207
Fund balances, beginning of year	915,507	915,507	-
Fund balances, end of year	\$ 950,267	\$ 965,474	\$ 15,207

continued...

CITY OF ANN ARBOR, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2016

	Metro Expansion		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ -	\$ -	\$ -
Licenses, permits and registration	-	-	-
Federal grants	-	-	-
State shared revenues and grants	337,000	403,366	66,366
Charges for services	-	-	-
Fines and forfeits	-	-	-
Investment income (loss)	16,042	17,324	1,282
Contributions and donations	-	-	-
Intergovernmental revenue	-	-	-
Other revenues	-	-	-
Total revenues	353,042	420,690	67,648
Expenditures			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	353,724	191,514	(162,210)
Community and economic development	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	353,724	191,514	(162,210)
Revenues over (under) expenditures	(682)	229,176	229,858
Other financing sources (uses)			
Transfers in	6,169	6,168	(1)
Transfers out	-	-	-
Total other financing sources (uses)	6,169	6,168	(1)
Net change in fund balances	5,487	235,344	229,857
Fund balances, beginning of year	1,783,848	1,783,848	-
Fund balances, end of year	\$ 1,789,335	\$ 2,019,192	\$ 229,857

continued...

CITY OF ANN ARBOR, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2016

	Special Assistance		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ -	\$ -	\$ -
Licenses, permits and registration	-	-	-
Federal grants	-	-	-
State shared revenues and grants	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Investment income (loss)	-	60	60
Contributions and donations	4,000	5,686	1,686
Intergovernmental revenue	-	-	-
Other revenues	-	-	-
Total revenues	4,000	5,746	1,746
Expenditures			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Community and economic development	4,000	3,999	(1)
Culture and recreation	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	4,000	3,999	(1)
Revenues over (under) expenditures	-	1,747	1,747
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	-	1,747	1,747
Fund balances, beginning of year	3,656	3,656	-
Fund balances, end of year	\$ 3,656	\$ 5,403	\$ 1,747

continued...

CITY OF ANN ARBOR, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2016

	Open Space Endowment		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ -	\$ -	\$ -
Licenses, permits and registration	-	-	-
Federal grants	-	-	-
State shared revenues and grants	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Investment income (loss)	4,500	7,373	2,873
Contributions and donations	-	-	-
Intergovernmental revenue	-	-	-
Other revenues	-	-	-
Total revenues	4,500	7,373	2,873
Expenditures			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Community and economic development	-	-	-
Culture and recreation	10,000	3,408	(6,592)
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	10,000	3,408	(6,592)
Revenues over (under) expenditures	(5,500)	3,965	9,465
Other financing sources (uses)			
Transfers in	-	23,867	23,867
Transfers out	-	-	-
Total other financing sources (uses)	-	23,867	23,867
Net change in fund balances	(5,500)	27,832	33,332
Fund balances, beginning of year	698,953	698,953	-
Fund balances, end of year	\$ 693,453	\$ 726,785	\$ 33,332

continued...

CITY OF ANN ARBOR, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2016

	Police and Fire Relief		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ -	\$ -	\$ -
Licenses, permits and registration	-	-	-
Federal grants	-	-	-
State shared revenues and grants	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Investment income (loss)	3,000	7,042	4,042
Contributions and donations	-	-	-
Intergovernmental revenue	-	-	-
Other revenues	-	-	-
Total revenues	3,000	7,042	4,042
Expenditures			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Community and economic development	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	-	-	-
Revenues over (under) expenditures	3,000	7,042	4,042
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	3,000	7,042	4,042
Fund balances, beginning of year	751,093	751,093	-
Fund balances, end of year	\$ 754,093	\$ 758,135	\$ 4,042

continued...

CITY OF ANN ARBOR, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2016

	Cemetery Perpetual Care		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ -	\$ -	\$ -
Licenses, permits and registration	-	-	-
Federal grants	-	-	-
State shared revenues and grants	-	-	-
Charges for services	-	10,650	10,650
Fines and forfeits	-	-	-
Investment income (loss)	800	765	(35)
Contributions and donations	-	-	-
Intergovernmental revenue	-	-	-
Other revenues	-	-	-
Total revenues	800	11,415	10,615
Expenditures			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Community and economic development	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	-	-	-
Revenues over (under) expenditures	800	11,415	10,615
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	800	11,415	10,615
Fund balances, beginning of year	85,257	85,257	-
Fund balances, end of year	\$ 86,057	\$ 96,672	\$ 10,615

continued...

CITY OF ANN ARBOR, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2016

	Art in Public Places		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ -	\$ -	\$ -
Licenses, permits and registration	-	-	-
Federal grants	-	-	-
State shared revenues and grants	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Investment income (loss)	-	2,535	2,535
Contributions and donations	36,000	36,000	-
Intergovernmental revenue	-	-	-
Other revenues	-	-	-
Total revenues	36,000	38,535	2,535
Expenditures			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	1,815	1,815	-
Community and economic development	-	-	-
Culture and recreation	-	-	-
Capital outlay	282,971	282,968	(3)
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	284,786	284,783	(3)
Revenues over (under) expenditures	(248,786)	(246,248)	2,538
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(248,786)	(246,248)	2,538
Fund balances, beginning of year	417,977	417,977	-
Fund balances, end of year	\$ 169,191	\$ 171,729	\$ 2,538

continued...

CITY OF ANN ARBOR, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2016

	Alternative Transportation		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ -	\$ 39	\$ 39
Licenses, permits and registration	-	-	-
Federal grants	-	-	-
State shared revenues and grants	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Investment income (loss)	2,505	2,791	286
Contributions and donations	-	-	-
Intergovernmental revenue	-	-	-
Other revenues	-	-	-
Total revenues	2,505	2,830	325
Expenditures			
Current:			
General government	19,404	19,452	48
Public safety	-	-	-
Public works	291,934	247,943	(43,991)
Community and economic development	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	311,338	267,395	(43,943)
Revenues over (under) expenditures	(308,833)	(264,565)	44,268
Other financing sources (uses)			
Transfers in	312,034	348,565	36,531
Transfers out	-	-	-
Total other financing sources (uses)	312,034	348,565	36,531
Net change in fund balances	3,201	84,000	80,799
Fund balances, beginning of year	235,718	235,718	-
Fund balances, end of year	\$ 238,919	\$ 319,718	\$ 80,799

continued...

CITY OF ANN ARBOR, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2016

	Michigan Justice Training		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ -	\$ -	\$ -
Licenses, permits and registration	-	-	-
Federal grants	-	-	-
State shared revenues and grants	20,000	23,471	3,471
Charges for services	-	-	-
Fines and forfeits	-	-	-
Investment income (loss)	-	48	48
Contributions and donations	-	-	-
Intergovernmental revenue	-	-	-
Other revenues	-	-	-
Total revenues	20,000	23,519	3,519
Expenditures			
Current:			
General government	-	-	-
Public safety	20,000	20,000	-
Public works	-	-	-
Community and economic development	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	20,000	20,000	-
Revenues over (under) expenditures	-	3,519	3,519
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	-	3,519	3,519
Fund balances, beginning of year	10,820	10,820	-
Fund balances, end of year	\$ 10,820	\$ 14,339	\$ 3,519

continued...

CITY OF ANN ARBOR, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2016

	Parks Maint & Capital Improvement Millage		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ 5,388,003	\$ 5,383,283	\$ (4,720)
Licenses, permits and registration	-	-	-
Federal grants	-	-	-
State shared revenues and grants	300,000	-	(300,000)
Charges for services	-	175,000	175,000
Fines and forfeits	-	-	-
Investment income (loss)	50,419	49,898	(521)
Contributions and donations	-	129,000	129,000
Intergovernmental revenue	-	-	-
Other revenues	1,100	48,297	47,197
Total revenues	5,739,522	5,785,478	45,956
Expenditures			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Community and economic development	-	-	-
Culture and recreation	4,960,734	4,000,891	(959,843)
Capital outlay	945,254	1,259,434	314,180
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	5,905,988	5,260,325	(645,663)
Revenues over (under) expenditures	(166,466)	525,153	691,619
Other financing sources (uses)			
Transfers in	283,120	336,668	53,548
Transfers out	(15,000)	(15,000)	-
Total other financing sources (uses)	268,120	321,668	53,548
Net change in fund balances	101,654	846,821	745,167
Fund balances, beginning of year	2,536,042	2,536,042	-
Fund balances, end of year	\$ 2,637,696	\$ 3,382,863	\$ 745,167

continued...

CITY OF ANN ARBOR, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2016

	Major Grants		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ -	\$ -	\$ -
Licenses, permits and registration	-	-	-
Federal grants	842,054	799,055	(42,999)
State shared revenues and grants	835,089	434,439	(400,650)
Charges for services	-	-	-
Fines and forfeits	-	-	-
Investment income (loss)	-	4,124	4,124
Contributions and donations	28,448	25,332	(3,116)
Intergovernmental revenue	-	-	-
Other revenues	98,120	46,302	(51,818)
Total revenues	1,803,711	1,309,252	(494,459)
Expenditures			
Current:			
General government	706,630	530,517	(176,113)
Public safety	53,685	52,037	(1,648)
Public works	254,698	254,698	-
Community and economic development	-	-	-
Culture and recreation	98,090	98,090	-
Capital outlay	347,777	347,777	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	1,460,880	1,283,119	(177,761)
Revenues over (under) expenditures	342,831	26,133	(316,698)
Other financing sources (uses)			
Transfers in	22,256	22,256	-
Transfers out	(53,552)	(53,552)	-
Total other financing sources (uses)	(31,296)	(31,296)	-
Net change in fund balances	311,535	(5,163)	(316,698)
Fund balances, beginning of year	779,072	779,072	-
Fund balances, end of year	\$ 1,090,607	\$ 773,909	\$ (316,698)

concluded.

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Net Position

Internal Service Funds

June 30, 2016

	Central Stores	Fleet Services	Information Technology	Project Management
Assets				
Current assets:				
Cash	\$ -	\$ -	\$ -	\$ 200
Equity in pooled cash and investments	1,921,920	9,798,884	4,780,026	2,079,385
Accounts receivable, net	143	16,673	-	4,309
Prepaid items	-	-	171,718	-
Inventories	549,304	396,539	-	-
Total current assets	<u>2,471,367</u>	<u>10,212,096</u>	<u>4,951,744</u>	<u>2,083,894</u>
Noncurrent assets:				
Capital assets not depreciated	-	90,005	60,235	-
Capital assets being depreciated, net	20,044	7,028,227	409,922	41,604
Total noncurrent assets	<u>20,044</u>	<u>7,118,232</u>	<u>470,157</u>	<u>41,604</u>
Total assets	<u>2,491,411</u>	<u>17,330,328</u>	<u>5,421,901</u>	<u>2,125,498</u>
Liabilities				
Current liabilities:				
Accounts payable	32,901	624,790	176,398	122,865
Accrued liabilities	-	-	1,562	-
Estimated claims payable, current	-	-	-	-
Total current liabilities	<u>32,901</u>	<u>624,790</u>	<u>177,960</u>	<u>122,865</u>
Noncurrent liabilities -				
Estimated claims payable, net	-	-	-	-
Total liabilities	<u>32,901</u>	<u>624,790</u>	<u>177,960</u>	<u>122,865</u>
Net position				
Invested in capital assets	20,044	7,118,232	470,157	41,604
Unrestricted	<u>2,438,466</u>	<u>9,587,306</u>	<u>4,773,784</u>	<u>1,961,029</u>
Total net position	<u>\$ 2,458,510</u>	<u>\$ 16,705,538</u>	<u>\$ 5,243,941</u>	<u>\$ 2,002,633</u>

continued...

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Net Position
 Internal Service Funds
 June 30, 2016

	Insurance	Wheeler Center	Total
Assets			
Current assets:			
Cash	\$ -	\$ -	\$ 200
Equity in pooled cash and investments	9,938,768	457,710	28,976,693
Accounts receivable, net	-	1,333	22,458
Prepaid items	2,439,989	-	2,611,707
Inventories	-	-	945,843
Total current assets	12,378,757	459,043	32,556,901
Noncurrent assets:			
Capital assets not depreciated	-	-	150,240
Capital assets being depreciated, net	-	-	7,499,797
Total noncurrent assets	-	-	7,650,037
Total assets	12,378,757	459,043	40,206,938
Liabilities			
Current liabilities:			
Accounts payable	923,392	27,033	1,907,379
Accrued liabilities	-	-	1,562
Estimated claims payable, current	1,569,930	-	1,569,930
Total current liabilities	2,493,322	27,033	3,478,871
Noncurrent liabilities -			
Estimated claims payable, net	1,282,620	-	1,282,620
Total liabilities	3,775,942	27,033	4,761,491
Net position			
Invested in capital assets	-	-	7,650,037
Unrestricted	8,602,815	432,010	27,795,410
Total net position	\$ 8,602,815	\$ 432,010	\$ 35,445,447

concluded.

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Revenues,
Expenses and Changes in Fund
Net Position
Internal Service Funds
For the Year Ended June 30, 2016

	Central Stores	Fleet Services	Information Technology	Project Management
Operating revenues				
Charges for services	\$ 1,177,923	\$ 7,808,613	\$ 6,879,935	\$ 3,194,400
Operating expenses				
Personal services	278,077	1,598,575	3,423,611	2,155,822
Municipal service charge	36,456	168,276	679,608	101,388
Information technology charges	35,304	67,920	259,032	322,756
Other operating costs	710,255	2,189,160	2,329,209	300,585
Depreciation	10,417	2,259,710	389,670	18,710
Total operating expenses	1,070,509	6,283,641	7,081,130	2,899,261
Operating income	107,414	1,524,972	(201,195)	295,139
Nonoperating revenues				
Investment income	18,320	96,805	50,015	36,279
Gain on sale of capital assets	-	290,724	-	-
Total nonoperating revenues	18,320	387,529	50,015	36,279
Income before contributions and transfers	125,734	1,912,501	(151,180)	331,418
Capital contributions	-	589,813	-	-
Transfers in	21,996	95,916	171,852	106,464
Transfers out	(47,772)	(2,683,902)	(15,892)	(4,538,052)
Changes in net position	99,958	(85,672)	4,780	(4,100,170)
Net position, beginning of year	2,358,552	16,791,210	5,239,161	6,102,803
Net position, end of year	\$ 2,458,510	\$ 16,705,538	\$ 5,243,941	\$ 2,002,633

continued...

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Revenues,
Expenses and Changes in Fund
Net Position
Internal Service Funds
For the Year Ended June 30, 2016

	Insurance	Wheeler Center	Total
Operating revenues			
Charges for services	\$ 27,154,131	\$ 449,310	\$ 46,664,312
Operating expenses			
Personal services	631,619	50,491	8,138,195
Municipal service charge	379,896	18,468	1,384,092
Information technology charges	18,240	773	704,025
Other operating costs	24,552,019	318,155	30,399,383
Depreciation	-	-	2,678,507
Total operating expenses	25,581,774	387,887	43,304,202
Operating income	1,572,357	61,423	3,360,110
Nonoperating revenues			
Investment income	161,675	4,685	367,779
Gain on sale of capital assets	-	-	290,724
Total nonoperating revenues	161,675	4,685	658,503
Income before contributions and transfers	1,734,032	66,108	4,018,613
Capital contributions	-	-	589,813
Transfers in	-	3,744	399,972
Transfers out	(4,989,324)	-	(12,274,942)
Changes in net position	(3,255,292)	69,852	(7,266,544)
Net position, beginning of year	11,858,107	362,158	42,711,991
Net position, end of year	\$ 8,602,815	\$ 432,010	\$ 35,445,447

concluded.

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Cash Flows
 Internal Service Funds
 For the Year Ended June 30, 2016

	Central Stores	Fleet Services	Information Technology	Project Management
Cash flow from operating activities				
Payments to suppliers	\$ (678,256)	\$ (1,988,651)	\$ (3,421,197)	\$ (640,539)
Payments on behalf of employees	(278,076)	(1,598,579)	(3,422,048)	(2,155,823)
Payments received for interfund services	1,177,780	7,795,092	6,889,101	3,227,029
Net cash provided by operating activities	221,448	4,207,862	45,856	430,667
Cash flows from noncapital financing activities				
Transfers in	21,996	95,916	171,852	106,464
Transfers out	(47,772)	(2,683,902)	(15,892)	(4,538,052)
Net cash flows provided by (used in) noncapital financing activities	(25,776)	(2,587,986)	155,960	(4,431,588)
Cash flows from capital and related financing activities				
Acquisition of capital assets	-	(2,293,443)	(142,101)	(10,960)
Proceeds from sale of equipment	-	396,255	-	-
Net cash flows used in capital and related financing activities	-	(1,897,188)	(142,101)	(10,960)
Cash flows from investing activities				
Interest and dividends on investments	18,320	96,805	50,015	36,279
Net change in cash and cash equivalents	213,992	(180,507)	109,730	(3,975,602)
Cash and cash equivalents, beginning of the year	1,707,928	9,979,391	4,670,296	6,055,187
Cash and cash equivalents, end of the year	\$ 1,921,920	\$ 9,798,884	\$ 4,780,026	\$ 2,079,585
Reconciliation to statement of net position				
Cash	\$ -	\$ -	\$ -	\$ 200
Equity in pooled cash and investments	1,921,920	9,798,884	4,780,026	2,079,385
Cash and cash equivalent, end of year	\$ 1,921,920	\$ 9,798,884	\$ 4,780,026	\$ 2,079,585

continued...

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Cash Flows
 Internal Service Funds
 For the Year Ended June 30, 2016

	Insurance	Wheeler Center	Total
Cash flow from operating activities			
Payments to suppliers	\$ (26,560,534)	\$ (347,403)	\$ (33,636,580)
Payments on behalf of employees	(631,621)	(50,488)	(8,136,635)
Payments received for interfund services	27,154,131	447,990	46,691,123
Net cash provided by operating activities	<u>(38,024)</u>	<u>50,099</u>	<u>4,917,908</u>
Cash flows from noncapital financing activities			
Transfers in	-	3,744	399,972
Transfers out	(4,989,324)	-	(12,274,942)
Net cash flows provided by (used in) noncapital financing activities	<u>(4,989,324)</u>	<u>3,744</u>	<u>(11,874,970)</u>
Cash flows from capital and related financing activities			
Acquisition of capital assets	-	-	(2,446,504)
Proceeds from sale of equipment	-	-	396,255
Net cash flows used in capital and related financing activities	<u>-</u>	<u>-</u>	<u>(2,050,249)</u>
Cash flows from investing activities			
Interest and dividends on investments	<u>161,675</u>	<u>4,685</u>	<u>367,779</u>
Net change in cash and cash equivalents	(4,865,673)	58,528	(8,639,532)
Cash and cash equivalents, beginning of the year	<u>14,804,441</u>	<u>399,182</u>	<u>37,616,425</u>
Cash and cash equivalents, end of the year	<u>\$ 9,938,768</u>	<u>\$ 457,710</u>	<u>\$ 28,976,893</u>
Reconciliation to statement of net position			
Cash	\$ -	\$ -	\$ 200
Equity in pooled cash and investments	<u>9,938,768</u>	<u>457,710</u>	<u>28,976,693</u>
Cash and cash equivalent, end of year	<u>\$ 9,938,768</u>	<u>\$ 457,710</u>	<u>\$ 28,976,893</u>

continued...

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Cash Flows
 Internal Service Funds
 For the Year Ended June 30, 2016

	Central Stores	Fleet Services	Information Technology	Project Management
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 107,414	\$ 1,524,972	\$ (201,195)	\$ 295,139
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	10,417	2,259,710	389,670	18,710
Changes in assets and liabilities:				
Accounts receivable	(220)	(13,524)	9,166	35,207
Allowance for uncollectible accounts	77	-	-	(2,576)
Prepaid items	-	-	(98,632)	-
Inventories	108,905	8,649	-	-
Accounts payable	(5,144)	428,055	(54,715)	84,187
Accrued liabilities	(1)	-	1,562	-
Estimated claims payable	-	-	-	-
Net cash provided by operating activities	<u>\$ 221,448</u>	<u>\$ 4,207,862</u>	<u>\$ 45,856</u>	<u>\$ 430,667</u>

continued...

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Cash Flows
 Internal Service Funds
 For the Year Ended June 30, 2016

	Insurance	Wheeler Center	Total
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 1,572,357	\$ 61,423	\$ 3,360,110
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	-	-	2,678,507
Changes in assets and liabilities:			
Accounts receivable	-	(1,358)	29,271
Allowance for uncollectible accounts	-	37	(2,462)
Prepaid items	(251,434)	-	(350,066)
Inventories	-	-	117,554
Accounts payable	69,485	(10,003)	511,865
Accrued liabilities	-	-	1,561
Estimated claims payable	(1,428,432)	-	(1,428,432)
Net cash provided by operating activities	<u>\$ (38,024)</u>	<u>\$ 50,099</u>	<u>\$ 4,917,908</u>

concluded.

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Fiduciary Net Position

Pension and Other Employee Benefits Trust Funds

June 30, 2016

	Employees' Retirement System	Retiree Health Care Trust Fund	Total
Assets			
Equity in pooled cash and investments	\$ 37,470	\$ 2,919,003	\$ 2,956,473
Investments, at fair value:			
Equities	242,726,673	72,154,266	314,880,939
Fixed income	156,764,195	47,044,138	203,808,333
Other	60,047,469	14,748,331	74,795,800
Accrued interest and dividends	497,321	261,762	759,083
Due from broker for securities sold	104,984	132,650	237,634
Capital assets (net of depreciation of \$112,093)	373,957	-	373,957
Total assets	460,552,069	137,260,150	597,812,219
Deferred outflows of resources			
Deferred pension amounts	416,214	-	416,214
Liabilities			
Accounts payable	3,048,647	-	3,048,647
Accrued liabilities	-	127,953	127,953
Due to broker for securities purchased	414,955	348,536	763,491
Mortgage payable, due in one year	27,369	-	27,369
Mortgage payable, due in more than one year	192,104	-	192,104
Net pension liability	645,821	-	645,821
Total liabilities	4,328,896	476,489	4,805,385
Deferred inflows of resources			
Deferred pension amounts	19,066	-	19,066
Net position			
Net investment in capital assets	154,484	-	154,484
Restricted for pensions	456,465,837	136,783,661	593,249,498
Total net position	\$ 456,620,321	\$ 136,783,661	\$ 593,403,982

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Changes in Fiduciary Net Position

Pension and Other Employee Benefit Trusts Funds

For the Year Ended June 30, 2016

	Employee Retirement System	Retiree Health Care Trust Fund	Total
Additions			
Investment income:			
<i>From investing activities:</i>			
Appreciation (depreciation) in fair value of investments	\$ 222,470	\$ (1,504,639)	\$ (1,282,169)
Interest and dividends	2,920,866	2,321,825	5,242,691
Total investment income	3,143,336	817,186	3,960,522
Investment management fees	(729,066)	(286,554)	(1,015,620)
Net investment income from investing activities	2,414,270	530,632	2,944,902
<i>From securities lending activities:</i>			
Gross earnings	47,061	39,090	86,151
Borrower rebates received (paid)	(11,345)	26,998	15,653
Securities lending fees	(10,668)	(19,722)	(30,390)
Net investment income from securities lending activities	25,048	46,366	71,414
Total net investment income	2,439,318	576,998	3,016,316
Contributions:			
Employer	13,352,412	15,171,011	28,523,423
Plan member	3,139,266	-	3,139,266
Total contributions	16,491,678	15,171,011	31,662,689
Total additions	18,930,996	15,748,009	34,679,005
Deductions			
Benefits	32,996,136	12,095,622	45,091,758
Refund of contributions	963,896	-	963,896
Administrative expense	724,540	57,765	782,305
Total deductions	34,684,572	12,153,387	46,837,959
Change in net position	(15,753,576)	3,594,622	(12,158,954)
Net position, beginning of year	472,373,897	133,189,039	605,562,936
Net position, end of year	\$ 456,620,321	\$ 136,783,661	\$ 593,403,982

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Assets and Liabilities
 Agency Funds
 June 30, 2016

	Treasurer's Delinquent Tax	Treasurer's Current Tax	Contractors' Retainage	15th District Court
Assets				
Cash	\$ -	\$ 27,831	\$ -	\$ 63,383
Equity in pooled cash and investments	157,793	123,305	-	-
Total assets	\$ 157,793	\$ 151,136	\$ -	\$ 63,383
Liabilities				
Due to others	\$ -	\$ 151,136	\$ -	\$ -
Due to other governments	157,793	-	-	-
Deposits	-	-	-	63,383
Total liabilities	\$ 157,793	\$ 151,136	\$ -	\$ 63,383

continued...

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Assets and Liabilities
 Agency Funds
 June 30, 2016

	Payroll	Total	
Assets			
Cash	\$ -	\$ 91,214	
Equity in pooled cash and investments	19,913	301,011	
	\$ 19,913	\$ 392,225	
Total assets	\$ 19,913	\$ 392,225	
Liabilities			
Due to others	\$ 19,913	\$ 171,049	
Due to other governments	-	157,793	
Deposits	-	63,383	
	\$ 19,913	\$ 392,225	
Total liabilities	\$ 19,913	\$ 392,225	

concluded.

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2016

	Beginning Balance	Additions	Deductions	Ending Balance
Treasurer's Delinquent Tax Fund				
Assets				
Equity in pooled cash and investments	\$ 88,638	\$ 664,516	\$ 595,361	\$ 157,793
Due from other governments	4,305	-	4,305	-
Total assets	\$ 92,943	\$ 664,516	\$ 599,666	\$ 157,793
Liabilities				
Due to others	\$ 92,943	\$ 1,391,705	\$ 1,484,648	\$ -
Due to other governments	-	436,284	278,491	157,793
Total liabilities	\$ 92,943	\$ 1,827,989	\$ 1,763,139	\$ 157,793
Treasurer's Current Tax Fund				
Assets				
Cash	\$ 41,184	\$ 286,348,129	\$ 286,361,482	\$ 27,831
Equity in pooled cash and investments	51,168	3,418,828	3,346,691	123,305
Total assets	\$ 92,352	\$ 289,766,957	\$ 289,708,173	\$ 151,136
Liabilities				
Due to others	\$ 92,352	\$ 272,779,905	\$ 272,721,121	\$ 151,136
Contractors' Retainage Fund				
Assets				
Equity in pooled cash and investments	\$ 7,610	\$ -	\$ 7,610	\$ -
Liabilities				
Due to others	\$ 7,610	\$ -	\$ 7,610	\$ -
15th District Court Fund				
Assets				
Cash	\$ 137,732	\$ 156,991	\$ 231,340	\$ 63,383
Liabilities				
Due to other governments	\$ 72,340	\$ -	\$ 72,340	\$ -
Deposits	65,392	-	2,009	63,383
Total liabilities	\$ 137,732	\$ -	\$ 74,349	\$ 63,383

continued...

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2016

	Beginning Balance	Additions	Deductions	Ending Balance
Payroll Fund				
Assets				
Cash	\$ -	\$ 20	\$ 20	\$ -
Equity in pooled cash and investments	18,151	85,950,817	85,949,055	19,913
Total assets	\$ 18,151	\$ 85,950,837	\$ 85,949,075	\$ 19,913
Liabilities				
Due to others	\$ 18,151	\$ 153,039,836	\$ 153,038,074	\$ 19,913
Total - All Agency Funds				
Assets				
Cash	\$ 178,916	\$ 286,505,140	\$ 286,592,842	\$ 91,214
Equity in pooled cash and investments	165,567	90,034,161	89,898,717	301,011
Due from other governments	4,305	-	4,305	-
Total assets	\$ 348,788	\$ 376,539,301	\$ 376,495,864	\$ 392,225
Liabilities				
Due to others	\$ 211,056	\$ 427,211,446	\$ 427,251,453	\$ 171,049
Due to other governments	72,340	436,284	350,831	157,793
Deposits	65,392	-	2,009	63,383
Total liabilities	\$ 348,788	\$ 427,647,730	\$ 427,604,293	\$ 392,225

concluded.

CITY OF ANN ARBOR, MICHIGAN

Component Unit Balance Sheet

SmartZone Local Development Finance Authority

June 30, 2016

SmartZone
Local
Development
Finance
Authority

Assets

Equity in pooled cash and investments
Loans receivable

\$ 1,624,540
1,040,382

Total assets

\$ 2,664,922

Liabilities

Accounts payable
Unearned revenue

\$ 154,766
1,040,382

Total liabilities

1,195,148

Fund balance

Committed for community and economic development

1,469,774

Total liabilities and fund balance

\$ 2,664,922

CITY OF ANN ARBOR, MICHIGAN

Component Unit Statement of Revenues, Expenditures and Changes in Fund Balance

SmartZone Local Development Finance Authority

For the Year Ended June 30, 2016

	SmartZone Local Development Finance Authority
Revenues	
Taxes	\$ 2,512,493
Investment income	16,897
	<hr/>
Total revenues	2,529,390
Expenditures	
Current -	
Community and economic development	2,466,473
	<hr/>
Net change in fund balance	62,917
Fund balance, beginning of year	1,406,857
	<hr/>
Fund balance, end of year	\$ 1,469,774
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STATISTICAL SECTION

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CITY OF ANN ARBOR, MICHIGAN

Statistical Section Table of Contents

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

		<u>Page</u>
Financial Trends	These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	176
Revenue Capacity	These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	188
Debt Capacity	These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	196
Demographic and Economic Information	These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	202
Operating Information	These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	204

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

Net Position by Component (Accrual Basis of Accounting)
Last Ten Fiscal Years

	2016	2015	2014	2013	2012
Governmental activities					
Net investment in capital assets	\$ 696,101,749	\$ 697,791,106	\$ 701,552,873	\$ 700,945,291	\$ 684,183,914
Restricted	57,396,250	56,287,227	56,297,832	57,612,227	66,605,173
Unrestricted	526,826	1,632,309	41,317,182	33,838,840	23,913,683
Total governmental activities net position	\$ 754,024,825	\$ 755,710,642	\$ 799,167,887	\$ 792,396,358	\$ 774,702,770
Business-type activities					
Net investment in capital assets	\$ 198,917,535	\$ 193,410,202	\$ 190,021,586	\$ 189,062,847	\$ 183,625,625
Restricted	33,715,280	32,368,111	30,332,704	28,947,807	21,926,274
Unrestricted	66,341,762	61,336,547	61,806,858	47,860,799	49,549,547
Total business-type activities net position	\$ 298,974,577	\$ 287,114,860	\$ 282,161,148	\$ 265,871,453	\$ 255,101,446
Primary government					
Net investment in capital assets	\$ 895,019,284	\$ 891,201,308	\$ 891,574,459	\$ 890,008,138	\$ 867,809,539
Restricted	91,111,530	88,655,338	86,630,536	86,560,034	88,531,447
Unrestricted	66,868,588	62,968,856	103,124,040	81,699,639	73,463,230
Total primary government net position	\$ 1,052,999,402	\$ 1,042,825,502	\$ 1,081,329,035	\$ 1,058,267,811	\$ 1,029,804,216

continued...

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

Note: In fiscal year 2015, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Prior periods have not been restated for its impact.

Net Position by Component (Accrual Basis of Accounting)
Last Ten Fiscal Years

	2011	2010	2009	2008	2007
Governmental activities					
Net investment in capital assets	\$ 672,899,397	\$ 579,020,698	\$ 612,949,811	\$ 626,041,914	\$ 611,225,989
Restricted	66,772,308	118,723,718	101,462,605	75,698,698	79,571,639
Unrestricted	15,649,176	43,955,179	10,198,885	30,524,342	25,703,229
Total governmental activities net position	\$ 755,320,881	\$ 741,699,595	\$ 724,611,301	\$ 732,264,954	\$ 716,500,857
Business-type activities					
Net investment in capital assets	\$ 164,731,782	\$ 145,084,736	\$ 122,234,225	\$ 77,083,900	\$ 111,888,472
Restricted	17,374,027	17,245,077	18,391,715	18,837,147	15,291,215
Unrestricted	56,356,293	59,771,622	69,899,328	101,517,578	55,985,356
Total business-type activities net position	\$ 238,462,102	\$ 222,101,435	\$ 210,525,268	\$ 197,438,625	\$ 183,165,043
Primary government					
Net investment in capital assets	\$ 837,631,179	\$ 724,105,434	\$ 735,184,036	\$ 703,125,814	\$ 723,114,461
Restricted	84,146,335	135,968,795	119,854,320	94,535,845	94,862,854
Unrestricted	72,005,469	103,726,801	80,098,213	132,041,920	81,688,585
Total primary government net position	\$ 993,782,983	\$ 963,801,030	\$ 935,136,569	\$ 929,703,579	\$ 899,665,900

concluded.

Changes in Net Position (Accrual Basis of Accounting)
Last Ten Fiscal Years

	2016	2015	2014	2013	2012
Expenses					
Governmental activities:					
General government	\$ 15,951,143	\$ 16,550,948	\$ 15,580,703	\$ 14,780,995	\$ 15,236,105
Public safety	45,158,518	43,882,972	40,307,361	39,396,533	40,649,428
Public works	38,305,144	33,619,237	37,787,092	24,374,228	19,889,391
Community and economic development	2,925,711	2,749,048	2,031,872	1,820,460	2,931,838
Culture and recreation	12,865,261	13,374,937	12,008,899	10,573,584	10,071,912
Public transportation	10,038,406	9,735,605	9,494,422	9,233,757	8,913,232
Debt service	4,837,529	4,691,976	5,037,624	4,953,237	5,134,805
Unallocated depreciation	-	-	-	-	-
Total governmental activities expenses	<u>130,081,712</u>	<u>124,604,723</u>	<u>122,247,973</u>	<u>105,132,794</u>	<u>102,826,711</u>
Business-type activities:					
Water	19,188,325	18,494,776	17,332,597	17,939,124	16,976,630
Sewer	17,880,966	16,842,294	15,201,859	15,024,567	14,569,815
Parking	2,048,444	2,144,727	2,434,729	2,537,775	2,708,673
Market	-	-	229,134	234,078	168,977
Golf courses	-	-	-	1,443,008	1,554,083
Airport	670,167	746,680	676,227	670,743	568,629
Stormwater	5,616,057	5,986,171	4,269,354	4,983,006	4,336,523
Solid waste	18,301,294	12,986,803	12,848,176	14,336,494	11,563,289
Total business-type activities expenses	<u>63,705,253</u>	<u>57,201,451</u>	<u>52,992,076</u>	<u>57,168,795</u>	<u>52,446,619</u>
Total primary government expenses	<u>193,786,965</u>	<u>181,806,174</u>	<u>175,240,049</u>	<u>162,301,589</u>	<u>155,273,330</u>

continued...

Changes in Net Position (Accrual Basis of Accounting)
Last Ten Fiscal Years

	2011	2010	2009	2008	2007
Expenses					
Governmental activities:					
General government	\$ 14,794,159	\$ 17,333,282	\$ 24,108,111	\$ 14,290,184	\$ 15,219,894
Public safety	42,049,504	43,010,456	56,723,757	48,004,360	42,368,701
Public works	20,468,502	17,933,743	21,084,898	22,948,985	16,388,169
Community and economic development	3,781,557	3,996,830	5,869,426	5,611,549	5,146,231
Culture and recreation	9,935,578	7,945,806	9,530,857	8,616,049	6,464,261
Public transportation	9,362,712	9,682,798	9,592,129	9,574,677	9,169,355
Debt service	5,260,736	3,297,914	3,229,523	2,544,827	2,737,333
Unallocated depreciation	44,331	141,823	39,175	64,861	55,005
Total governmental activities expenses	<u>105,697,079</u>	<u>103,342,652</u>	<u>130,177,876</u>	<u>111,655,492</u>	<u>97,548,949</u>
Business-type activities:					
Water	17,338,241	16,861,582	18,971,550	17,876,975	16,943,066
Sewer	14,443,929	14,242,272	15,190,288	13,585,023	15,247,981
Parking	2,678,011	2,879,139	3,048,960	2,963,565	2,902,894
Market	156,059	155,993	145,024	136,004	124,636
Golf courses	1,649,866	1,646,340	1,510,711	1,374,434	1,115,341
Airport	744,629	670,736	846,383	728,168	842,521
Stormwater	3,945,211	3,031,318	2,789,058	3,038,548	2,622,490
Solid waste	13,724,530	11,770,761	12,131,440	10,881,003	10,322,715
Total business-type activities expenses	<u>54,680,476</u>	<u>51,258,141</u>	<u>54,633,414</u>	<u>50,583,720</u>	<u>50,121,644</u>
Total primary government expenses	<u>160,377,555</u>	<u>154,600,793</u>	<u>184,811,290</u>	<u>162,239,212</u>	<u>147,670,593</u>

continued...

Changes in Net Position (Accrual Basis of Accounting)
Last Ten Fiscal Years

	2016	2015	2014	2013	2012
Program revenues					
Governmental activities:					
Charges for services:					
General government	\$ 8,691,577	\$ 9,296,146	\$ 8,612,587	\$ 8,557,284	\$ 7,371,102
Public safety	9,026,629	8,847,862	7,783,075	8,110,028	9,559,178
Public works	4,262,035	2,662,357	2,236,913	2,620,789	3,303,537
Community and economic development	-	657	293,533	-	35,269
Culture and Recreation	5,121,351	4,097,635	3,891,323	2,502,342	2,383,032
Public transportation	-	-	-	-	92,518
Interest on long-term debt	4,283,146	4,287,804	4,241,683	3,733,571	3,038,523
Operating grants and contributions	12,273,077	11,030,886	12,380,494	13,682,013	13,210,386
Capital grants and contributions	638,182	865,776	974,291	493,900	346,046
Total governmental activities program revenues	44,295,997	41,089,123	40,413,899	39,699,927	39,339,591
Business-type activities:					
Charges for services:					
Water	24,053,723	22,697,619	22,725,289	23,746,197	22,017,955
Sewer	23,926,479	22,137,470	22,639,231	21,456,653	21,103,955
Parking	2,732,541	2,820,269	2,860,469	2,884,220	2,877,149
Market	-	-	198,989	148,942	253,850
Golf courses	-	-	-	1,146,989	1,304,135
Airport	924,141	888,809	869,591	855,286	834,238
Stormwater	6,915,370	6,343,928	6,446,776	5,956,093	5,712,581
Solid waste	2,965,288	2,875,575	3,329,167	2,942,230	3,450,410
Capital grants and contributions	600,945	4,645,758	1,963,610	4,925,869	1,256,394
Total business-type activities program revenues	62,118,487	62,409,428	61,033,122	64,062,479	58,810,667
Total primary government program revenues	106,414,484	103,498,551	101,447,021	103,762,406	98,150,258

continued...

Changes in Net Position (Accrual Basis of Accounting)
Last Ten Fiscal Years

	2011	2010	2009	2008	2007
Program revenues					
Governmental activities:					
Charges for services:					
General government	\$ 11,729,555	\$ 8,527,479	\$ 5,747,883	\$ 5,365,601	\$ 4,968,702
Public safety	8,732,273	7,272,976	11,128,662	13,042,927	12,119,252
Public works	2,253,632	3,158,923	1,552,806	2,104,180	4,224,568
Community and economic development	-	-	-	-	-
Culture and Recreation	2,623,518	2,372,364	2,615,433	2,561,561	2,447,072
Public transportation	93,612	97,513	98,464	91,589	91,589
Interest on long-term debt	-	-	-	-	-
Operating grants and contributions	9,635,060	9,998,747	10,174,646	10,635,661	10,659,938
Capital grants and contributions	3,621,001	1,239,229	681,800	336,643	479,321
Total governmental activities program revenues	<u>38,688,651</u>	<u>32,667,231</u>	<u>31,999,694</u>	<u>34,138,162</u>	<u>34,990,442</u>
Business-type activities:					
Charges for services:					
Water	21,160,437	19,905,769	18,420,957	20,274,057	19,075,505
Sewer	21,741,717	19,292,506	19,074,478	19,493,468	17,330,738
Parking	2,923,214	2,941,159	3,423,624	2,531,021	3,305,205
Market	148,687	144,591	115,902	122,644	126,979
Golf courses	1,171,776	1,164,840	1,031,632	865,113	870,567
Airport	847,728	782,039	741,339	793,125	773,784
Stormwater	7,512,538	5,954,788	5,316,391	4,910,929	4,373,848
Solid waste	3,136,831	1,517,653	1,049,923	1,543,903	729,343
Capital grants and contributions	951,818	2,204,638	2,736,217	418,430	668,917
Total business-type activities program revenues	<u>59,594,746</u>	<u>53,907,983</u>	<u>51,910,463</u>	<u>50,952,690</u>	<u>47,254,886</u>
Total primary government program revenues	<u>98,283,397</u>	<u>86,575,214</u>	<u>83,910,157</u>	<u>85,090,852</u>	<u>82,245,328</u>

continued...

Changes in Net Position (Accrual Basis of Accounting)
Last Ten Fiscal Years

	2016	2015	2014	2013	2012
Net (expense) revenue					
Governmental activities	\$ (85,785,715)	\$ (83,515,600)	\$ (81,834,074)	\$ (65,432,867)	\$ (63,487,120)
Business-type activities	(1,586,766)	5,207,977	8,041,046	6,893,684	6,364,048
Total primary government net expense	<u>(87,372,481)</u>	<u>(78,307,623)</u>	<u>(73,793,028)</u>	<u>(58,539,183)</u>	<u>(57,123,072)</u>
General revenues and other changes in net position					
Governmental activities:					
Taxes:					
Property taxes, levied for general purposes	53,396,435	51,977,008	50,671,754	49,380,190	48,856,539
Property taxes, levied for designated purpose	18,145,588	17,626,382	17,236,996	16,753,667	15,958,495
Property taxes, levied for debt services	2,340	2,129	2,129	569,490	668,745
State shared revenues and grants (unrestricted)	10,215,633	10,317,088	10,050,793	9,771,731	9,748,477
Investment income	1,558,594	1,262,302	1,621,595	(410,361)	2,567,568
Special item	-	-	-	-	-
Other	320,426	150,905	5,231,878	145,399	3,410,739
Transfers	460,882	4,831,153	3,574,088	3,690,615	2,428,146
Total governmental activities	<u>84,099,898</u>	<u>86,166,967</u>	<u>88,389,233</u>	<u>79,900,731</u>	<u>83,638,709</u>
Business-type activities:					
Property taxes, levied for general purposes	12,072,979	11,728,679	11,470,474	11,154,045	11,030,550
Investment income	1,774,736	1,293,959	1,241,702	(245,003)	1,188,581
Other	59,650	67,250	(673,069)	(504,477)	484,311
Transfers	(460,882)	(4,831,153)	(3,574,088)	(3,690,615)	(2,428,146)
Total business-type activities	<u>13,446,483</u>	<u>8,258,735</u>	<u>8,465,019</u>	<u>6,713,950</u>	<u>10,275,296</u>
Total primary government	<u>97,546,381</u>	<u>94,425,702</u>	<u>96,854,252</u>	<u>86,614,681</u>	<u>93,914,005</u>
Change in net position					
Governmental activities	(1,685,817)	2,651,367	6,555,159	14,467,864	20,151,589
Business-type activities	11,859,717	13,466,712	16,506,065	13,607,634	16,639,344
Total primary government	<u>\$ 10,173,900</u>	<u>\$ 16,118,079</u>	<u>\$ 23,061,224</u>	<u>\$ 28,075,498</u>	<u>\$ 36,790,933</u>

continued...

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

Note: In fiscal year 2015, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Prior periods have not been restated for its impact.

Changes in Net Position (Accrual Basis of Accounting)
Last Ten Fiscal Years

	2011	2010	2009	2008	2007
Net (expense) revenue					
Governmental activities	\$ (67,008,428)	\$ (70,675,421)	\$ (98,178,182)	\$ (77,517,330)	\$ (62,558,507)
Business-type activities	4,914,270	2,649,842	(2,722,951)	368,970	(2,866,758)
Total primary government net expense	<u>(62,094,158)</u>	<u>(68,025,579)</u>	<u>(100,901,133)</u>	<u>(77,148,360)</u>	<u>(65,425,265)</u>
General revenues and other changes in net position					
Governmental activities:					
Taxes:					
Property taxes, levied for general purposes	58,050,469	60,655,729	60,468,022	60,510,514	48,243,639
Property taxes, levied for designated purpose	7,131,115	7,454,130	-	-	-
Property taxes, levied for debt services	2,265,030	2,274,782	9,526,085	9,555,291	17,236,440
State shared revenues and grants (unrestricted)	9,582,165	9,456,109	11,102,183	11,116,813	11,464,818
Investment income	2,523,944	4,308,095	7,890,239	9,059,668	7,990,673
Special item	-	-	-	-	-
Other	835,982	215,199	375,390	899,577	709,786
Transfers	241,009	4,140,628	1,162,611	2,139,564	(1,276,359)
Total governmental activities	<u>80,629,714</u>	<u>88,504,672</u>	<u>90,524,530</u>	<u>93,281,427</u>	<u>84,368,997</u>
Business-type activities:					
Property taxes, levied for general purposes	11,171,676	11,677,513	11,529,057	11,550,982	10,998,459
Investment income	515,730	1,545,547	5,443,148	4,493,194	3,861,459
Other	-	-	-	-	-
Transfers	(241,009)	(4,140,628)	(1,162,611)	(2,139,564)	1,276,359
Total business-type activities	<u>11,446,397</u>	<u>9,082,432</u>	<u>15,809,594</u>	<u>13,904,612</u>	<u>16,136,277</u>
Total primary government	<u>92,076,111</u>	<u>97,587,104</u>	<u>106,334,124</u>	<u>107,186,039</u>	<u>100,505,274</u>
Change in net position					
Governmental activities	13,621,286	17,829,251	(7,653,652)	15,764,097	21,810,490
Business-type activities	16,360,667	11,732,274	13,086,643	14,273,582	13,269,519
Total primary government	<u>\$ 29,981,953</u>	<u>\$ 29,561,525</u>	<u>\$ 5,432,991</u>	<u>\$ 30,037,679</u>	<u>\$ 35,080,009</u>

concluded.

Fund Balances (Modified Accrual Basis of Accounting)Governmental Funds
Last Ten Fiscal Years

	2016	2015	2014	2013	2012
General fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-
Nonspendable (1)	619,311	765,634	853,930	915,644	960,336
Assigned (1)	9,185,273	4,482,510	7,446,598	810,595	243,308
Unassigned (1)	15,330,765	17,235,156	14,278,680	14,392,854	14,093,650
Total general fund	\$ 25,135,349	\$ 22,483,300	\$ 22,579,208	\$ 16,119,093	\$ 15,297,294
All other governmental funds					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Undesignated	-	-	-	-	-
Nonspendable (1)	1,984,000	1,984,000	1,984,000	1,984,000	1,985,800
Restricted (1)	56,176,316	55,120,246	55,346,228	56,701,167	63,432,711
Committed (1)	4,584,590	3,984,155	3,203,624	6,088,188	4,617,556
Assigned (1)	5,832,928	2,642,775	2,699,330	2,346,846	2,285,397
Total all other governmental funds	\$ 68,577,834	\$ 63,731,176	\$ 63,233,182	\$ 67,120,201	\$ 72,321,464

continued...

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

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

Fund Balances (Modified Accrual Basis of Accounting)

Governmental Funds
Last Ten Fiscal Years

	2011	2010	2009	2008	2007
General fund					
Reserved	\$ -	\$ 199,238	\$ 444,744	\$ 219,224	\$ 270,048
Unreserved	-	12,288,378	10,910,841	19,561,545	16,126,413
Nonspendable (1)	1,032,509	-	-	-	-
Assigned (1)	2,024,490	-	-	-	-
Unassigned (1)	10,525,445	-	-	-	-
Total general fund	\$ 13,582,444	\$ 12,487,616	\$ 11,355,585	\$ 19,780,769	\$ 16,396,461
All other governmental funds					
Reserved	\$ -	\$ 19,102,850	\$ 43,160,630	\$ 16,289,679	\$ 14,783,804
Unreserved, reported in:					
Special revenue funds	-	67,567,542	64,524,470	64,279,003	70,463,629
Capital projects funds	-	38,031,543	2,401,119	3,622,949	-
Undesignated	-	320,340	-	-	-
Nonspendable (1)	1,984,000	-	-	-	-
Restricted (1)	85,121,367	-	-	-	-
Committed (1)	-	-	-	-	-
Assigned (1)	2,251,551	-	-	-	-
Total all other governmental funds	\$ 89,356,918	\$ 125,022,275	\$ 110,086,219	\$ 84,191,631	\$ 85,247,433

concluded.

Changes in Fund Balances (Modified Accrual Basis of Accounting)Governmental Funds
Last Ten Fiscal Years

	2016	2015	2014	2013	2012
Revenues					
Taxes	\$ 71,544,363	\$ 69,605,308	\$ 67,910,079	\$ 66,692,158	\$ 65,483,779
Special assessments/improvement charges	-	52,373	44,636	43,102	48,843
Licenses, fees and permits	7,371,840	7,619,826	6,683,485	6,537,092	6,279,934
Federal grants	890,919	1,033,789	1,953,212	3,366,834	1,567,185
State shared revenues and grants	21,858,259	20,792,519	20,428,435	19,916,609	21,367,804
Charges for services	15,515,836	14,034,309	13,732,847	12,050,841	13,721,017
Fines and penalties	4,596,544	4,601,589	4,483,484	4,483,090	4,606,580
Interest and penalties	-	211	800	11,189	828
Investment income (loss)	1,190,815	928,186	1,162,205	(305,700)	2,057,540
Rental	634,819	637,366	587,361	653,879	463,191
Contributions and donations	334,247	981,965	521,305	295,289	369,920
Intra-governmental sales	2,627,905	213,511	266,970	157,956	208,243
Miscellaneous	594,470	678,652	1,182,138	1,529,283	719,712
Total revenues	127,160,017	121,179,604	118,956,957	115,431,622	116,894,576
Expenditures					
Current:					
General government	14,257,197	14,501,593	14,372,873	14,659,352	15,034,085
Public safety	47,189,457	45,217,288	43,123,100	42,347,919	43,139,586
Public works	18,863,228	17,869,057	17,789,296	19,015,177	18,969,637
Community and economic development	3,007,207	2,808,976	2,118,053	1,918,460	3,677,716
Culture and recreation	12,072,443	12,567,890	11,360,700	10,142,639	9,996,650
Public transportation	10,038,406	9,735,605	9,494,422	9,233,757	8,913,232
Capital outlay	18,043,661	14,237,971	14,971,769	26,764,896	29,176,152
Debt service:					
Principal	4,148,000	4,150,000	7,550,000	4,055,000	3,320,000
Interest	4,080,504	4,920,544	5,072,356	5,045,229	5,117,493
Total expenditures	131,700,103	126,008,924	125,852,569	133,182,429	137,344,551
Revenues over (under) expenditures	(4,540,086)	(4,829,320)	(6,895,612)	(17,750,807)	(20,449,975)
Other financing sources (uses):					
Transfers in	21,803,130	13,294,382	15,619,817	10,917,733	9,620,472
Transfers out	(9,467,278)	(7,679,086)	(11,131,060)	(6,803,028)	(6,519,432)
Sale of property and equipment	16,350	3,598	4,979,951	30,563	2,809,085
Issuance of debt	17,710,000	16,235,000	-	9,085,000	2,670,000
Payment to refunded bond escrow agent	(18,439,571)	(16,486,836)	-	-	(2,714,429)
Bond premium (discount)	416,162	(135,652)	-	141,075	33,375
Bond issuance costs	-	-	-	-	-
Total other financing sources (uses)	12,038,793	5,231,406	9,468,708	13,371,343	5,899,071
Net change in fund balances	\$ 7,498,707	\$ 402,086	\$ 2,573,096	\$ (4,379,464)	\$ (14,550,904)
Debt service as a percentage of noncapital expenditures	8.0%	8.5%	12.0%	9.4%	8.7%

continued...

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

Changes in Fund Balances (Modified Accrual Basis of Accounting)

Governmental Funds
Last Ten Fiscal Years

	2011	2010	2009	2008	2007
Revenues					
Taxes	\$ 67,446,614	\$ 70,384,641	\$ 69,994,107	\$ 70,065,805	\$ 65,480,079
Special assessments/improvement charges	103,790	54,713	77,748	182,302	119,198
Licenses, fees and permits	6,125,839	5,108,409	1,133,847	1,284,685	1,210,631
Federal grants	4,950,416	2,583,511	3,434,753	3,470,830	3,801,631
State shared revenues and grants	18,156,777	17,277,839	18,469,118	18,743,579	19,214,610
Charges for services	12,642,161	10,393,128	13,350,572	14,228,315	14,846,082
Fines and penalties	4,863,239	4,138,282	4,963,134	5,874,429	5,894,126
Interest and penalties	516,159	515,190	28,963	30,472	36,551
Investment income (loss)	1,851,927	3,071,842	6,807,477	7,864,379	7,216,882
Rental	421,742	404,147	310,520	335,642	185,173
Contributions and donations	280,971	260,470	228,208	297,087	171,640
Intra-governmental sales	361,245	318,696	188,958	363,457	535,049
Miscellaneous	1,181,503	316,652	375,390	899,577	709,786
Total revenues	118,902,383	114,827,520	119,362,795	123,640,559	119,421,438
Expenditures					
Current:					
General government	14,058,718	16,323,784	22,475,026	16,360,311	14,755,887
Public safety	43,678,573	43,654,317	47,151,174	45,003,004	43,476,726
Public works	17,617,067	16,353,447	15,037,630	15,946,677	19,564,728
Community and economic development	3,863,957	4,014,989	5,243,807	5,610,030	5,059,096
Culture and recreation	9,653,540	7,498,717	8,462,253	7,955,698	6,153,578
Public transportation	10,106,607	9,682,798	9,592,129	9,574,677	9,169,355
Capital outlay	46,974,519	49,765,312	18,102,248	16,661,477	31,209,188
Debt service:					
Principal	3,410,000	3,345,000	3,270,000	3,175,000	3,405,000
Interest	5,302,317	2,773,143	2,934,523	2,586,455	2,422,079
Total expenditures	154,665,298	153,411,507	132,268,790	122,873,329	135,215,637
Revenues over (under) expenditures	(35,762,915)	(38,583,987)	(12,905,995)	767,230	(15,794,199)
Other financing sources (uses):					
Transfers in	7,170,739	11,227,633	13,104,036	8,879,908	9,362,022
Transfers out	(6,023,714)	(5,914,937)	(10,513,218)	(7,334,089)	(10,627,817)
Sale of property and equipment	45,361	13,855	312,501	15,457	33,837
Issuance of debt	-	49,420,000	27,660,000	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Bond premium (discount)	-	(93,674)	-	-	-
Bond issuance costs	-	-	(187,920)	-	-
Total other financing sources (uses)	1,192,386	54,652,877	30,375,399	1,561,276	(1,231,958)
Net change in fund balances	\$ (34,570,529)	\$ 16,068,890	\$ 17,469,404	\$ 2,328,506	\$ (17,026,157)
Debt service as a percentage of noncapital expenditures	8.8%	6.4%	5.7%	5.8%	6.2%

concluded.

Taxable Value of Property

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Real Property	Personal Property	Less: Tax-exempt Property (4)	Total Taxable Value	Total Direct Tax Rate
2007	\$ 4,227,329,588	\$ 254,272,500	\$ -	\$ 4,481,602,088	16.6605
2008	4,469,676,977	266,530,700	-	4,736,207,677	16.7825
2009	4,577,802,604	309,165,535	-	4,886,968,139	16.7807
2010	4,595,490,848	263,449,000	-	4,858,939,848	16.7970
2011	4,447,791,127	220,760,700	-	4,668,551,827	16.8164
2012	4,422,577,957	212,313,200	-	4,634,891,157	16.4660
2013	4,473,471,542	209,747,000	-	4,683,218,542	16.5720
2014	4,614,295,892	225,575,000	-	4,839,870,892	16.4501
2015	4,739,348,866	230,309,300	-	4,969,658,166	16.4501
2016	4,870,231,067	240,179,600	-	5,110,410,667	16.4436

Notes:

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

Source: City of Ann Arbor Financial Services, Assessing Unit

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

City of Ann Arbor Direct Rate					
Fiscal Year	General Operating	Refuse Collection	Transportation*	Employee Benefits	
Principal Residence Exemption (PRE)	2007	6.1856	2.4740	2.0618	2.0618
Non-PRE	2007	6.1856	2.4740	2.0618	2.0618
Principal Residence Exemption (PRE)	2008	6.1682	2.4670	2.0560	2.0560
Non-PRE	2008	6.1682	2.4670	2.0560	2.0560
Principal Residence Exemption (PRE)	2009	6.1682	2.4670	2.0560	2.0560
Non-PRE	2009	6.1682	2.4670	2.0560	2.0560
Principal Residence Exemption (PRE)	2010	6.1682	2.4670	2.0560	2.0560
Non-PRE	2010	6.1682	2.4670	2.0560	2.0560
Principal Residence Exemption (PRE)	2011	6.1682	2.4670	2.0560	2.0560
Non-PRE	2011	6.1682	2.4670	2.0560	2.0560
Principal Residence Exemption (PRE)	2012	6.1682	2.4670	2.0560	2.0560
Non-PRE	2012	6.1682	2.4670	2.0560	2.0560
Principal Residence Exemption (PRE)	2013	6.1682	2.4670	2.0560	2.0560
Non-PRE	2013	6.1682	2.4670	2.0560	2.0560
Principal Residence Exemption (PRE)	2014	6.1682	2.4670	2.0560	2.0560
Non-PRE	2014	6.1682	2.4670	2.0560	2.0560
Principal Residence Exemption (PRE)	2015	6.1682	2.4670	2.0560	2.0560
Non-PRE	2015	6.1682	2.4670	2.0560	2.0560
Principal Residence Exemption (PRE)	2016	6.1657	2.4660	2.0552	2.0552
Non-PRE	2016	6.1657	2.4660	2.0552	2.0552

continued...

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

Source: City of Ann Arbor Financial Services, Assessing Unit

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

	City of Ann Arbor Direct Rate			Total Direct Tax Rate
	Debt Service	Parks	Major Street Repair	
Principal Residence Exemption (PRE)	0.5454	1.3937	1.9382	16.6605
Non-PRE	0.5454	1.3937	1.9382	16.6605
Principal Residence Exemption (PRE)	0.4661	1.5748	1.9944	16.7825
Non-PRE	0.4661	1.5748	1.9944	16.7825
Principal Residence Exemption (PRE)	0.4643	1.5748	1.9944	16.7807
Non-PRE	0.4643	1.5748	1.9944	16.7807
Principal Residence Exemption (PRE)	0.4806	1.5748	1.9944	16.7970
Non-PRE	0.4806	1.5748	1.9944	16.7970
Principal Residence Exemption (PRE)	0.5000	1.5748	1.9944	16.8164
Non-PRE	0.5000	1.5748	1.9944	16.8164
Principal Residence Exemption (PRE)	0.1496	1.5748	1.9944	16.4660
Non-PRE	0.1496	1.5748	1.9944	16.4660
Principal Residence Exemption (PRE)	0.1250	1.5748	2.1250	16.5720
Non-PRE	0.1250	1.5748	2.1250	16.5720
Principal Residence Exemption (PRE)	0.0000	1.5779	2.1250	16.4501
Non-PRE	0.0000	1.5779	2.1250	16.4501
Principal Residence Exemption (PRE)	0.0000	1.5779	2.1250	16.4501
Non-PRE	0.0000	1.5779	2.1250	16.4501
Principal Residence Exemption (PRE)	0.0000	1.5773	2.1242	16.4436
Non-PRE	0.0000	1.5773	2.1242	16.4436

continued...

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

	Overlapping Rates					Total
	Ann Arbor Public Schools**	Ann Arbor Public Schools**	Ann Arbor District Library	Washtenaw County	Washtenaw Community College	
Principal Residence Exemption (PRE)		18.2226	1.9214	5.6768	3.7082	46.1895
Non-PRE		31.2154	1.9214	5.6768	3.7082	59.1823
Principal Residence Exemption (PRE)		17.9610	1.9214	5.6768	3.6956	46.0373
Non-PRE		31.2072	1.9214	5.6768	3.6956	59.2835
Principal Residence Exemption (PRE)		17.5203	1.9214	5.7018	3.6856	45.6098
Non-PRE		31.2040	1.9214	5.7018	3.6856	59.2935
Principal Residence Exemption (PRE)		17.4132	1.5500	5.7418	3.6856	45.1876
Non-PRE		30.9625	1.5500	5.7418	3.6856	58.7369
Principal Residence Exemption (PRE)		17.6315	1.5500	5.7448	3.6856	45.4283
Non-PRE		31.0971	1.5500	5.7448	3.6856	58.8939
Principal Residence Exemption (PRE)		18.1329	1.5500	5.7518	3.6376	45.5383
Non-PRE		31.4245	1.5500	5.7518	3.6376	58.8299
Principal Residence Exemption (PRE)		18.1329	1.5500	5.7654	3.6376	45.6579
Non-PRE		31.4245	1.5500	5.7654	3.6376	58.9495
Principal Residence Exemption (PRE)		17.7937	1.5500	5.7801	3.4576	45.0315
Non-PRE		31.4245	1.5500	5.7801	3.4576	58.6623
Principal Residence Exemption (PRE)	0.7000	17.9172	1.5500	6.2838	3.4576	46.3587
Non-PRE	0.7000	31.4245	1.5500	6.2838	3.4576	59.8660
Principal Residence Exemption (PRE)	0.7000	17.7692	1.6500	6.3058	3.4576	46.3262
Non-PRE	0.7000	31.3913	1.6500	6.3058	3.4576	59.9483

concluded.

Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	Type of Business	2016		
		Taxable Value	Rank	Percentage of Total City Assessed Value
Briarwood Shopping Complex	Shopping Center	\$ 39,381,400	1	0.79%
Campus Investors 601 Forest	Apartments	31,079,300	2	0.63%
AMCAP Arborland LLC	Shopping Center	30,312,911	3	0.61%
DTE Electric Company	Utility	30,175,100	4	0.61%
Ann Arbor Campus Housing, LLC	Apartments	28,575,329	5	0.57%
HUB Eisenhower Property	Office Building	25,290,272	6	0.51%
THC Ann Arbor WP LLC	Apartments	19,145,458	7	0.39%
Varsity at Ann Arbor, LLC	Apartments	19,054,037	8	0.38%
DTE Gas Company	Utility	18,437,700	9	0.37%
Sterling - 4 Eleven, LP	Apartments	15,744,500	10	0.32%
Geddes Lake Cooperative	Co-op Housing			
Pfizer	Pharmaceuticals			
Windemere I Ltd Partnership	Apartments			
McKinley Associates	Apartments			
Great Lakes Reit LP	Apartments & Office			
Village Cooperative	Co-op Housing			
Total		\$ 257,196,007		5.18%

continued...

Source: City of Ann Arbor Financial Services, Assessing Unit

Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	Type of Business	2007		
		Taxable Value	Rank	Percentage of Total City Assessed Value
Briarwood Shopping Complex	Shopping Center	\$ 38,891,632	2	0.87%
Campus Investors 601 Forest	Apartments			
AMCAP Arborland LLC	Shopping Center	29,604,200	4	0.66%
DTE Electric Company	Utility	33,044,692	3	0.74%
Ann Arbor Campus Housing, LLC	Apartments			
HUB Eisenhower Property	Office Building			
THC Ann Arbor WP LLC	Apartments			
Varsity at Ann Arbor, LLC	Apartments			
DTE Gas Company	Utility	14,085,700	10	0.31%
Sterling - 4 Eleven, LP	Apartments			
Geddes Lake Cooperative	Co-op Housing	18,794,447	6	0.42%
Pfizer	Pharmaceuticals	222,976,534	1	4.98%
Windemere I Ltd Partnership	Apartments	17,520,000	7	0.39%
McKinley Associates	Apartments	16,599,036	8	0.37%
Great Lakes Reit LP	Apartments & Office	20,874,300	5	0.47%
Village Cooperative	Co-op Housing	14,773,312	9	0.33%
Total		\$ 427,163,853		9.53%

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Property Tax Levies and Collections
 Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year*	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years (Real)	Collections in Subsequent Years (Personal)	Total Collections to Date	
		Amount	Percentage of Levy			Amounts	Percentage of Levy
2007	\$75,429,967	\$73,974,415	98.07%	\$ 1,330,101	\$ 125,204	\$75,429,720	100.00%
2008	80,126,988	78,036,023	97.39%	1,986,130	103,838	80,125,991	100.00%
2009	81,928,011	79,444,679	96.97%	2,377,225	102,499	81,924,403	100.00%
2010	81,663,316	79,228,933	97.02%	2,317,119	112,125	81,658,177	99.99%
2011	78,565,863	76,336,483	97.16%	2,121,931	72,399	78,530,813	99.96%
2012	75,840,849	74,102,021	97.71%	1,651,831	54,941	75,808,793	99.96%
2013	77,169,289	76,009,075	98.50%	1,055,445	61,834	77,126,354	99.94%
2014	79,385,502	78,341,354	98.68%	925,652	58,444	79,325,450	99.92%
2015	81,742,181	80,666,319	98.68%	819,344	201,543	81,687,206	99.93%
2016	83,995,895	83,115,705	98.95%	733,314	39,152	83,888,171	99.87%

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

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

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

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

Fiscal Year	Governmental Activities			Business-type Activities			
	General Obligation Bonds	Special Assessment Bonds	Installment Purchase Agreement	General Obligation Bonds	Lease Contract Payable	[1] Revenue Bonds	Other Long-term Debt
2007	\$ 57,190	\$ 805	\$ 3,500	\$ 29,672	\$ -	\$ 62,040	\$ 5,734
2008	54,140	680	3,911	27,510	-	105,160	6,431
2009	78,655	555	3,500	25,295	-	99,855	6,360
2010	124,855	430	3,500	23,365	-	94,215	9,445
2011	121,565	310	3,500	21,315	-	98,412	12,317
2012	118,053	220	3,500	19,190	-	102,180	1,470
2013	122,752	140	4,060	16,965	86	106,572	35,981
2014	119,725	60	-	14,550	192	128,643	9,932
2015	115,624	35	-	12,140	106	159,195	13,827
2016	111,919	15	-	9,855	63	177,852	14,721

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Note: For fiscal year 2015 and 2016 percent of personal income, the divisor used was for 2014 since 2015 and 2016 personal income is not available at this time.

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

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

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

Fiscal Year	Total Primary Government	Percentage of Personal Income	Per Capita
2007	\$ 158,941	1.17%	\$ 1,391
2008	197,832	1.44%	1,731
2009	214,220	1.63%	1,869
2010	255,810	1.90%	2,267
2011	257,419	1.81%	2,259
2012	244,613	1.61%	2,147
2013	286,556	1.84%	2,515
2014	273,102	1.58%	2,397
2015	300,927	1.74%	2,641
2016	314,425	1.82%	2,760

concluded.

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

Fiscal Year	Governmental Activities General Obligation Bonds	Business-type Activities General Obligation Bonds	Total General Bonded Debt Outstanding	Less: Amounts Restricted to Repaying Principal	Less: Self-supported Portion	Net General Bonded Debt	Percentage of Actual Taxable Value of Property	Per Capita
2007	\$ 57,190	\$ 29,672	\$ 86,862	\$ (1,271)	\$ (805)	\$ 84,786	1.89%	\$ 741.90
2008	54,140	27,510	81,650	(1,268)	(680)	79,702	1.68%	697.42
2009	78,655	25,295	103,950	(1,248)	(555)	102,147	2.09%	891.32
2010	124,855	23,365	148,220	(1,324)	(430)	146,466	3.01%	1,297.86
2011	121,565	21,315	142,880	(1,516)	(310)	141,054	3.02%	1,238.05
2012	118,053	19,190	137,243	(1,318)	(220)	135,705	2.93%	1,191.08
2013	122,752	16,965	139,717	(1,243)	(140)	138,334	2.95%	1,214.16
2014	119,725	14,550	134,275	(1,142)	(60)	133,073	2.75%	1,167.98
2015	115,624	12,140	127,764	(1,123)	(35)	126,606	2.55%	1,111.22
2016	111,919	9,855	121,774	(1,087)	(15)	120,672	2.36%	1,059.14

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

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

Direct and Overlapping Governmental Activities Debt

(dollars in thousands)

As of June 30, 2016

Government Unit	Net Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Direct debt			
General obligation bonds	\$ 111,919	100.00%	\$ 111,919
Special assessment bonds	15	100.00%	15
Total city direct debt	<u>\$ 111,934</u>		<u>111,934</u>
Overlapping debt			
Ann Arbor School District	\$ 183,510	63.28%	116,125
Washtenaw Community College	13,580	35.07%	4,763
Washtenaw County, at large	36,981	34.24%	12,662
Total overlapping debt	<u>\$ 234,071</u>		<u>133,550</u>
Total direct & overlapping debt			<u>\$ 245,484</u>

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

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

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

Legal Debt Margin Information

Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2016

Assessed value of real and personal property	<u>\$ 6,118,573,700</u>
Debt limit (10% of assessed value)	\$ 611,857,370
Debt applicable to limit:	
Net direct debt	111,934,000
Less: special assessment bonds (general obligation portion)	<u>(15,000)</u>
Total net debt applicable to limit	<u>111,919,000</u>
Legal debt margin	<u>\$ 499,938,370</u>

	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to Limit as a Percentage of Debt Limit
2007	\$ 588,230,120	\$ 56,724,615	\$ 531,505,505	9.64%
2008	604,890,062	56,724,615	548,165,447	9.38%
2009	607,716,850	80,146,618	527,570,232	13.19%
2010	587,631,660	125,415,000	462,216,660	21.34%
2011	549,528,970	120,935,000	428,593,970	22.01%
2012	526,820,590	121,015,000	405,805,590	22.97%
2013	529,497,464	127,272,000	402,225,464	24.04%
2014	548,205,147	119,588,000	428,617,147	21.81%
2015	544,734,050	115,624,000	429,110,050	21.23%
2016	611,857,370	111,919,000	499,938,370	18.29%

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

Pledged-revenue Coverage
 Last Ten Fiscal Years

Fiscal Year	Operating Revenue (1)	Operating Expenses (2)	Net Revenue Available For Debt Service	Debt Service		Total	Coverage
				Principal	Interest		
Water Supply System:							
2007	\$ 19,645,050	\$ 12,815,434	\$ 6,829,616	\$ 3,085,000	\$ 1,311,200	\$ 4,396,200	1.6
2008	20,878,987	13,227,385	7,651,602	3,175,000	1,201,181	4,376,181	1.7
2009	19,228,211	14,442,403	4,785,808	3,710,000	2,004,487	5,714,487	0.8
2010	20,386,564	12,440,872	7,945,692	3,870,000	1,890,994	5,760,994	1.4
2011	21,364,070	13,058,877	8,305,193	4,045,000	1,738,552	5,783,552	1.4
2012	22,301,008	12,562,435	9,738,573	4,584,250	1,669,928	6,254,178	1.6
2013	23,688,293	12,850,446	10,837,847	3,123,721	1,106,529	4,230,250	2.6
2014	23,018,747	12,839,906	10,178,841	2,695,000	1,137,321	3,832,321	2.7
2015	22,948,029	13,933,617	9,014,412	2,410,000	1,262,901	3,672,901	2.5
2016	24,338,900	14,787,496	9,551,404	3,400,000	1,257,924	4,657,924	2.1
Sewage Disposal System:							
2007	\$ 21,168,920	\$ 11,400,323	\$ 9,768,597	\$ 1,495,000	\$ 1,166,739	\$ 2,661,739	3.7
2008	22,263,810	10,571,368	11,692,442	1,490,000	1,110,639	2,600,639	4.5
2009	22,752,472	11,185,369	11,567,103	1,450,000	1,763,808	3,213,808	3.6
2010	19,851,400	10,306,331	9,545,069	2,040,000	2,054,391	4,094,391	2.3
2011	21,810,673	10,120,854	11,689,819	2,355,000	1,990,078	4,345,078	2.7
2012	21,593,098	10,177,877	11,415,221	2,696,000	1,851,394	4,547,394	2.5
2013	21,377,410	10,585,422	10,791,988	2,688,460	1,772,419	4,460,879	2.4
2014	23,200,087	10,713,655	12,486,432	2,305,000	1,416,666	3,721,666	3.4
2015	22,878,298	11,484,606	11,393,692	2,225,000	2,658,665	4,883,665	2.3
2016	25,025,056	12,431,392	12,593,664	2,995,000	3,145,865	6,140,865	2.1
Stormwater Sewer System (3):							
2007	\$ 4,564,942	\$ 2,261,839	\$ 2,303,103	\$ 130,000	\$ 22,802	\$ 152,802	15.1
2008	5,176,719	2,701,223	2,475,496	140,000	15,588	155,588	15.9
2009	5,517,486	2,501,139	3,016,347	145,000	7,643	152,643	19.8

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

(2) Excludes depreciation expense.

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

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

Demographic and Economic Statistics
Last Ten Calendar Years

Year	Population (1)	Personal income (2)	Per Capita Personal Income (2)	Median Age (1)	Education Level in Years of Schooling (1)	School Enrollment (3)	Unemployment Rate % (4)
2007	114,282	\$ 13,614,000	\$ 39,142	27	17	16,680	5.2
2008	114,282	13,766,000	39,107	27	17	17,012	6.3
2009	114,602	13,159,000	38,032	27	17	16,539	8.3
2010	112,852	13,496,000	39,085	28	17	16,536	8.1
2011	113,932	14,204,286	40,821	28	17	16,440	6.5
2012	113,934	15,161,590	43,202	28	17	16,544	8.6
2013	113,934	15,560,767	43,927	28	17	16,545	6.8
2014	113,934	17,260,080	48,365	28	17	16,588	5.7
2015	113,934	N/A	N/A	28	17	16,901	4.2
2016	113,934	N/A	N/A	28	17	16,815	3.5

Sources:

- (1) U. S. Census Bureau
- (2) Bureau of Economic Analysis, Ann Arbor Metropolitan Statistical Area, CA04 Personal Income and Employment Summary
<http://www.bea.gov/>
*Note: 2015 & 2016 data has not been released at this time.
- (3) Ann Arbor Public School's Enrollment Office.
<http://www.a2schools.org/site/Default.aspx?PageID=6908>
- (4) Michigan Employment Security Commission statistics for Washtenaw County.
http://stats.bls.gov/eag/eag.mi_annarbor_msa.htm

Principal Employers
Current Year and Nine Years Ago

Taxpayer	2016			2007		
	Employees	Rank	Percentage	Employees	Rank	Percentage
University of Michigan	30,032	1	65.01%	29,165	1	46.38%
Trinity Health System (formerly St. Joseph's Health System)	5,317	2	11.51%	5,077	3	8.07%
U.S. Government	3,125	3	6.76%	1,230	8	1.96%
Ann Arbor Public Schools	2,500	4	5.41%	3,000	4	4.77%
Washtenaw County	1,252	5	2.71%	1,200	9	1.91%
Integrated Health Associates, Inc.	1,240	6	2.68%			
Truven Health Analytics	780	7	1.69%			
City of Ann Arbor	722	8	1.56%	822	10	1.31%
Domino's Pizza	668	9	1.45%			
Washtenaw Community College	561	10	1.21%	1,500	6	2.39%
Univ. of Mich Hospitals & Health System				17,057	2	27.13%
Pfizer Inc.				2,500	5	3.98%
Borders Group, Inc.				1,330	7	2.12%
Total	46,197		100.00%	62,881		100.00%

Source: Crain's Detroit Business, Vol. 31, No. 52, 2015 Edition, 2015 Book of Lists. Ann Arbor Business Review (Prime Numbers: top 100 Employers, January's Edition) for 2007

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

Function/Program	2016	2015	2014	2013	2012
General government					
Financial Services	61	61	61	48	45
Community Services	59	57	34	32	34
Parks & Recreation	24	24	24	20	20
City Administrator Services	34	34	34	31	30
Mayor & Council	1	1	1	1	1
Other					
Police					
Officers	122	122	119	118	118
Civilians	27	27	27	28	46
Fire					
Firefighters & Officers	86	86	85	81	81
Civilians	1	1	1	1	1
Public Services					
Project Management	16	12	12	13	13
Water	26	26	26	26	26
Wastewater Treatment	35	35	35	35	35
Field Operations	117	120	120	124	126
Other	59	61	61	74	74
15th District Court	34	34	34	34	36
Retirement System	4	4	4	4	4
Downtown Development Authority	4	4	4	4	4
City Attorney	12	12	12	12	13
Total	722	721	694	686	706

continued...

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

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

Function/Program	2011	2010	2009	2008	2007
General government					
Financial Services	48	49	49	51	50
Community Services	33	35	35	42	41
Parks & Recreation	20	19	17	21	23
City Administrator Services	31	31	29	32	31
Mayor & Council	1	1	1	1	1
Other					
Police					
Officers	150	152	152	160	159
Civilians	27	30	30	50	67
Fire					
Firefighters & Officers	89	94	94	94	94
Civilians					
Public Services					
Project Management	15	15	15	17	16
Water	26	26	23	26	24
Wastewater Treatment	35	35	34	35	34
Field Operations	129	135	125	125	128
Other	75	79	93	87	92
15th District Court	37	39	39	41	41
Retirement System	4	4	4	4	4
Downtown Development Authority	3	3	3	3	3
City Attorney	13	14	14	14	14
Total	736	761	800	803	822

concluded.

Operating Indicators by Function/Program
Current and Last Eight Fiscal Years

Function/Program	2016	2015	2014	2013	2012
Police					
Physical arrests	1,542	1,461	1,462	2,395	2,610
Parking violations	118,041	108,759	92,184	87,898	95,990
Traffic violations	12,548	12,205	14,053	14,676	10,638
Fire					
Emergency responses	6,947	6,572	6,646	6,180	5,843
Fire extinguished	259	220	283	418	431
Inspections	1,339	1,218	1,164	1,769	1,962
Refuse collection					
Refuse collected (tons/day)	72.52	72.87	72.84	72.30	71.25
Recyclables collected (tons/day)	40.31	40.17	39.54	38.13	37.10
Other public works					
Street resurfacing (miles)	13.60	8.32	5.41	6.60	6.20
Potholes repaired (tons)	482.32	570.92	636.50	359.35	392.78
Parks and recreation					
Athletic field permits issued	733	866	929	956	1,032
Community center admissions	12,500	12,000	12,000	11,500	11,500
Water					
Connections	28,452	28,418	28,387	28,376	28,333
Water main breaks	65	91	120	102	72
Average daily consumption (millions of gallons)	13.824	13.576	14.091	14.870	14.600
Peak daily consumption (millions of gallons)	20.131	19.174	23.120	28.100	27.115
Wastewater					
Average daily sewage treatment (millions of gallons)	16.810	16.999	17.758	16.700	18.100

continued...

Source: Various services areas within City of Ann Arbor

Operating Indicators by Function/Program
 Current and Last Eight Fiscal Years

Function/Program	2011	2010	2009	2008
Police				
Physical arrests	2,630	1,605	2,000	1,685
Parking violations	86,780	137,271	157,668	167,102
Traffic violations	16,729	NA	23,764	22,893
Fire				
Emergency responses	5,808	4,985	6,045	5,996
Fire extinguished	281	226	258	265
Inspections	913	508	21	471
Refuse collection				
Refuse collected (tons/day)	NA	NA	NA	NA
Recyclables collected (tons/day)	30.82	31.00	34.00	10.00
Other public works				
Street resurfacing (miles)	4.72	6.92	4.92	4.34
Potholes repaired (tons)	500.00	394.60	423.70	444.34
Parks and recreation				
Athletic field permits issued	1,067	893	839	814
Community center admissions	11,500	11,000	10,500	10,168
Water				
Connections	28,266	28,202	28,222	28,193
Water main breaks	96	85	58	110
Average daily consumption (millions of gallons)	13.782	12.699	12.675	12.800
Peak daily consumption (millions of gallons)	21.415	17.927	20.775	22.510
Wastewater				
Average daily sewage treatment (millions of gallons)	17.680	17.745	18.347	18.000
				concluded.

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year				
	2016	2015	2014	2013	2012
Police					
Station	1	1	1	1	1
Zone offices	2	2	2	2	2
Patrol units	35	35	37	36	36
Fire Stations	5	5	5	5	5
Refuse collection					
Collection trucks	26	27	27	27	26
Other public works					
Streets (miles)	296.83	296.83	296.83	297.00	295.13
Streetlights	7,562	7,497	7,194	7,194	7,139
Traffic signals	159	159	158	158	158
Parks and recreation					
Acreage	2,154	2,118	2,118	2,095	2,089
Playgrounds	79	77	77	77	77
Baseball/softball diamonds	34	34	34	34	34
Soccer/football fields	24	24	24	24	24
Community centers	2	2	2	2	2
Water					
Water mains (miles)	455	488	490	501	464
Fire hydrants	3,178	3,741	3,733	3,711	2,960
Storage capacity (thousands of gallons)	19,000	19,000	19,000	19,000	19,000
Wastewater					
Sanitary sewers (miles)	366	362	362	369	364
Storm sewers (miles)	294	266	264	264	322
Treatment capacity (thousands of gallons)	48,000	48,000	48,000	48,000	48,000

continued...

Source: Various services areas within City of Ann Arbor

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year				
	2011	2010	2009	2008	2007
Police					
Station	1	1	1	1	1
Zone offices	2	2	2	2	2
Patrol units	37	35	36	36	34
Fire Stations	5	5	5	5	5
Refuse collection					
Collection trucks	27	28	18	18	14
Other public works					
Streets (miles)	295.13	295.13	295.13	295.13	295.13
Streetlights	7,134	7,134	7,134	7,134	7,134
Traffic signals	158	158	158	158	154
Parks and recreation					
Acreage	2,089	2,088	2,088	2,088	2,069
Playgrounds	77	73	73	85	78
Baseball/softball diamonds	34	34	34	34	34
Soccer/football fields	24	25	25	25	25
Community centers	2	2	2	2	2
Water					
Water mains (miles)	472	485	485	490	481
Fire hydrants	2,909	3,555	3,555	3,549	3,510
Storage capacity (thousands of gallons)	19,000	19,000	19,000	19,000	19,000
Wastewater					
Sanitary sewers (miles)	364	405	405	407	402
Storm sewers (miles)	320	413	413	388	368
Treatment capacity (thousands of gallons)	48,000	50,000	50,000	50,000	50,000

concluded.

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