

City of
Ann Arbor,
Michigan



Comprehensive
Annual Financial
Report

Year Ended
June 30, 2015

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CITY OF ANN ARBOR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

County of Washtenaw
State of Michigan

Fiscal Year Ended June 30, 2015



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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October 21, 2015

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, 2015, 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, 2015.

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, 2015. 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 legally separate component units. 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, 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; 2015 honors include:

- 50 Best College Towns to Live in Forever (No. 20), College Ranker, 2015.
- 10 Most Beautiful Towns in Michigan, Culturetrip.com, 2015.
- Top 20 Municipal Golf Courses in America (Leslie Park Golf Course), Gearpatrol.com, 2015.
- Highest-paying ZIP code in Michigan, according to U.S. Census data (No. 3), NerdWallet, 2015.
- Nation's Most Innovative Tech Hub (No. 12), Nerdwallet.com, 2015.
- Best College City (No. 9), among medium-sized cities, WalletHub.com, 2015.
- Innovative Park Resources of the Year Award (for Citizen Pruner Program), Michigan Recreation and Park Association, 2015.
- Park Design of the Year Award (for Veterans Memorial Park Skate Park), Michigan Recreation and Park Association, 2015.

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 45,000 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 declined to 4.3% as of June 2015, receipts from sales taxes have increased modestly, and residential property values are increasing. 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, energy costs, and the amortization of the financial market losses from FY2008 and FY2009 in its pension system. 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 fund balance in the general fund at a minimum of 15% to 20% expenditures. 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.

Major Initiatives

Wastewater Treatment Plant

The Ann Arbor Wastewater Treatment Plant (WWTP) receives and treats approximately 19.0 million gallons of wastewater per day from the City of Ann Arbor and 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.

Facilities Renovation Project (construction cost = \$108,744,267)

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 (SBDI), 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 the 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 72% completed.

Residuals Handling Improvements Project (construction cost = \$50,492,258)

This project replaces 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 as part of this project. The project is 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, 2014. This was the twenty-sixth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City of Ann Arbor also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for fiscal year 2015. 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 Unit. 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,



Steven D. Powers,
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
Stephen Kunselman
Jack Eaton
Mike Anglin

Steve Powers
City Administrator

Tom Crawford
Chief Financial Officer

Karen M. Lancaster
Finance Director

Matthew V. Horning
City Treasurer

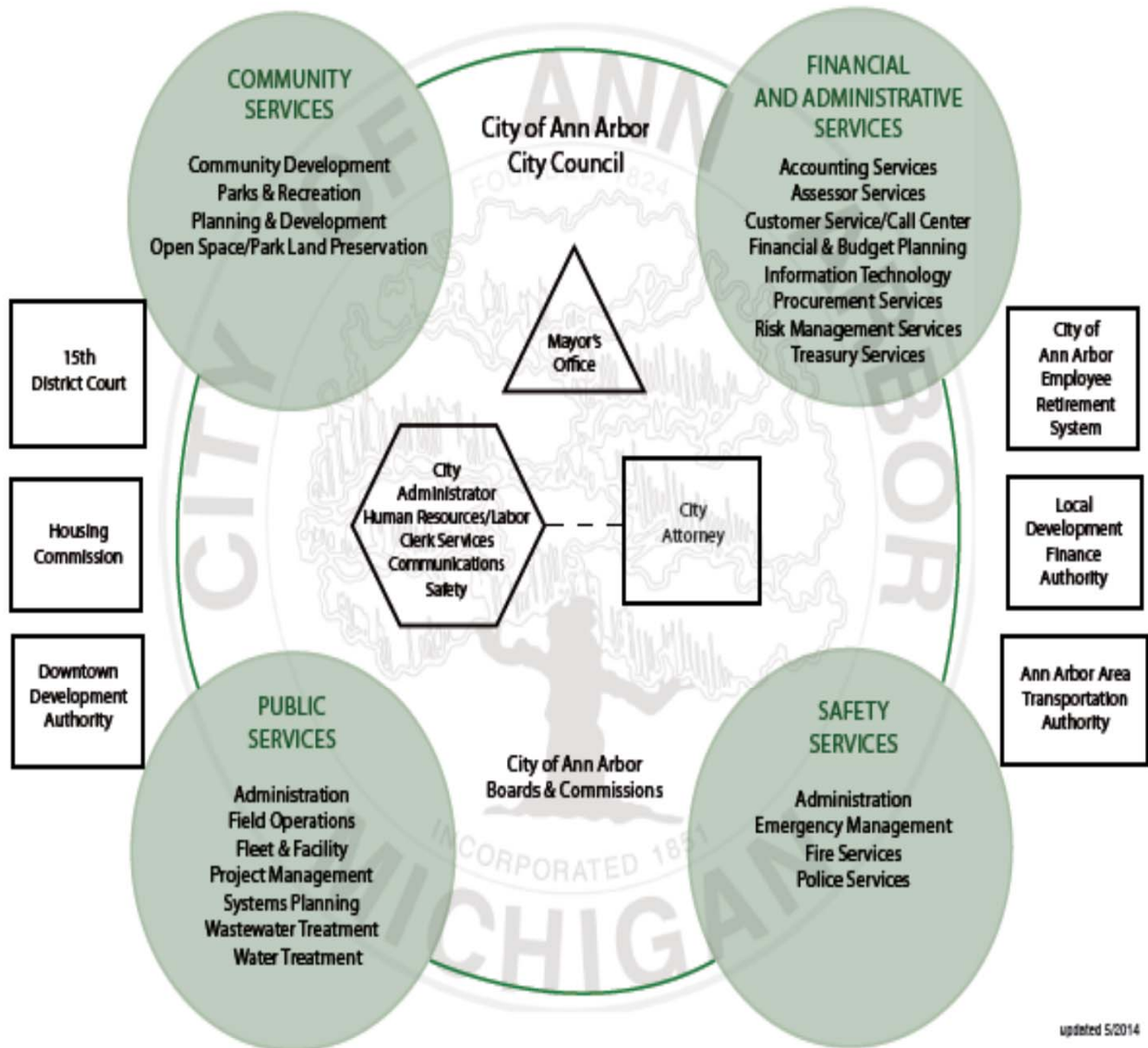
Stephen K. Postema
City Attorney

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, 2014

Executive Director/CEO

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

October 21, 2015

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, 2015, 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 15.1% of the assets and 36.6% 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, 2015, 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.

Restatement of Beginning Net Position

The beginning net position of the governmental and business-type activities increased and decreased, respectively, by the same amount to account for the closing of the market fund as a separate enterprise fund and moving its operation and capital assets to the governmental activities. The City's total net position did not change as a result of this restatement. Our opinion is not modified with respect to this matter.

Implementation of GASB Statement No. 68

As described in Note 22, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. Accordingly, beginning net position of the governmental activities, the business-type activities, certain enterprise funds, and the employees' retirement system pension trust fund were restated. Our opinion is not modified with respect to this matter.

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 October 21, 2015 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 "Lehmann Lobson LLC". The signature is written in a cursive, flowing style.

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, 2015. 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 by \$1,042,825,502 at the close of the most recent fiscal year.
 - \$891,201,308 is the net investment in capital assets;
 - \$88,655,338 is restricted for specific purposes, such as capital projects;
 - \$62,968,856 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 \$1,632,309 in governmental activities and \$61,336,547 in business-type activities.
 - The City's total net position increased by \$16,118,079 during the year, primarily due to increases in capital assets.
 - The City's total debt increased by \$28,157,056 (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 storm water projects and the wastewater treatment plant construction.
- Fund financial statements are comprised of 33 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 \$86,214,476, increasing \$402,086 during the fiscal year.
 - Of the above fund balance amount, \$17,235,156 is unassigned and may be used to meet the government's ongoing obligations to citizens and creditors, \$7,125,285 is assigned and \$3,984,155 is committed and may be used subject to the purpose of the fund in which they are located and the remaining amount of \$57,869,880 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 (\$22,483,300) and the street repair millage fund (\$15,065,644), account for 44% of total fund balance including restricted amounts. The remaining amount is represented across the other 31 nonmajor funds.
 - The general fund recognized a decrease to fund balance of \$95,908. The general fund unassigned fund balance increased from \$14,278,680 to \$17,235,156. At the end of the current fiscal year, unassigned general fund balance was 18.2% 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, and liabilities, which can be used as an indicator of the City's financial health or position.
- 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.

CITY OF ANN ARBOR, MICHIGAN

Management's Discussion and Analysis

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 33 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 31 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 by \$1,042,825,502 at June 30, 2015 compared to \$1,026,707,423 at June 30, 2014 (i.e., the restated beginning balance for fiscal 2015).

CITY OF ANN ARBOR, MICHIGAN

Management's Discussion and Analysis

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 137,687,008	\$ 133,281,950	\$ 123,019,270	\$ 114,182,553	\$ 260,706,278	\$ 247,464,503
Capital assets, net	812,887,948	821,200,395	379,278,941	343,550,779	1,192,166,889	1,164,751,174
Total assets	950,574,956	954,482,345	502,298,211	457,733,332	1,452,873,167	1,412,215,677
Deferred outflows of resources	7,466,626	-	3,153,646	873,532	10,620,272	873,532
Long-term liabilities	129,278,591	132,516,918	188,152,930	156,757,547	317,431,521	289,274,465
Pension and OPEB	57,262,334	7,643,669	11,697,413	-	68,959,747	7,643,669
Other liabilities	15,790,015	15,153,871	18,486,654	19,688,169	34,276,669	34,842,040
Total liabilities	202,330,940	155,314,458	218,336,997	176,445,716	420,667,937	331,760,174
Net position:						
Net investment in capital assets	697,791,106	701,552,873	193,410,202	190,021,586	891,201,308	891,574,459
Restricted	56,287,227	56,297,832	32,368,111	30,332,704	88,655,338	86,630,536
Unrestricted	1,632,309	41,317,182	61,336,547	61,806,858	62,968,856	103,124,040
Total net position	\$ 755,710,642	\$ 799,167,887	\$ 287,114,860	\$ 282,161,148	\$ 1,042,825,502	\$ 1,081,329,035

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, 2015 (\$88,655,338) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$62,968,856 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 2014 to 2015 due to the increase in revolving debt related to the wastewater treatment plant reconstruction and various storm water projects. Other liabilities have decreased from 2014 to 2015 due to a decrease in accounts payable in business-type activities related to the construction of the wastewater treatment plant.

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	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues:						
Charges for services	\$ 29,192,461	\$ 27,059,114	\$ 57,763,670	\$ 59,069,512	\$ 86,956,131	\$ 86,128,626
Operating grants	11,030,886	12,380,494	-	-	11,030,886	12,380,494
Capital grants	865,776	974,291	4,645,758	1,963,610	5,511,534	2,937,901
General revenues:						
Property taxes	69,605,519	67,910,879	11,728,679	11,470,474	81,334,198	79,381,353
State shared revenues and grants	10,317,088	10,050,793	-	-	10,317,088	10,050,793
Investment income	1,262,302	1,621,595	1,293,959	1,241,702	2,556,261	2,863,297
Other	150,905	5,231,878	67,250	(673,069)	218,155	4,558,809
Total revenues	122,424,937	125,229,044	75,499,316	73,072,229	197,924,253	198,301,273
Expenses						
Governmental activities:						
General government	16,550,948	15,580,703	-	-	16,550,948	15,580,703
Public safety	43,882,972	40,307,361	-	-	43,882,972	40,307,361
Public works	33,619,237	37,787,092	-	-	33,619,237	37,787,092
Community and economic development	2,749,048	2,031,872	-	-	2,749,048	2,031,872
Culture and recreation	13,374,937	12,008,899	-	-	13,374,937	12,008,899
Public transportation	9,735,605	9,494,422	-	-	9,735,605	9,494,422
Debt service	4,691,976	5,037,624	-	-	4,691,976	5,037,624
Business-type activities:						
Water	-	-	18,494,776	17,332,597	18,494,776	17,332,597
Sewer	-	-	16,842,294	15,201,859	16,842,294	15,201,859
Parking	-	-	2,144,727	2,434,729	2,144,727	2,434,729
Market	-	-	-	229,134	-	229,134
Airport	-	-	746,680	676,227	746,680	676,227
Stormwater	-	-	5,986,171	4,269,354	5,986,171	4,269,354
Solid waste	-	-	12,986,803	12,848,176	12,986,803	12,848,176
Total expenses	124,604,723	122,247,973	57,201,451	52,992,076	181,806,174	175,240,049
Change in net position						
before transfers	(2,179,786)	2,981,071	18,297,865	20,080,153	16,118,079	23,061,224
Transfers	4,831,153	3,574,088	(4,831,153)	(3,574,088)	-	-
Change in net position	2,651,367	6,555,159	13,466,712	16,506,065	16,118,079	23,061,224
Net position:						
Beginning of year:						
Previously stated	799,167,887	792,612,728	282,161,148	265,655,083	1,081,329,035	1,058,267,811
Restatement for implementation of GASB 68	(46,108,612)	-	(8,513,000)	-	(54,621,612)	-
End of year	\$ 755,710,642	\$ 799,167,887	\$ 287,114,860	\$ 282,161,148	\$ 1,042,825,502	\$ 1,081,329,035

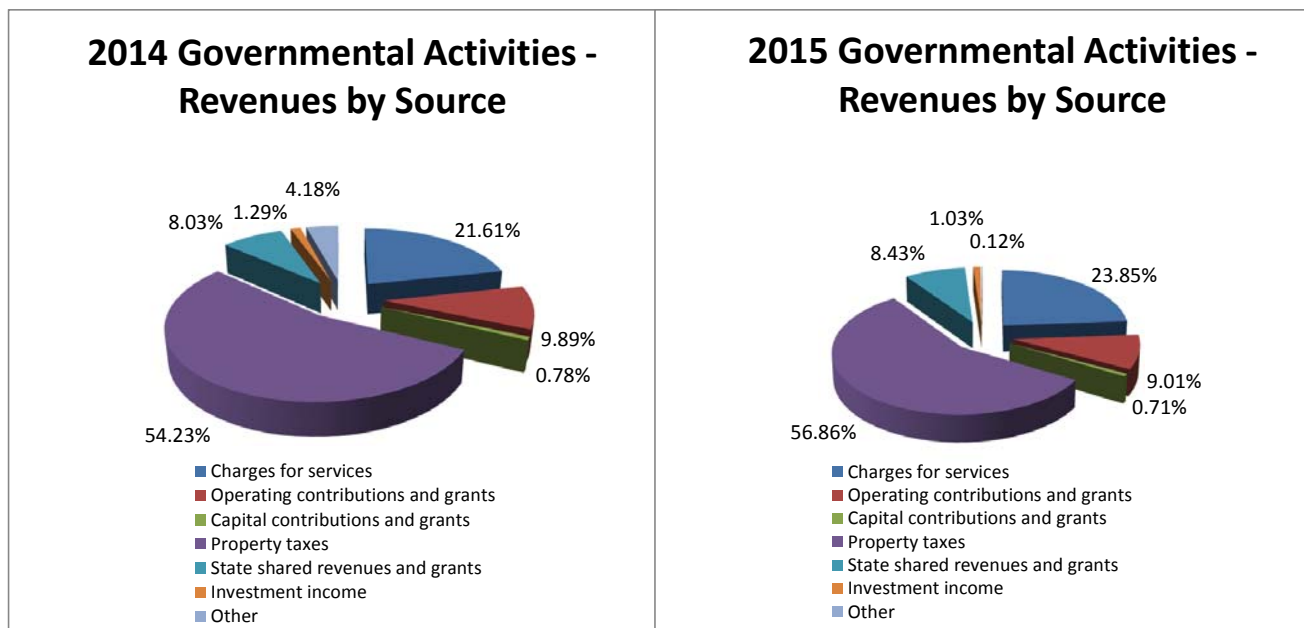
The City's net position increased by \$16,118,079 during the current fiscal year and \$23,061,224 in the prior fiscal year. See Note 22 in the notes to financial statements for details regarding the above restatements, which primarily pertain to the implementation of GASB 68.

CITY OF ANN ARBOR, MICHIGAN

Management's Discussion and Analysis

Governmental activities increased the City’s net position by \$2,651,367 accounting for a 16% increase of the City’s total growth in the net position. During fiscal year 2014, governmental activities increased by \$6,555,159, which was a 28% increase of the total growth for fiscal year 2014. Key elements are as follows:

- Property taxes increased 2.5% during fiscal year 2015 and 2% in fiscal year 2014.
- Investment income decreased 22% due to an decrease in the portfolio rate earned by the City investments. Last year, investment income increased 495%. 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 8% compared to a increase of 6% in fiscal year 2014 primarily due to an increase in permit revenue from the construction activity.
- Capital contributions and grants decreased 11% due to donated land (\$503,200) in the City’s Parks system in the prior year as compared to an increase of 97% in fiscal year 2014.

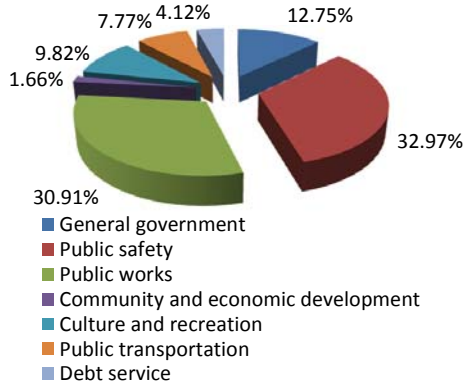


Expenses for governmental activities increased \$2,356,750 from 2014 to 2015. Key elements are as follows:

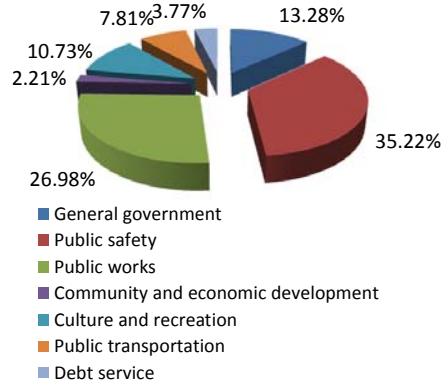
- Public safety expenses increased \$3.6 million due to increased personnel expenses due to settled contracts.
- Public works expenses decreased by \$4.2 million due to a reduction in depreciation expense as well as less expenses allocated from the internal service funds for fiscal year 2015.
- Expenses for culture and recreation increased \$1.4 million due to the inclusion of the City Market costs that were previously in an enterprise fund as well as increased expenses in the park millage and open space millage funds.

Management's Discussion and Analysis

2014 Governmental Activities - Expenses by Function



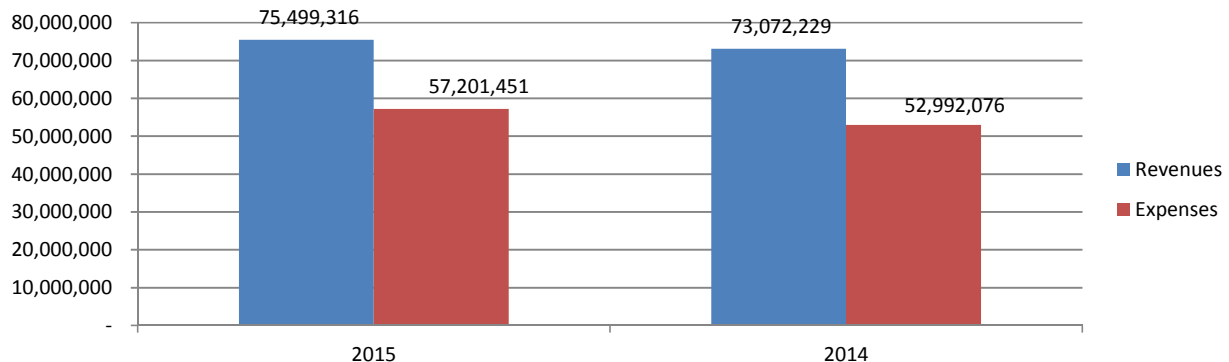
2015 Governmental Activities - Expenses by Function



Business-type activities increased the City's net position by \$13,466,712 for fiscal year 2015 and by \$16,506,065 for fiscal year 2014, accounting for 84% and 72% of the total growth in the government's net position for the current year and prior year, respectively. Key elements of this increase are as follows:

- Revenues increased 3% in fiscal year 2015 due to increased capital contributions in water activities, due to increased intergovernmental participation to pay for funding an expanded water system. In the prior year, there was a decrease of 5%.
- Expenses increased \$4,209,375, or 8%, in fiscal year 2015 compared to a decrease of \$4,176,719 or 8%, in fiscal year 2014, primarily due to the following:
 - Stormwater expenses have increased \$1.7 million due to increased tree planting/stump removal efforts, increased costs due to studies, and increased contracted services.
 - Water expenses have increased \$1.2 million due to higher contracted service for emergency water main repair and associated costs of pavement repair, higher costs due to studies and the new pension liability accrual for GASB Statement Number 68, *Accounting and Financial Reporting for Pensions*.
 - Sewer expenses have increased \$1.6 million due to increased interest expense of \$500,000 for revolving debt for the new wastewater treatment plant, increased costs due to studies and the new pension liability accrual for GASB 68.

Revenues and Expenses Business-type Activities 2015 and 2014



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, unreserved fund balance may serve as a useful measure of the government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$86,214,476 at June 30, 2015 versus \$85,812,390 at June 30, 2014, an increase of \$402,086. Of the total fund balance amount, \$17,235,156 at June 30, 2015 is unassigned, indicating this money is available for spending at the government's discretion. At June 30, 2014, \$14,279,454 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 \$17,235,156. At June 30, 2014, the unassigned fund balance was \$14,279,454. Total fund balance was \$22,483,300 and \$22,579,208 at June 30, 2015 and 2014, respectively. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 18.2% at June 30, 2015 of total general fund expenditures. Unassigned fund balance was 17.5% at June 30, 2014 of total general fund expenditures. The fund balance of the City's general fund decreased by \$95,908 during the current fiscal year in comparison to an increase of \$3,707,413 during the prior fiscal year. For fiscal year 2015, this is primarily attributable to the sale of land owned by the City for the YMCA lot in fiscal year 2014 and no such event in fiscal year 2015.

The street repair millage fund balance decreased by \$954,206 in fiscal year 2015 compared to a decrease of \$1,935,859 in fiscal year 2014. 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, storm sewer, parking system, solid waste and airport, at the end of the year amounted to \$61,336,547. Water, sanitary, parking, solid waste and airport funds had an increase in net position for the year totaling \$14,016,901. The stormwater sewer system had a decrease in net position of \$550,189 due to the increased tree planting 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 1.55% increase in fiscal year 2015 compared to a 7.1% increase in fiscal year 2014. The general fund expenditures and other financing uses exceeded revenues and other financing sources by \$95,908.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental/business-type activities as of June 30, 2015 was \$1,192,166,889 compared to \$1,164,751,174 at June 30, 2014 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, improvements, machinery and equipment, intangible assets, vehicles, and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was 2.35% compared to 1.95% in fiscal year 2014. Major capital asset events during the fiscal year 2015 included an increase in improvements (\$12,424,638) primarily for water and sewer improvements, and an increase in infrastructure (\$13,643,325) for road 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	
	2015	2014	2015	2014	2015	2014
Land	\$ 59,835,599	\$ 59,505,264	\$ 7,291,349	\$ 7,291,349	\$ 67,126,948	\$ 66,796,613
Drain benefit	-	-	3,662,284	-	3,662,284	-
Construction in progress	3,413,194	60,376,586	163,592,379	133,357,003	167,005,573	193,733,589
Buildings	146,080,326	93,247,169	71,427,731	75,020,161	217,508,057	168,267,330
Improvements other than buildings	12,192,174	10,024,502	127,168,655	121,091,621	139,360,829	131,116,123
Machinery and equipment	2,776,771	2,914,610	5,597,154	6,680,400	8,373,925	9,595,010
Vehicles	5,851,631	7,607,908	539,389	110,245	6,391,020	7,718,153
Intangible assets	234,717	469,436	-	-	234,717	469,436
Infrastructure	582,503,536	587,054,920	-	-	582,503,536	587,054,920
Total capital assets, net	\$ 812,887,948	\$ 821,200,395	\$ 379,278,941	\$ 343,550,779	\$ 1,192,166,889	\$ 1,164,751,174

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$287,145,278. Of that amount, \$127,950,000 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 \$28,157,056 or 10% 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 storm water 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	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 115,775,000	\$ 119,725,000	\$ 12,140,000	\$ 14,550,000	\$ 127,915,000	\$ 134,275,000
Special assessment bonds	35,000	60,000	-	-	35,000	60,000
Revenue bonds	-	-	65,755,000	70,390,000	65,755,000	70,390,000
Revolving loans	-	-	93,440,278	58,253,512	93,440,278	58,253,512
Drain notes	-	-	13,827,347	9,932,292	13,827,347	9,932,292
Capital leases	-	-	105,764	191,849	105,764	191,849
Deferred amounts:						
For issuance premiums	195,042	201,014	879,012	1,191,018	1,074,054	1,392,032
For issuance discounts	(345,712)	(338,492)	(96,690)	(105,946)	(442,402)	(444,438)
Compensated absences	13,619,261	12,869,396	2,102,219	2,354,822	15,721,480	15,224,218
Total long-term debt	\$ 129,278,591	\$ 132,516,918	\$ 188,152,930	\$ 156,757,547	\$ 317,431,521	\$ 289,274,465

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 \$544,734,050, 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 2016:

- Property tax revenues are budgeted to increase 2.72% in fiscal year 2016.
- Average salary costs were budgeted to increase 2.75% in fiscal year 2016.
- Healthcare costs were projected to decrease 7.6% in fiscal year 2016 after a review of the City's self insurance experience.
- Pension contributions are projected to increase 2% in fiscal year 2016.

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, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash	\$ 223,273	\$ 11,783,578	\$ 12,006,851	\$ 1,769,683
Equity in pooled cash and investments	121,009,186	88,536,467	209,545,653	1,591,485
Investments, at fair value	2,066,000	-	2,066,000	16,401,823
Receivables	10,297,878	19,365,807	29,663,685	1,544,343
Internal balances	735,629	(735,629)	-	-
Other assets	3,355,042	4,069,047	7,424,089	84,572
Capital assets not being depreciated	63,248,793	170,883,728	234,132,521	428,817
Capital assets being depreciated, net	749,639,155	208,395,213	958,034,368	1,177,338
Total assets	950,574,956	502,298,211	1,452,873,167	22,998,061
Deferred outflows of resources				
Deferred charge on refunding	562,488	181,972	744,460	-
Deferred pension amounts	6,904,138	2,971,674	9,875,812	13,876
Total deferred outflows of resources	7,466,626	3,153,646	10,620,272	13,876
Liabilities				
Accounts payable and accrued liabilities	14,972,992	16,665,469	31,638,461	6,697,963
Accrued interest payable	817,023	1,821,185	2,638,208	261,750
Unearned revenue	-	-	-	1,177,014
Long-term liabilities:				
Due within one year	9,025,906	10,361,461	19,387,367	303,811
Due in more than one year	120,252,685	177,791,469	298,044,154	328,774
Other noncurrent liabilities:				
Net other postemployment benefits	4,809,936	-	4,809,936	-
Net pension liability	52,452,398	11,697,413	64,149,811	70,644
Total liabilities	202,330,940	218,336,997	420,667,937	8,839,956
Net position				
Net investment in capital assets	697,791,106	193,410,202	891,201,308	1,606,155
Restricted for:				
Debt service	306,120	13,022,474	13,328,594	-
Equipment replacement	-	19,164,646	19,164,646	-
Endowment (non-expendable)	1,984,000	-	1,984,000	-
Highway and streets	32,632,230	-	32,632,230	-
Culture and recreation	13,954,185	-	13,954,185	-
Other purposes	7,410,692	-	7,410,692	336,515
Landfill	-	180,991	180,991	-
Unrestricted	1,632,309	61,336,547	62,968,856	12,229,311
Total net position	\$ 755,710,642	\$ 287,114,860	\$ 1,042,825,502	\$ 14,171,981

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, 2015

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	\$ 16,550,948	\$ 9,296,146	\$ 929,145	\$ -	\$ (6,325,657)
Public safety	43,882,972	8,847,862	1,122,103	-	(33,913,007)
Public works	33,619,237	2,662,357	8,618,220	706,252	(21,632,408)
Community/economic development	2,749,048	657	5,185	-	(2,743,206)
Culture and recreation	13,374,937	4,097,635	356,233	159,524	(8,761,545)
Public transportation	9,735,605	-	-	-	(9,735,605)
Interest on long-term debt	4,691,976	4,287,804	-	-	(404,172)
Total governmental activities	124,604,723	29,192,461	11,030,886	865,776	(83,515,600)
Business-type activities:					
Water	18,494,776	22,697,619	-	4,189,668	8,392,511
Sewer	16,842,294	22,137,470	-	-	5,295,176
Parking	2,144,727	2,820,269	-	-	675,542
Airport	746,680	888,809	-	155,857	297,986
Stormwater	5,986,171	6,343,928	-	300,233	657,990
Solid waste	12,986,803	2,875,575	-	-	(10,111,228)
Total business-type activities	57,201,451	57,763,670	-	4,645,758	5,207,977
Total primary government	\$ 181,806,174	\$ 86,956,131	\$ 11,030,886	\$ 5,511,534	\$ (78,307,623)
Component units					
Housing Commission	\$ 22,338,897	\$ 330,983	\$ 15,167,248	\$ 1,223,878	\$ (5,616,788)
SmartZone LDFA	1,861,534	-	-	-	(1,861,534)
Downtown Development Authority	23,612,516	21,399,834	-	-	(2,212,682)
Total component units	\$ 47,812,947	\$ 21,730,817	\$ 15,167,248	\$ 1,223,878	\$ (9,691,004)

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CITY OF ANN ARBOR, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net (expense) revenue	<u>\$ (83,515,600)</u>	<u>\$ 5,207,977</u>	<u>\$ (78,307,623)</u>	<u>\$ (9,691,004)</u>
General revenues:				
Property taxes	69,605,519	11,728,679	81,334,198	7,392,678
State shared revenues and grants (unrestricted)	10,317,088	-	10,317,088	-
Unrestricted investment earnings	1,262,302	1,293,959	2,556,261	113,859
Other	150,905	67,250	218,155	25,429
Transfers - internal activities	<u>4,831,153</u>	<u>(4,831,153)</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>86,166,967</u>	<u>8,258,735</u>	<u>94,425,702</u>	<u>7,531,966</u>
Change in net position	2,651,367	13,466,712	16,118,079	(2,159,038)
Net position, beginning of year, as restated	<u>753,059,275</u>	<u>273,648,148</u>	<u>1,026,707,423</u>	<u>16,331,019</u>
Net position, end of year	<u>\$ 755,710,642</u>	<u>\$ 287,114,860</u>	<u>\$ 1,042,825,502</u>	<u>\$ 14,171,981</u>

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, 2015

	General Fund	Street Repair Millage Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 166,831	\$ -	\$ 56,092	\$ 222,923
Equity in pooled cash and investments	21,780,326	17,119,097	44,493,688	83,393,111
Investments, at fair value	-	-	2,066,000	2,066,000
Receivables:				
Taxes	103,889	1,955	1,497	107,341
Accounts	931,238	-	641,580	1,572,818
Special assessments	15,868	77,613	555,091	648,572
Accrued interest and dividends	-	-	6,845	6,845
Improvement charges	-	1,637	-	1,637
Loans	-	-	8,085	8,085
Due from other funds	2,197,670	-	-	2,197,670
Due from other governments	1,558,476	1,168,329	5,176,508	7,903,313
Advances to other funds	735,629	-	-	735,629
Inventories, at cost	30,005	-	-	30,005
Total assets	\$ 27,519,932	\$ 18,368,631	\$ 53,005,386	\$ 98,893,949
Liabilities				
Accounts payable	\$ 1,309,069	\$ 2,641,226	\$ 1,293,773	\$ 5,244,068
Accrued liabilities	2,699,529	64,144	327,104	3,090,777
Due to other funds	-	-	2,197,670	2,197,670
Due to other governments	398,785	-	-	398,785
Deposits	562,866	-	-	562,866
Total liabilities	4,970,249	2,705,370	3,818,547	11,494,166
Deferred inflows of resources				
Unavailable revenue	66,383	597,617	521,307	1,185,307
Fund balances				
Nonspendable	765,634	-	1,984,000	2,749,634
Restricted	-	15,065,644	40,054,602	55,120,246
Committed	-	-	3,984,155	3,984,155
Assigned	4,482,510	-	2,642,775	7,125,285
Unassigned	17,235,156	-	-	17,235,156
Total fund balances	22,483,300	15,065,644	48,665,532	86,214,476
Total liabilities, deferred inflows of resources and fund balances	\$ 27,519,932	\$ 18,368,631	\$ 53,005,386	\$ 98,893,949

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, 2015

Fund balances of governmental funds	\$ 86,214,476
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	1,041,628,065
Accumulated depreciation on governmental capital assets.	(236,137,875)
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	(115,810,000)
Compensated absences	(13,619,261)
Unamortized bond discounts/premiums	150,670
Unamortized deferred loss on refunding	562,488
Unfunded other postemployment benefit liability	(4,809,936)
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	(52,452,398)
Deferred outflows related to the net pension liability	6,904,138
Accrued interest payable for the current portion of interest due on bonds has not been reported in the governmental funds.	(817,023)
Deferred inflow of resources in governmental funds is susceptible to full accrual on the entity-wide statements.	1,185,307
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net position.	42,711,991
Net position of governmental activities	<u>\$ 755,710,642</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, 2015

	General Fund	Street Repair Millage Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 51,977,008	\$ 10,124,678	\$ 7,503,622	\$ 69,605,308
Special assessments/improvement charges	-	28,111	24,262	52,373
Licenses, permits and registrations	1,680,927	-	5,938,899	7,619,826
Federal grants	-	125,874	907,915	1,033,789
State shared revenues and grants	11,613,437	-	9,179,082	20,792,519
Charges for services	8,749,402	-	5,284,907	14,034,309
Fines and forfeits	4,452,781	-	148,808	4,601,589
Interest and penalties	-	-	211	211
Investment income	315,023	157,218	455,945	928,186
Rentals	637,366	-	-	637,366
Contributions and donations	20,496	598,913	362,556	981,965
Intra-governmental sales	-	-	213,511	213,511
Other revenues	534,580	-	144,072	678,652
Total revenues	79,981,020	11,034,794	30,163,790	121,179,604
Expenditures				
Current:				
General government	11,942,455	-	2,559,138	14,501,593
Public safety	42,048,470	-	3,168,818	45,217,288
Public works	3,918,034	4,752,021	9,199,002	17,869,057
Community and economic development	2,795,976	-	13,000	2,808,976
Culture and recreation	7,254,213	-	5,313,677	12,567,890
Public transportation	9,735,605	-	-	9,735,605
Capital outlay	170,972	11,854,570	2,212,429	14,237,971
Debt service:				
Principal retirement	-	-	4,150,000	4,150,000
Interest and fiscal charges	-	-	4,920,544	4,920,544
Total expenditures	77,865,725	16,606,591	31,536,608	126,008,924
Revenues over (under) expenditures	2,115,295	(5,571,797)	(1,372,818)	(4,829,320)
Other financing sources (uses)				
Transfers in	1,194,576	5,435,866	6,663,940	13,294,382
Transfers out	(3,409,377)	(818,275)	(3,451,434)	(7,679,086)
Sale of property and equipment	3,598	-	-	3,598
Issuance of debt	-	-	16,235,000	16,235,000
Payment to escrow agent	-	-	(16,486,836)	(16,486,836)
Bond discount	-	-	(135,652)	(135,652)
Total other financing sources (uses)	(2,211,203)	4,617,591	2,825,018	5,231,406
Net change in fund balances	(95,908)	(954,206)	1,452,200	402,086
Fund balances, beginning of year	22,579,208	16,019,850	47,213,332	85,812,390
Fund balances, end of year	\$ 22,483,300	\$ 15,065,644	\$ 48,665,532	\$ 86,214,476

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, 2015

Net change in fund balances - total governmental funds \$ 402,086

Amounts reported for *governmental activities* in the statement of activities differs from the amounts reported in the statement of revenue, expenditures, and changes in fund balances because:

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.

Capital outlay	19,685,218
Depreciation expense	(25,747,572)
Loss on disposal of capital assets	(157,861)

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.

Principal payments on long-term liabilities	4,150,000
Proceeds from bond issuance	(16,235,000)
Payment to escrow agent	16,486,836
Bond discount	135,652

Accrued interest is recognized on the government-wide financial statements. 215,375

Amortization of bond premium, discount and deferred loss on refunding is an expense on statement of activities. 13,193

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:

Compensated absences	(1,832,396)
Other postemployment benefits liability	2,833,733
Net pension liability and related deferred amounts	(494,260)

Deferred inflow of resources in governmental funds is susceptible to full accrual on the government-wide statements. 627,201

Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds.

Change in net position of the internal service funds is allocated to governmental activities	<u>2,569,162</u>
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Change in net position of governmental activities \$ 2,651,367

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, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 51,997,444	\$ 51,997,444	\$ 51,977,008	\$ (20,436)
Licenses, permits and registrations	2,056,200	2,056,200	1,680,927	(375,273)
State shared revenues and grants	11,569,609	11,515,291	11,613,437	98,146
Charges for services	8,472,896	8,513,214	8,749,402	236,188
Fines and forfeits	4,275,400	4,275,400	4,452,781	177,381
Investment income	284,543	284,543	315,023	30,480
Rentals	633,388	633,388	637,366	3,978
Contributions and donations	-	20,496	20,496	-
Other revenues	82,220	253,189	534,580	281,391
Total revenues	79,371,700	79,549,165	79,981,020	431,855
Expenditures				
Current:				
General government:				
Mayor and Council	390,259	391,913	383,074	(8,839)
Administration	852,034	886,289	849,541	(36,748)
Human resources	1,746,457	1,866,737	1,866,333	(404)
Attorney	1,982,510	2,134,973	2,122,782	(12,191)
Clerk / Elections	1,043,278	1,130,640	1,105,855	(24,785)
Finance	7,134,178	7,254,726	6,819,646	(435,080)
Environmental coordination services	209,401	210,919	177,514	(33,405)
District court	4,611,816	4,557,472	4,317,555	(239,917)
Planning	1,030,576	1,034,186	1,026,324	(7,862)
Other unallocated	3,329,774	1,802,117	562,836	(1,239,281)
Municipal service charge	(7,363,728)	(7,363,728)	(7,289,005)	74,723
	<u>14,966,555</u>	<u>13,906,244</u>	<u>11,942,455</u>	<u>(1,963,789)</u>
Public safety:				
Police department	25,318,872	25,730,100	25,696,890	(33,210)
Fire department	14,652,631	14,949,280	14,948,549	(731)
Building department	1,461,311	1,486,937	1,403,031	(83,906)
	<u>41,432,814</u>	<u>42,166,317</u>	<u>42,048,470</u>	<u>(117,847)</u>
Public works:				
Public services	9,536,626	9,891,360	7,840,585	(2,050,775)
Municipal service charge	(5,376,501)	(5,376,501)	(3,922,551)	1,453,950
	<u>4,160,125</u>	<u>4,514,859</u>	<u>3,918,034</u>	<u>(596,825)</u>
Community development:				
Community development	4,030,488	5,012,809	4,811,981	(200,828)
Municipal service charge	(2,045,189)	(2,045,189)	(2,016,005)	29,184
	<u>1,985,299</u>	<u>2,967,620</u>	<u>2,795,976</u>	<u>(171,644)</u>
Culture and recreation -				
Parks and recreation	7,334,355	7,490,895	7,254,213	(236,682)
Public transportation				
	<u>9,797,711</u>	<u>9,797,711</u>	<u>9,735,605</u>	<u>(62,106)</u>
Capital outlay				
	<u>106,400</u>	<u>176,732</u>	<u>170,972</u>	<u>(5,760)</u>
Total expenditures	79,783,259	81,020,378	77,865,725	(3,154,653)

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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, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues over (under) expenditures	\$ (411,559)	\$ (1,471,213)	\$ 2,115,295	\$ 3,586,508
Other financing sources (uses)				
Transfers in	1,181,260	1,192,760	1,194,576	1,816
Transfers out	(3,508,106)	(3,451,978)	(3,409,377)	42,601
Sale of property and equipment	500	500	3,598	3,098
Total other financing sources (uses)	(2,326,346)	(2,258,718)	(2,211,203)	47,515
Net change in fund balance	(2,737,905)	(3,729,931)	(95,908)	3,634,023
Fund balance, beginning of year	22,579,208	22,579,208	22,579,208	-
Fund balance, end of year	\$ 19,841,303	\$ 18,849,277	\$ 22,483,300	\$ 3,634,023

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 Balances

Budget and Actual - Street Repair Millage Special Revenue Fund
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 10,009,176	\$ 10,009,176	\$ 10,124,678	\$ 115,502
Special assessments / improvement charges	-	-	28,111	28,111
Federal grants	-	-	125,874	125,874
Investment income	308,236	308,236	157,218	(151,018)
Contributions and donations	-	2,400,000	598,913	(1,801,087)
Total revenues	<u>10,317,412</u>	<u>12,717,412</u>	<u>11,034,794</u>	<u>(1,682,618)</u>
Expenditures				
Current - public works	10,844,029	4,775,837	4,752,021	(23,816)
Capital outlay	-	12,275,811	11,854,570	(421,241)
Total expenditures	<u>10,844,029</u>	<u>17,051,648</u>	<u>16,606,591</u>	<u>(445,057)</u>
Revenues over (under) expenditures	<u>(526,617)</u>	<u>(4,334,236)</u>	<u>(5,571,797)</u>	<u>(1,237,561)</u>
Other financing sources (uses)				
Transfers in	-	4,007,148	5,435,866	1,428,718
Transfers out	(93,670)	(818,275)	(818,275)	-
Total other financing sources (uses)	<u>(93,670)</u>	<u>3,188,873</u>	<u>4,617,591</u>	<u>1,428,718</u>
Net change in fund balance	<u>(620,287)</u>	<u>(1,145,363)</u>	<u>(954,206)</u>	<u>191,157</u>
Fund balances, beginning of year	<u>16,019,850</u>	<u>16,019,850</u>	<u>16,019,850</u>	<u>-</u>
Fund balances - end of year	<u>\$ 15,399,563</u>	<u>\$ 14,874,487</u>	<u>\$ 15,065,644</u>	<u>\$ 191,157</u>

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

CITY OF ANN ARBOR, MICHIGAN

Statement of Net Position
Proprietary Funds
June 30, 2015

	Business-type Activities - Enterprise Funds				
	Water Supply System	Sewage Disposal System	Parking System	Airport	Stormwater Sewer System
Assets					
Current assets:					
Cash	\$ 3,955,307	\$ 7,647,250	\$ -	\$ 30	\$ -
Equity in pooled cash and investments	25,722,621	31,650,173	1,849,181	708,846	9,238,902
Receivables:					
Accounts, net	4,279,648	4,531,138	-	103,131	1,831,971
Special assessments	16,754	31,335	-	-	-
Improvement charges	17,789	28,522	-	-	2,680
Taxes receivable	19,185	-	-	-	-
Due from other governments	5,728,651	1,481,180	-	-	159,831
Prepaid items	-	3,255,416	-	-	-
Inventories, at cost	725,588	88,043	-	-	-
Total current assets	40,465,543	48,713,057	1,849,181	812,007	11,233,384
Noncurrent assets:					
Receivables:					
Special assessments	54,148	87,465	-	-	-
Improvement charges	131,715	161,856	-	-	-
Capital assets not depreciated	16,249,095	147,554,577	3,934,897	708,927	631,851
Capital assets being depreciated, net	88,799,404	51,782,717	34,342,240	1,377,773	19,821,973
Total noncurrent assets	105,234,362	199,586,615	38,277,137	2,086,700	20,453,824
Total assets	145,699,905	248,299,672	40,126,318	2,898,707	31,687,208
Deferred outflows of resources					
Deferred charge on refunding	-	-	181,972	-	-
Deferred pension amounts	1,073,056	1,031,418	-	-	365,792
Total deferred outflows of resources	1,073,056	1,031,418	181,972	-	365,792
Liabilities					
Current liabilities:					
Accounts payable	2,535,332	9,675,602	-	32,806	528,167
Accrued liabilities	236,377	208,629	-	-	86,064
Accrued interest payable	523,678	1,100,060	123,575	2,507	71,365
Deposits	164,691	-	-	-	-
Advance from other funds	-	-	-	73,993	-
Bonds payable, current	3,338,837	2,995,000	2,385,000	-	702,617
Estimated claims payable, current	-	-	-	-	-
Compensated absences, current	332,929	316,269	-	-	118,809
Capital lease payable, current	-	-	-	-	-
Total current liabilities	7,131,844	14,295,560	2,508,575	109,306	1,507,022
Noncurrent liabilities:					
Advance from other funds	-	-	-	661,636	-
Bonds payable, net	42,296,900	110,960,696	9,981,335	-	13,284,562
Estimated claims payable, net	-	-	-	-	-
Compensated absences, net	738,672	302,089	-	-	40,640
Capital lease payable	-	-	-	-	-
Net pension liability	4,223,875	4,060,256	-	-	1,439,979
Total noncurrent liabilities	47,259,447	115,323,041	9,981,335	661,636	14,765,181
Total liabilities	54,391,291	129,618,601	12,489,910	770,942	16,272,203
Net position					
Net investment in capital assets	59,412,762	85,381,598	26,092,774	2,086,700	6,466,645
Restricted for debt service	3,801,130	9,221,344	-	-	-
Restricted for equipment replacement	10,538,637	8,626,009	-	-	-
Restricted for landfill	-	-	-	-	-
Unrestricted	18,629,141	16,483,538	1,725,606	41,065	9,314,152
Total net position	\$ 92,381,670	\$ 119,712,489	\$ 27,818,380	\$ 2,127,765	\$ 15,780,797

continued...

CITY OF ANN ARBOR, MICHIGAN

Statement of Net Position

Proprietary Funds

June 30, 2015

	Business-type Activities - Enterprise Funds		Governmental Activities
	Solid Waste	Total	Internal Service Funds
Assets			
Current assets:			
Cash	\$ 180,991	\$ 11,783,578	\$ 350
Equity in pooled cash and investments	19,366,744	88,536,467	37,616,075
Receivables:			
Accounts, net	694,010	11,439,898	49,267
Special assessments	-	48,089	-
Improvement charges	-	48,991	-
Taxes receivable	4,798	23,983	-
Due from other governments	-	7,369,662	-
Prepaid items	-	3,255,416	2,261,641
Inventories, at cost	-	813,631	1,063,396
Total current assets	<u>20,246,543</u>	<u>123,319,715</u>	<u>40,990,729</u>
Noncurrent assets:			
Receivables:			
Special assessments	-	141,613	-
Improvement charges	-	293,571	-
Capital assets not depreciated	1,804,381	170,883,728	90,005
Capital assets being depreciated, net	12,271,106	208,395,213	7,307,753
Total noncurrent assets	<u>14,075,487</u>	<u>379,714,125</u>	<u>7,397,758</u>
Total assets	<u>34,322,030</u>	<u>503,033,840</u>	<u>48,388,487</u>
Deferred outflows of resources			
Deferred charge on refunding	-	181,972	-
Deferred pension amounts	501,408	2,971,674	-
Total deferred outflows of resources	<u>501,408</u>	<u>3,153,646</u>	<u>-</u>
Liabilities			
Current liabilities:			
Accounts payable	882,603	13,654,510	1,395,514
Accrued liabilities	94,546	625,616	-
Accrued interest payable	-	1,821,185	-
Deposits	-	164,691	-
Advance from other funds	-	73,993	-
Bonds payable, current	-	9,421,454	-
Estimated claims payable, current	64,755	64,755	477,561
Compensated absences, current	129,695	897,702	-
Capital lease payable, current	42,305	42,305	-
Total current liabilities	<u>1,213,904</u>	<u>26,766,211</u>	<u>1,873,075</u>
Noncurrent liabilities:			
Advance from other funds	-	661,636	-
Bonds payable, net	-	176,523,493	-
Estimated claims payable, net	2,155,897	2,155,897	3,803,421
Compensated absences, net	123,116	1,204,517	-
Capital lease payable	63,459	63,459	-
Net pension liability	1,973,303	11,697,413	-
Total noncurrent liabilities	<u>4,315,775</u>	<u>192,306,415</u>	<u>3,803,421</u>
Total liabilities	<u>5,529,679</u>	<u>219,072,626</u>	<u>5,676,496</u>
Net position			
Net investment in capital assets	13,969,723	193,410,202	7,397,758
Restricted for debt service	-	13,022,474	-
Restricted for equipment replacement	-	19,164,646	-
Restricted for landfill	180,991	180,991	-
Unrestricted	15,143,045	61,336,547	35,314,233
Total net position	<u>\$ 29,293,759</u>	<u>\$ 287,114,860</u>	<u>\$ 42,711,991</u>

concluded.

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, 2015

	Business-type Activities - Enterprise Funds				
	Water Supply System	Sewage Disposal System	Parking System	Airport	Stormwater Sewer System
Operating revenues					
Charges for services	\$ 22,697,619	\$ 22,137,470	\$ 2,820,269	\$ 888,809	\$ 6,343,928
Operating expenses					
Personal services	7,086,985	6,009,837	-	278,505	1,997,476
Municipal service charge	391,452	436,704	-	53,064	206,124
Information technology charge	786,135	259,966	-	11,184	116,164
Other operating costs	5,669,045	4,778,099	60,017	329,851	3,026,351
Depreciation	3,329,209	2,276,972	1,715,497	42,044	313,199
Total operating expenses	17,262,826	13,761,578	1,775,514	714,648	5,659,314
Operating income (loss)	5,434,793	8,375,892	1,044,755	174,161	684,614
Nonoperating revenues (expenses)					
Interest income	250,410	740,828	12,634	5,835	84,628
Gain on sale of capital assets	67,250	-	-	-	-
Interest and fiscal charges	(1,231,950)	(3,080,716)	(369,213)	(32,032)	(326,857)
Property taxes	-	-	-	-	-
Total nonoperating revenues (expenses)	(914,290)	(2,339,888)	(356,579)	(26,197)	(242,229)
Income before contributions and transfers	4,520,503	6,036,004	688,176	147,964	442,385
Capital contributions	4,189,668	-	-	155,857	300,233
Transfers in	2,272,636	158,306	-	-	1,031,127
Transfers out	(3,083,134)	(2,429,311)	-	(8,111)	(2,323,934)
Changes in net position	7,899,673	3,764,999	688,176	295,710	(550,189)
Net position, beginning of year, as restated	84,481,997	115,947,490	27,130,204	1,832,055	16,330,986
Net position, end of year	\$ 92,381,670	\$ 119,712,489	\$ 27,818,380	\$ 2,127,765	\$ 15,780,797

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CITY OF ANN ARBOR, MICHIGAN

**Statement of Revenues, Expenses and
Changes in Fund Net Position**
Proprietary Funds
For the Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds		Governmental Activities
	Solid Waste	Total	Internal Service Funds
Operating revenues			
Charges for services	\$ 2,875,575	\$ 57,763,670	\$ 44,912,508
Operating expenses			
Personal services	3,161,630	18,534,433	6,725,612
Municipal service charge	262,128	1,349,472	1,387,728
Information technology charge	159,108	1,332,557	614,641
Other operating costs	8,455,883	22,319,246	30,640,509
Depreciation	948,054	8,624,975	2,805,248
Total operating expenses	12,986,803	52,160,683	42,173,738
Operating income (loss)	(10,111,228)	5,602,987	2,738,770
Nonoperating revenues (expenses)			
Interest income	199,624	1,293,959	334,116
Gain on sale of capital assets	-	67,250	114,145
Interest and fiscal charges	-	(5,040,768)	-
Property taxes	11,728,679	11,728,679	-
Total nonoperating revenues (expenses)	11,928,303	8,049,120	448,261
Income before contributions and transfers	1,817,075	13,652,107	3,187,031
Capital contributions	-	4,645,758	166,274
Transfers in	-	3,462,069	75,000
Transfers out	(448,732)	(8,293,222)	(859,143)
Changes in net position	1,368,343	13,466,712	2,569,162
Net position, beginning of year, as restated	27,925,416	273,648,148	40,142,829
Net position, end of year	\$ 29,293,759	\$ 287,114,860	\$ 42,711,991

concluded.

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, 2015

	Business-type Activities - Enterprise Funds				
	Water System	Sewage Disposal System	Parking System	Airport	Stormwater Sewer System
Cash flow from operating activities					
Receipts from customers	\$ 20,625,498	\$ 26,794,451	\$ 2,820,269	\$ 875,759	\$ 6,382,942
Payments to suppliers	(7,527,458)	(6,474,780)	(60,017)	(396,845)	(3,131,490)
Payments on behalf of employees	(6,901,279)	(6,132,050)	-	(299,757)	(2,002,458)
Net cash provided by (used in) operating activities	6,196,761	14,187,621	2,760,252	179,157	1,248,994
Cash flows from noncapital financing activities					
Transfers in	2,272,636	158,306	-	-	1,031,127
Transfers out	(3,083,134)	(2,429,311)	-	(8,111)	(2,323,934)
Property taxes	-	-	-	-	-
Repayment of advance from investment pool	-	-	-	(71,057)	-
Net cash provided by (used in) noncapital financing activities	(810,498)	(2,271,005)	-	(79,168)	(1,292,807)
Cash flows from capital and related financing activities					
Proceeds from sales of bonds and notes [1]	2,757,599	33,503,730	6,335,000	-	2,241,781
Capital contributions	4,189,668	-	-	155,857	300,233
Acquisition and construction of capital assets [1]	(6,319,998)	(35,668,547)	-	(152,478)	288,205
Principal paid on revenue bonds, maturities, capital leases and notes	(3,199,398)	(2,670,000)	(8,745,000)	-	(616,893)
Interest paid on bonds, notes, and capital leases	(1,262,901)	(2,658,667)	(351,430)	(32,274)	(311,183)
Proceeds from sale of equipment	67,250	-	-	-	-
Net cash provided by (used in) capital and related financing activities	(3,767,780)	(7,493,484)	(2,761,430)	(28,895)	1,902,143
Cash flows from investing activities					
Sale of investment securities	-	-	-	-	-
Interest and dividends on investments	250,410	740,828	12,634	5,835	84,628
Net cash provided by investing activities	250,410	740,828	12,634	5,835	84,628
Net change in cash and cash equivalents	1,868,893	5,163,960	11,456	76,929	1,942,958
Cash and cash equivalents, beginning of the year	27,809,035	34,133,463	1,837,725	631,947	7,295,944
Cash and cash equivalents, end of the year	\$ 29,677,928	\$ 39,297,423	\$ 1,849,181	\$ 708,876	\$ 9,238,902
Reconciliation to statement of net position					
Cash	\$ 3,955,307	\$ 7,647,250	\$ -	\$ 30	\$ -
Equity in pooled cash and investments	25,722,621	31,650,173	1,849,181	708,846	9,238,902
Cash and cash equivalent, end of year	\$ 29,677,928	\$ 39,297,423	\$ 1,849,181	\$ 708,876	\$ 9,238,902

continued...

CITY OF ANN ARBOR, MICHIGAN

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds		Governmental Activities
	Solid Waste	Total	Internal Service Funds
Cash flow from operating activities			
Receipts from customers	\$ 2,920,487	\$ 60,419,406	\$ 44,913,438
Payments to suppliers	(8,875,319)	(26,465,909)	(33,363,068)
Payments on behalf of employees	(3,191,035)	(18,526,579)	(8,008,545)
Net cash provided by (used in) operating activities	<u>(9,145,867)</u>	<u>15,426,918</u>	<u>3,541,825</u>
Cash flows from noncapital financing activities			
Transfers in	-	3,462,069	75,000
Transfers out	(448,732)	(8,293,222)	(859,143)
Property taxes	11,728,679	11,728,679	-
Repayment of advance from investment pool	-	(71,057)	-
Net cash provided by (used in) noncapital financing activities	<u>11,279,947</u>	<u>6,826,469</u>	<u>(784,143)</u>
Cash flows from capital and related financing activities			
Proceeds from sales of bonds and notes	-	44,838,110	-
Capital contributions	-	4,645,758	-
Acquisition and construction of capital assets	(70,314)	(41,923,132)	(557,455)
Principal paid on revenue bonds, maturities, capital leases and notes	(86,085)	(15,317,376)	-
Interest paid on bonds, notes, and capital leases	-	(4,616,455)	-
Proceeds from sale of equipment	-	67,250	121,401
Net cash provided by (used in) capital and related financing activities	<u>(156,399)</u>	<u>(12,305,845)</u>	<u>(436,054)</u>
Cash flows from investing activities			
Sale of investment securities	180,910	180,910	-
Interest and dividends on investments	199,625	1,293,960	334,116
Net cash provided by investing activities	<u>380,535</u>	<u>1,474,870</u>	<u>334,116</u>
Net change in cash and cash equivalents	2,358,216	11,422,412	2,655,744
Cash and cash equivalents, beginning of the year	<u>17,189,519</u>	<u>88,897,633</u>	<u>34,960,681</u>
Cash and cash equivalents, end of the year	<u>\$ 19,547,735</u>	<u>\$ 100,320,045</u>	<u>\$ 37,616,425</u>
Reconciliation to statement of net position			
Cash	\$ 180,991	\$ 11,783,578	\$ 350
Equity in pooled cash and investments	<u>19,366,744</u>	<u>88,536,467</u>	<u>37,616,075</u>
Cash and cash equivalent, end of year	<u>\$ 19,547,735</u>	<u>\$ 100,320,045</u>	<u>\$ 37,616,425</u>

continued..

CITY OF ANN ARBOR, MICHIGAN

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2015

	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)	\$ 5,434,793	\$ 8,375,892	\$ 1,044,755	\$ 174,161	\$ 684,614
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	3,329,209	2,276,972	1,715,497	42,044	313,199
Changes in assets and liabilities:					
Receivables	(101,322)	(369,853)	-	-	(519,364)
Allowance for uncollectible accounts	10,338	986	-	4,318	759
Due from other governments	(1,981,138)	5,025,842	-	(17,368)	557,620
Prepaid items	-	(246,987)	-	-	-
Inventories	55,303	11,796	-	-	-
Accounts payable	(753,571)	(765,711)	-	(2,746)	223,644
Accrued liabilities	18,553	1,698	-	(6,993)	15,864
Deposits	17,442	-	-	-	-
Estimated claims payable	-	-	-	-	-
Accrued compensated absences	90,335	(196,852)	-	(14,259)	(53,529)
Net pension liability	76,819	73,838	-	-	26,187
Net cash provided by (used in) operating activities	<u>\$ 6,196,761</u>	<u>\$ 14,187,621</u>	<u>\$ 2,760,252</u>	<u>\$ 179,157</u>	<u>\$ 1,248,994</u>

continued...

[1] These include a non-cash transaction for an asset financed with Washtenaw County debt.

CITY OF ANN ARBOR, MICHIGAN

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2015

	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)	\$ (10,111,228)	\$ 5,602,987	\$ 2,738,770
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	948,054	8,624,975	2,805,248
Changes in assets and liabilities:			
Receivables	43,553	(946,986)	4,492
Allowance for uncollectible accounts	1,358	17,759	(3,564)
Due from other governments	-	3,584,956	-
Prepaid items	-	(246,987)	(388,413)
Inventories	-	67,099	(137,908)
Accounts payable	(37,908)	(1,336,292)	43,855
Accrued liabilities	9,554	38,676	(200,399)
Deposits	-	17,442	-
Estimated claims payable	39,701	39,701	(237,725)
Accrued compensated absences	(74,846)	(249,151)	(1,082,531)
Unfunded pension liability	35,895	212,739	-
Net cash provided by (used in) operating activities	<u>\$ (9,145,867)</u>	<u>\$ 15,426,918</u>	<u>\$ 3,541,825</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, 2015

	Pension and Employee Benefit Trust Funds	Agency Funds
Assets		
Cash	\$ -	\$ 178,916
Equity in pooled cash and investments	2,061,922	165,567
Investments, at fair value:		
Equities	328,063,923	-
Fixed income	205,357,813	-
Other	72,770,513	-
Due from other governments	-	4,305
Accrued interest and dividends	695,622	-
Due from broker for securities sold	1,265,373	-
Capital assets (net of depreciation of \$100,528)	385,523	-
Total assets	<u>610,600,689</u>	<u>\$ 348,788</u>
Deferred outflows of resources		
Deferred pension amounts	<u>72,964</u>	
Liabilities		
Accounts payable	2,893,246	\$ -
Accrued liabilities	53,009	-
Due to broker for securities purchased	1,631,612	-
Mortgage payable, due in one year	26,190	-
Mortgage payable, due in more than one year	219,473	-
Net pension liability	287,187	-
Due to others	-	211,056
Due to other governments	-	72,340
Deposits	-	65,392
Total liabilities	<u>5,110,717</u>	<u>\$ 348,788</u>
Net position		
Net investment in capital assets	139,860	
Restricted for pensions	605,423,076	
Total net position	<u>\$ 605,562,936</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, 2015

Additions

Investment income:

From investing activities:

Appreciation in fair value of investments	\$ 16,910,659
Interest and dividends	6,160,819
Total investment income	<u>23,071,478</u>
Investment management fees	<u>(1,247,513)</u>
Net investment income from investing activities	<u>21,823,965</u>

From securities lending activities:

Gross earnings	69,853
Borrower rebates received (paid)	44,564
Securities lending fees	<u>(34,179)</u>
Net investment income from securities lending activities	<u>80,238</u>

Total net investment income	<u>21,904,203</u>
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Contributions:

Employer	28,071,206
Plan members	3,013,353
Total contributions	<u>31,084,559</u>

Total additions	<u>52,988,762</u>
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Deductions

Benefits	42,905,949
Refund of contributions	520,517
Administrative expense	<u>700,838</u>

Total deductions	<u>44,127,304</u>
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Change in net position	8,861,458
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Net position, beginning of year, as restated	<u>596,701,478</u>
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Net position, end of year	<u><u>\$ 605,562,936</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, 2015

	Housing Commission	SmartZone Local Development Finance Authority	Downtown Development Authority	Total
Assets				
Cash	\$ 1,370,414	\$ -	\$ 399,269	\$ 1,769,683
Equity in pooled cash and investments	-	1,591,485	-	1,591,485
Investments, at fair value	-	-	16,401,823	16,401,823
Receivables	406,241	1,108,108	29,994	1,544,343
Other assets	84,572	-	-	84,572
Capital assets not being depreciated	428,817	-	-	428,817
Capital assets being depreciated, net	1,177,338	-	-	1,177,338
Total assets	3,467,382	2,699,593	16,831,086	22,998,061
Deferred outflows of resources				
Deferred pension amounts	13,876	-	-	13,876
Liabilities				
Accounts payable and accrued liabilities	528,793	210,057	5,959,113	6,697,963
Due to other governments	202,220	-	59,530	261,750
Unearned revenue	94,335	1,082,679	-	1,177,014
Long-term liabilities:				
Due within one year	34,600	-	269,211	303,811
Due in more than one year:	18,359	-	310,415	328,774
Net pension liability	70,644	-	-	70,644
Total liabilities	948,951	1,292,736	6,598,269	8,839,956
Net position				
Net investment in capital assets	1,606,155	-	-	1,606,155
Restricted for capital projects	336,515	-	-	336,515
Unrestricted	589,637	1,406,857	10,232,817	12,229,311
Total net position	\$ 2,532,307	\$ 1,406,857	\$ 10,232,817	\$ 14,171,981

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, 2015

	Housing Commission	SmartZone Local Development Finance Authority	Downtown Development Authority	Total
Expenses				
Housing and economic development	\$ 22,338,897	\$ 1,861,534	\$ 23,612,516	\$ 47,812,947
Program revenues				
Charges for services	330,983	-	21,399,834	21,730,817
Operating grants and contributions	15,167,248	-	-	15,167,248
Capital grants and contributions	1,223,878	-	-	1,223,878
Total program revenues	16,722,109	-	21,399,834	38,121,943
Net program expense	(5,616,788)	(1,861,534)	(2,212,682)	(9,691,004)
General revenues				
Property taxes	-	2,321,467	5,071,211	7,392,678
Unrestricted investment earnings	5,585	15,728	92,546	113,859
Other general revenues	-	25,429	-	25,429
Total general revenues	5,585	2,362,624	5,163,757	7,531,966
Change in net position	(5,611,203)	501,090	2,951,075	(2,159,038)
Net position, beginning of year, as restated	8,143,510	905,767	7,281,742	16,331,019
Net position, end of year	\$ 2,532,307	\$ 1,406,857	\$ 10,232,817	\$ 14,171,981

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 \$7.1 million for debt service payments and other transfers for maintenance. 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 \$49,677 as of June 30, 2015.

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.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

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.

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.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

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.

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):

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

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

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 change 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.

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 the 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.

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 \$481,982 are included in assigned fund balance of the general fund, \$8,445,034 in restricted fund balance of the street repair millage special revenue fund, and \$2,466,266 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.

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.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

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, 2015, 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, 2015:

	Primary Government	Component Units	Total
Statement of net position			
Cash	\$ 12,006,851	\$ 1,769,683	\$ 13,776,534
Equity in pooled cash and investments	209,545,653	1,591,485	211,137,138
Investments	2,066,000	16,401,823	18,467,823
Statement of fiduciary net position			
Cash	178,916	-	178,916
Equity in pooled cash and investments	2,227,489	-	2,227,489
Investments	606,192,249	-	606,192,249
Total	\$ 832,217,158	\$ 19,762,991	\$ 851,980,149

continued...

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

Deposits and investments

Bank deposits (demand accounts and certificates of deposit)	\$ 31,459,777
Investments in securities, mutual funds and similar vehicles:	
City investment pool	197,915,720
Employees' Retirement System	474,001,935
Retiree Health Care Trust Fund	132,190,314
Downtown Development Authority	16,401,823
Cash on hand	<u>10,580</u>
	<u><u>\$ 851,980,149</u></u>

concluded.

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	\$ 29,394,971	\$ 29,140,892	\$ 636,923	\$ 28,503,969
15th District Court	295,323	309,996	250,000	59,996
Downtown Development Authority	399,069	573,086	250,000	323,086
Housing Commission	1,370,414	1,511,465	500,000	1,011,465
	<u>1,370,414</u>	<u>1,511,465</u>	<u>500,000</u>	<u>1,011,465</u>
Totals	<u><u>\$ 31,459,777</u></u>	<u><u>\$ 31,535,439</u></u>	<u><u>\$ 1,636,923</u></u>	<u><u>\$ 29,898,516</u></u>

The uninsured bank balance of \$29,898,516 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 \$1,830,685 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.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

Investments - City Investment Pool

Following is a summary of the City's investments as of June 30, 2015:

U.S. treasuries	\$ 75,650,967
U.S. agencies	122,021,864
Money market accounts	<u>242,889</u>
Total Investments	<u>\$ 197,915,720</u>

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

Custodial Credit Risk - Investments. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that investment securities be held in third-party safekeeping by a designated institution and that the safekeeping agent follow the procedure of delivery vs. payment. As of June 30, 2015, 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, 2015, 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, 2015, the investment portfolio was concentrated as follows:

Investment Type	Issuer	% of Portfolio
U.S. agencies	Federal National Mortgage Association	12.13%
U.S. agencies	Federal Farm Credit Bank	22.84%
U.S. agencies	Federal Home Loan Mortgage	12.26%
U.S. agencies	Federal Home Loan Bank	14.42%

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

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.

Interest Rate Risk. As of June 30, 2015, 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	\$ 75,650,967	\$ 20,516,218	\$ 54,722,025	\$ 412,724
U.S. agencies	122,021,864	5,996,918	97,672,750	18,352,196
	<u>\$ 197,672,831</u>	<u>\$ 26,513,136</u>	<u>\$ 152,394,775</u>	<u>\$ 18,764,920</u>

Of the above balances, \$56,496,834 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.

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.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

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.

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, 2015, 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><u>100%</u></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, 2015 (investments at fair value, as determined by quoted market price):

	Domestic	Foreign	Total	On Loan
Equities				
Common stock	\$ 25,020,219	\$ 301,191	\$ 25,321,410	\$ 12,220,163
Common stock funds	173,788,679	50,492,405	224,281,084	-
Private equity	3,388,011	-	3,388,011	-
	<u>202,196,909</u>	<u>50,793,596</u>	<u>252,990,505</u>	<u>12,220,163</u>
Fixed income				
Government agency funds	109,624,851	-	109,624,851	-
Corporate bonds	-	2,775,094	2,775,094	-
Corporate bond funds	18,130,353	6,921,113	25,051,466	-
Bank loan participation	14,100,941	-	14,100,941	-
Private credit	2,120,134	-	2,120,134	-
Index linked government bonds	10,051,695	-	10,051,695	-
	<u>154,027,974</u>	<u>9,696,207</u>	<u>163,724,181</u>	<u>-</u>
Other				
Real estate	35,005,204	-	35,005,204	-
Hedge funds	6,531,003	9,071,284	15,602,287	-
Short-term investment funds	6,679,758	-	6,679,758	-
	<u>48,215,965</u>	<u>9,071,284</u>	<u>57,287,249</u>	<u>-</u>
Total	<u>\$ 404,440,848</u>	<u>\$ 69,561,087</u>	<u>\$ 474,001,935</u>	<u>\$ 12,220,163</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 fixed income securities were rated by S&P as follows at June 30, 2015 (investments in short-term funds, corporate bond bonds and hedge funds are not rated):

Baa2 (Moody's)	\$ 2,775,094
Not rated	<u>160,949,087</u>
	<u>\$ 163,724,181</u>

The System's fixed income securities consisted of the following at June 30, 2015:

Government agency funds	\$ 109,624,851
Corporate bonds	2,775,094
Corporate bond funds	25,051,466
Bank loan participation	14,100,941
Private credit	2,120,134
Index linked government bonds	<u>10,051,695</u>
	<u>\$ 163,724,181</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.

As of June 30, 2015, maturities of the System's debt securities were as follows (in years):

Corporate bonds	4.13
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Rate of return. For the year ended June 30, 2015, the annual money-weighted rate of return on plan investments, net of investment expenses, was 4.35. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

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

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

At June 30, 2015, the total collateral received from borrowers had a fair value of \$28,457,575, all of which was cash.

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.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

The Association's investments are held by an independent trust company. Following is a summary of the Association's investments as of June 30, 2015:

	Domestic	Foreign	Total	On Loan
Common stock	\$ 17,012,521	\$ -	\$ 17,012,521	\$ 10,380,294
Common stock funds	39,003,304	19,057,593	58,060,897	-
Corporate bond funds	30,222,632	3,377,458	33,600,090	-
Bank loan participation	5,018,128	-	5,018,128	-
Private credit	530,034	-	530,034	-
Index linked government bonds	3,015,414	-	3,015,414	-
Real estate	10,433,505	-	10,433,505	-
Short-term fund	4,519,725	-	4,519,725	-
Total	\$ 109,755,263	\$ 22,435,051	\$ 132,190,314	\$ 10,380,294

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

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

The Association's investments in fixed income securities were rated by S&P as follows at June 30, 2015 (investments in short-term funds and corporate bond funds are not rated):

Not rated	<u>\$ 41,633,632</u>
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The Association's fixed income securities consisted of the following at June 30, 2015:

Corporate bond funds	\$ 33,600,090
Bank loan participation	5,018,128
Index linked government bonds	<u>3,015,414</u>
	<u>\$ 41,633,632</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.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

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, 2015, the total collateral received from borrowers had a fair value of \$10,597,129, all of which was cash.

Investments - DDA Component Unit

Custodial Credit Risk - Deposits. As of June 30, 2015, the carrying amounts of the DDA's deposits were \$399,069 and the bank balance was \$573,086, of which \$323,086 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, 2015:

U.S. government agencies	\$ 6,748,149
Money market accounts	<u>9,653,674</u>
Total Investments	<u>\$ 16,401,823</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, 2015, 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, 2015, 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	\$ 6,748,149	\$ 4,016,852	\$ 997,618	\$ 1,733,679

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.

5. RECEIVABLES

Receivables in the governmental and business-type activities, of which \$568,636 and \$141,613, respectively, are not expected to be collected within one year, are as follows:

	Governmental Activities	Business-type Activities
Taxes	\$ 107,341	\$ 23,983
Accounts	1,622,085	11,439,898
Special assessments	648,572	189,702
Accrued interest and dividends	6,845	-
Improvement charges	1,637	342,562
Loans	8,085	-
Due from other governments	7,903,313	7,369,662
	<u>\$ 10,297,878</u>	<u>\$ 19,365,807</u>

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

6. INTERFUND RECEIVABLES AND PAYABLES

For the year ended June 30, 2015, interfund receivables and payables consisted of the following:

	Due from Other Funds	Due to Other Funds
General fund	\$ 2,197,670	\$ -
Nonmajor governmental funds	-	2,197,670
	<u>\$ 2,197,670</u>	<u>\$ 2,197,670</u>
	Advances to Other Funds	Advances from Other Funds
General fund	\$ 735,629	\$ -
Airport enterprise fund	-	735,629
	<u>\$ 735,629</u>	<u>\$ 735,629</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, 2015 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 59,505,264	\$ 330,335	\$ -	\$ 59,835,599
Construction in progress	60,376,586	1,605,716	(58,569,108)	3,413,194
Total capital assets not depreciated	<u>119,881,850</u>	<u>1,936,051</u>	<u>(58,569,108)</u>	<u>63,248,793</u>
Capital assets being depreciated:				
Buildings	113,174,218	55,631,312	-	168,805,530
Improvements other than buildings	17,713,477	2,754,746	-	20,468,223
Machinery and equipment	15,208,221	708,762	(213,644)	15,703,339
Vehicles	18,124,803	437,846	(620,894)	17,941,755
Intangible assets	1,173,590	-	-	1,173,590
Infrastructure	762,531,278	17,508,866	(3,865,541)	776,174,603
Total capital assets being depreciated	<u>927,925,587</u>	<u>77,041,532</u>	<u>(4,700,079)</u>	<u>1,000,267,040</u>
Less accumulated depreciation for:				
Buildings	(19,927,049)	(2,798,155)	-	(22,725,204)
Improvements other than buildings	(7,688,975)	(587,074)	-	(8,276,049)
Machinery and equipment	(12,293,611)	(846,601)	213,644	(12,926,568)
Vehicles	(10,516,895)	(2,186,868)	613,639	(12,090,124)
Intangible assets	(704,154)	(234,719)	-	(938,873)
Infrastructure	(175,476,358)	(21,902,388)	3,707,679	(193,671,067)
Total accumulated depreciation	<u>(226,607,042)</u>	<u>(28,555,805)</u>	<u>4,534,962</u>	<u>(250,627,885)</u>
Total capital assets being depreciated, net	<u>701,318,545</u>	<u>48,485,727</u>	<u>(165,117)</u>	<u>749,639,155</u>
Governmental activities capital assets, net	<u>\$ 821,200,395</u>	<u>\$ 50,421,778</u>	<u>\$ (58,734,225)</u>	<u>\$ 812,887,948</u>

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

Depreciation of governmental activities by function	
General government	\$ 1,564,990
Public safety	126,891
Public works	22,939,727
Culture and recreation	1,118,949
Capital assets held by the government's internal service are charge to various activities based on asset usage	<u>2,805,248</u>
Total depreciation expense - governmental activities	<u>\$ 28,555,805</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	133,357,003	45,227,975	(14,992,599)	163,592,379
Total capital assets not depreciated	140,648,352	45,227,975	(14,992,599)	170,883,728
Capital assets being depreciated:				
Buildings	141,556,985	-	-	141,556,985
Improvements other than buildings	197,583,419	9,669,892	-	207,253,311
Machinery and equipment	28,361,870	247,277	-	28,609,147
Vehicles	2,514,208	538,308	(237,938)	2,814,578
Drain benefit	-	3,662,284	-	3,662,284
Total capital assets being depreciated	370,016,482	14,117,761	(237,938)	383,896,305
Less accumulated depreciation for:				
Buildings	(66,536,824)	(3,592,430)	-	(70,129,254)
Improvements other than buildings	(76,491,798)	(3,592,858)	-	(80,084,656)
Machinery and equipment	(21,681,470)	(1,330,523)	-	(23,011,993)
Vehicles	(2,403,963)	(109,164)	237,938	(2,275,189)
Total accumulated depreciation	(167,114,055)	(8,624,975)	237,938	(175,501,092)
Total capital assets being depreciated, net	202,902,427	5,492,786	-	208,395,213
Total capital assets				
being depreciated, net	202,902,427	5,492,786	-	208,395,213
Business-type activities capital assets, net	\$ 343,550,779	\$ 50,720,761	\$ (14,992,599)	\$ 379,278,941

Capital asset beginning balances were decreased in the business-type activities and increased in the governmental activities by the same amount. See Note 22 for further explanation.

8. PAYABLES

Payables in the governmental activities are 20.6% accrued liabilities, 44.3% vendors, 28.6% claims payable, 3.8% deposits payable and 2.7% due to other governments. Payables in the business-type activities are 3.8% accrued liabilities, 81.9% vendors, 13.3% claims payable and 1.0% 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 2015 was \$187,842. The following is a table of future minimum noncancellable lease payments by the City:

2016	\$ 123,448
2017	112,796
2018	114,728
2019	<u>19,336</u>
Total	<u>\$ 370,308</u>

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

Operating Leases Receivable. The City is the lessor of various parking, office and airport facilities under operating leases for periods through 2035. Revenues and the related expenses for these leases are recorded in various funds. The total rent revenue for fiscal year 2015 was \$1,042,530. The total revenue includes \$535,130 for cell towers, \$28,465 for office space, \$339,099 for airport hangers, and \$139,836 for other rentals. All related City assets are fully depreciated. The following is a table of future minimum noncancellable lease payments to the City:

2016	\$ 963,154
2017	867,361
2018	874,621
2019	874,183
2020	722,582
2021-2025	2,288,817
2026-2030	919,935
2031-2035	<u>570,559</u>
Total	<u>\$ 8,081,212</u>

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

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

10. TRANSFERS

A summary of interfund transfers for the year ended June 30, 2015, is as follows:

		Transfers In						
		Street Repair Millage	NMGF	Water Supply System	Sewage Disposal System	Stormwater System	Internal Service	Totals
Transfers Out								
General	\$	-	\$ 2,282,689	\$ 51,688	\$	\$ 1,000,000	\$ 75,000	\$ 3,409,377
SRM		-	-	818,275	-	-	-	818,275
NMGF		28,316	3,220,390	91,700	-	31,127	-	3,451,434
WTR		1,051,260	176,200	-	-	-	-	3,083,134
SWR		-	-	789,313	-	-	-	2,429,311
AIR		-	-	8,111	-	-	-	8,111
STRM		85,000	-	220,335	158,306	-	-	2,323,934
SW		30,000	225,292	193,440	-	-	-	448,732
ISF		-	759,369	99,774	-	-	-	859,143
		<u>\$ 1,194,576</u>	<u>\$ 6,663,940</u>	<u>\$ 2,272,636</u>	<u>\$ 158,306</u>	<u>\$ 1,031,127</u>	<u>\$ 75,000</u>	<u>\$ 16,831,451</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 are 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. Therefore, no liability has been accrued in the statement of net position. 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	\$ 50,000
2005 open space preservation	2016	4.0 - 4.5%	20,250,000	535,000
2006 maintenance facility	2031	4.0 - 5.0%	24,635,000	18,645,000
2008 court and police facilities	2038	4.0 - 5.0%	27,660,000	25,310,000
2009 capital improvements (BAB)	2035	3.5 - 6.5%	49,420,000	44,710,000
2012 transportation fund	2023	2.0 - 2.4%	2,670,000	2,005,000
2013 1st and Washington (series A)	2032	1.75 - 3.0%	4,480,000	4,115,000
2013 1st and Washington (series B)	2032	2.0 - 3.75%	4,045,000	3,690,000
2013 clean energy	2024	3.5 - 4.34%	560,000	480,000
2015 open space preservation	2034	2.0 - 3.375%	16,235,000	16,235,000
Total governmental activities			\$ 150,245,000	\$ 115,775,000
Business-type activities				
2007 parking	2027	4.0 - 4.25%	\$ 4,250,000	\$ 3,095,000
2009 parking - refunding	2017	3.0 - 3.5%	3,570,000	1,095,000
2012 parking - refunding	2022	1.0 - 2.0%	2,230,000	1,615,000
2015 parking - refunding	2020	2.0 - 3.0%	6,335,000	6,335,000
Total business-type activities			\$ 16,385,000	\$ 12,140,000

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

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 4,128,000	\$ 4,330,668	\$ 2,385,000	\$ 473,937
2017	4,443,000	4,335,111	2,400,000	373,415
2018	4,574,000	4,200,787	1,840,000	286,719
2019	4,718,000	4,055,469	1,840,000	201,094
2020	4,908,000	3,900,821	1,170,000	127,536
2021-25	26,864,000	16,838,452	1,860,000	322,112
2026-30	31,820,000	11,378,198	645,000	41,437
2031-35	29,290,000	4,736,522	-	-
2036-38	5,030,000	511,250	-	-
	\$ 115,775,000	\$ 54,287,278	\$ 12,140,000	\$ 1,826,250

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

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	2028	4.0 - 4.75%	\$ 23,375,000	\$ 19,050,000
2012 water - refunding	2024	2.0 - 2.5%	10,450,000	7,420,000
2008 sewer	2033	3.25 - 4.75%	24,550,000	21,300,000
2013 sewer - refunding	2025	3.25 - 4.75%	17,985,000	17,985,000
Total business-type activities			<u>\$ 76,360,000</u>	<u>\$ 65,755,000</u>

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

	Principal	Interest
2016	\$ 5,025,000	\$ 2,322,361
2017	5,165,000	2,186,028
2018	4,600,000	2,048,886
2019	4,735,000	1,913,220
2020	4,615,000	1,775,587
2021-25	24,640,000	6,369,971
2026-30	12,100,000	2,398,560
2031-35	4,875,000	354,469
	<u>\$ 65,755,000</u>	<u>\$ 19,369,082</u>

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	\$ 3,825,000
DWRF #7146-01	2024	2.13%	557,950	262,950
DWRF #7325-01	2030	2.50%	624,750	488,271
DWRF #7333-01	2032	2.50%	5,614,250	4,260,604
DWRF #7362-01	2034	2.50%	8,864,396	8,178,958
DWRF #7375-01	2035	2.000%	3,025,000	1,888,728
2004 SWQIF #3002-01	2024	1.625%	874,672	429,672
2005 SWQIF #3002-02	2025	1.625%	879,382	474,382
2006 SWQIF #3002-03	2026	1.625%	889,903	524,903
2007 SWQIF #3002-04	2027	1.63%	964,976	614,976
2008 SWQIF #3002-05	2028	2.50%	900,000	635,000
2009 SWQIF #3010-01	2029	2.50%	1,310,000	980,000

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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	\$ 1,050,000
2012 SWQIF #3010-03	2032	2.50%	1,365,000	1,199,760
2013 SWQIF #3010-04	2033	2.50%	891,703	781,703
2012 CWRP #5441-01	2036	2.50%	34,407,832	32,829,821
2013 CWRP #5441-02	2038	2.00%	73,305,000	34,855,720
2014 SRF (Washtenaw County)	TBD	2.00%	TBD	159,830
Total business-type activities			<u>\$ 140,369,814</u>	<u>\$ 93,440,278</u>

concluded.

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

	Principal	Interest
2016	\$ 1,370,000	\$ 2,139,752
2017	2,747,832	2,100,875
2018	2,815,000	2,037,418
2019	5,890,000	1,972,415
2020	6,020,000	1,877,222
2021-25	32,082,004	7,879,614
2026-30	34,593,150	5,168,954
2031-35	34,167,067	2,384,926
2036-38	15,100,000	299,252
	<u>134,785,053</u>	<u>25,860,428</u>
Remaining available to draw	(41,504,605)	-
Unscheduled maturities	159,830	-
	<u>\$ 93,440,278</u>	<u>\$ 25,860,428</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.

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>\$ 35,000</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
2016	\$ 20,000	\$ 1,625
2017	15,000	705
	<u>\$ 35,000</u>	<u>\$ 2,330</u>

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	\$ 1,095,959
2006 Traver Creek project	2016	4.05 - 4.2%	492,602	52,102
2009 Pioneer High project	2031	2.5%	2,661,000	2,101,126
2010 Stadium Blvd phase I	2029	2.5%	165,000	135,000
2010 Stadium Blvd phase II	2032	2.5%	953,386	802,435
2010 West Park project	2031	2.5%	1,035,000	831,265
2010 Sylvan Ave project	2030	2.5%	405,000	330,000
2011 Swift Run cistern	2032	2.5%	26,362	23,862
2011 County Farm streambank	2032	2.5%	349,699	302,199
2011 Stadium Bridge project	2033	2.5%	162,209	142,209
2011 Burns Park project	2032	2.5%	1,122,487	914,245
2011 Traver Creek cistern	2032	2.5%	206,794	162,584
2011 Allen Creek cistern I	2032	2.5%	140,746	125,746
2011 Allen Creek cistern II	2032	2.5%	31,261	28,761
2012 Leslie Park project	2033	2.5%	717,106	596,482
2012 Willard Street project	2032	2.5%	123,819	106,319
2012 SRF tree planting	2033	2.5%	167,467	154,967
2013 Huron River infrastructure I	2034	2.5%	232,500	154,458
2013 Huron River infrastructure II	2035	2.0%	300,000	190,059
2013 Allen Creek Miller Ave	2034	2.0%	809,350	734,220
2013 Allen Creek Madison Ave	2034	2.0%	1,049,664	831,276
2013 Allen Creek Fourth Ave I	2033	2.0%	175,163	160,163
2013 Allen Creek Fourth Ave II	2034	2.0%	277,500	134,699
2014 Allen Creek Fairgrounds	2034	2.0 - 3.5%	2,430,000	2,360,000
2014 Mallets Creek Stone School	2035	2.5%	2,025,000	1,102,887
2014 Mallets Creek Springwater	2035	2.5%	354,845	254,324
			<u>\$ 18,593,960</u>	<u>\$ 13,827,347</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
2016	\$ 764,636	\$ 330,200
2017	725,597	313,647
2018	745,597	298,392
2019	762,395	283,427
2020	784,895	267,756
2021-25	4,206,116	1,084,683
2026-30	4,599,529	601,260
2031-35	2,789,004	137,303
	<u>15,377,769</u>	<u>3,316,668</u>
Remaining available to draw	<u>(1,550,422)</u>	<u>-</u>
	<u>\$ 13,827,347</u>	<u>\$ 3,316,668</u>

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, 2015:

Equipment	\$ 211,528
Less: accumulated depreciation	<u>(45,831)</u>
Net book value	<u>\$ 165,697</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, 2015:

2016	\$ 42,305
2017	42,305
2018	<u>21,154</u>
Present value of future minimum lease payments	<u>\$ 105,764</u>

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

Changes in long-term debt. Long-term debt activity for fiscal 2015 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Primary government					
Governmental activities					
General obligation bonds	\$ 119,725,000	\$ 16,235,000	\$ (20,185,000)	\$ 115,775,000	\$ 4,128,000
Special assessment bonds	60,000	-	(25,000)	35,000	20,000
Deferred amounts:					
For issuance premiums	201,014	-	(5,972)	195,042	-
For issuance discounts	(338,492)	(135,652)	128,432	(345,712)	-
Compensated absences	12,869,396	5,627,771	(4,877,906)	13,619,261	4,877,906
Total governmental activities debt	\$ 132,516,918	\$ 21,727,119	\$ (24,965,446)	\$ 129,278,591	\$ 9,025,906
Business-type activities					
General obligation bonds	\$ 14,550,000	\$ 6,335,000	\$ (8,745,000)	\$ 12,140,000	\$ 2,385,000
Revenue bonds	70,390,000	-	(4,635,000)	65,755,000	5,025,000
Revolving loans	58,253,512	36,421,162	(1,234,396)	93,440,278	1,308,837
Drain notes	9,932,292	4,511,950	(616,895)	13,827,347	702,617
Capital leases	191,849	-	(86,085)	105,764	42,305
Deferred amounts:					
For issuance premiums	1,191,018	245,613	(557,619)	879,012	-
For issuance discounts	(105,946)	9,256	-	(96,690)	-
Compensated absences	2,354,822	645,099	(897,702)	2,102,219	897,702
Total business-type activities debt	\$ 156,757,547	\$ 48,168,080	\$ (16,772,697)	\$ 188,152,930	\$ 10,361,461
Component unit					
Downtown Development Authority purchase agreement					
	\$ 833,197	\$ -	\$ (253,571)	\$ 579,626	\$ 269,211
Housing Commission compensated absences					
	57,304	75,568	(79,913)	52,959	34,600
Total component unit	\$ 890,501	\$ 75,568	\$ (333,484)	\$ 632,585	\$ 303,811

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 \$1,480,655 at June 30, 2015 and is included in estimated claims payable. The total estimated claims payable of \$4,280,982 is reflected in the insurance fund at June 30, 2015. 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
2014	\$ 4,649,716	\$ 14,680,374	\$ (14,811,383)	\$ 4,518,707
2015	4,518,707	17,539,684	(17,777,409)	4,280,982

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, 2014 as controlled by the Headlee Amendment, Act 415 and City Charter, is 6.1682 mills raising \$30.6 million. Other tax rates and amounts raised are as follows: employee benefits (2.0560) raising \$10.2 million, refuse collection (2.4670) raising \$12.2 million, Ann Arbor Area Transportation Authority (2.0560) raising \$10.2 million, street & sidewalk repair (2.1250) raising \$10.5 million, parks maintenance and repair (1.1000) raising \$5.46 million, and open space and parkland preservation Millage (0.4779) raising \$2.37 million. Real and personal property located in the City as of December 31, 2013 were assessed and equalized at \$5,447,340,500, 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 2014 taxable value on March 9, 2015, was \$4,957,261,544. 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, 2014, the date of the latest actuarial valuation, System membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	971
Terminated employees entitled to but not yet receiving benefits	145
Active members	<u>660</u>
Total membership	<u><u>1,776</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 2015 were 25.9% to 30.2% 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 City's net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014.

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2014, 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

The actuarial assumptions used in the June 30, 2014 valuation 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, 2015 (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, 2014	\$ 523,461,311	\$ 469,476,311	\$ 53,985,000
Changes for the year:			
Service cost	9,760,000	-	9,760,000
Interest	35,978,096	-	35,978,096
Changes in benefits terms	-	-	-
Differences between expected and actual experience	279,000	-	279,000
Changes in assumptions	-	-	-
Employer contributions	-	13,091,474	(13,091,474)
Employee contributions	-	3,013,353	(3,013,353)
Net investment income	-	20,144,251	(20,144,251)
Benefit payments, including refunds of employee contributions	(32,667,512)	(32,667,512)	-
Administrative expense	-	(683,980)	683,980
Net changes	13,349,584	2,897,586	10,451,998
Balances at June 30, 2015	\$ 536,810,895	\$ 472,373,897	\$ 64,436,998

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	\$ 124,235,000	\$ 64,436,998	\$ 14,088,000

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, 2015, the City recognized pension expense of \$712,223. At June 30, 2015, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Changes in benefit terms	\$ -
Difference between expected and actual experience	189,576
Changes in assumptions	-
Net difference between projected and actual earnings on pension plan investments	9,759,200
	<u>9,948,776</u>
Contributions subsequent to measurement date	-
	<u>-</u>
Total	<u>\$ 9,948,776</u>

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

Year Ended June 30,	Amount
2016	\$ 2,529,223
2017	2,529,223
2018	2,450,530
2019	<u>2,439,800</u>
	<u>\$ 9,948,776</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 2015, the City contributed \$14,979,732 to the plan, including \$10,758,954 for current premiums and an additional \$4,220,778 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	\$ 11,974,000
Interest on net OPEB obligation	535,057
Adjustment to annual required contribution	<u>(363,058)</u>
Net OPEB cost	12,145,999
Contributions made	<u>14,979,732</u>
Change in net OPEB obligation	<u>(2,833,733)</u>
Net OPEB obligation, beginning of year	<u>7,643,669</u>
 Net OPEB obligation, end of year	 <u><u>\$ 4,809,936</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the new OPEB obligation for 2015 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
2015	\$ 12,145,999	123%	\$ 4,809,936
2014	12,296,122	124%	7,643,669
2013	12,578,122	119%	10,535,647

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

As of June 30, 2014, the most recent actuarial valuation date, the plan was 44.1 percent funded. The actuarial accrued liability for benefits was \$264.2 million, and the actuarial value of assets was \$116.6 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$147.6 million. The covered payroll (annual payroll of active employees covered by the plan) was \$48.0 million, and the ratio of the UAAL to the covered payroll was 307.8 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, 2014, 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 8.0 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after eight 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, 2015 was \$2,128,349, 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, 2015, the City had \$10,591,707 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%)
2016	\$ 26,190	\$ 10,644	\$ 73,993	\$ 29,339
2017	27,370	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	35,640	1,194	98,237	5,094
2024	-	-	50,630	1,035
	<u>\$ 245,663</u>	<u>\$ 49,011</u>	<u>\$ 735,629</u>	<u>\$ 142,688</u>
Total principal	\$ 981,292			
Total interest	191,699			
Total requirements	<u>\$ 1,172,991</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	\$ 735,629	\$ -	\$ -	\$ 735,629
Inventories	30,005	-	-	30,005
Trust corpus	-	-	1,984,000	1,984,000
Total nonspendable	765,634	-	1,984,000	2,749,634
Restricted				
Debt service	-	-	1,123,144	1,123,144
Culture and recreation	-	-	13,954,182	13,954,182
Road maintenance and repairs	-	-	17,566,585	17,566,585
Road construction	-	15,065,644	-	15,065,644
Law enforcement	-	-	977,781	977,781
Other purposes	-	-	6,432,910	6,432,910
Total restricted	-	15,065,644	40,054,602	55,120,246
Committed				
Culture and recreation	-	-	123,243	123,243
Other purposes	-	-	3,860,912	3,860,912
Total committed	-	-	3,984,155	3,984,155
Assigned				
Capital projects	-	-	2,642,775	2,642,775
Culture and recreation	437,431	-	-	437,431
Human services	1,459,111	-	-	1,459,111
Other purposes	2,585,968	-	-	2,585,968
Total assigned	4,482,510	-	2,642,775	7,125,285
Unassigned	17,235,156	-	-	17,235,156
Total fund balances	\$ 22,483,300	\$ 15,065,644	\$ 48,665,532	\$ 86,214,476

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	\$ 63,248,793	\$ 170,883,728
Being depreciated	749,639,155	208,395,213
Total capital assets	<u>812,887,948</u>	<u>379,278,941</u>
Less related debt		
General obligation bonds	(115,775,000)	(12,140,000)
Revenue bonds	-	(65,755,000)
Revolving loans	-	(93,440,278)
Drain notes	-	(13,827,347)
Special assessment debt	(35,000)	-
Capital leases	-	(105,764)
Deferred amounts:		
For issuance premiums	(195,042)	(879,012)
For issuance discounts	345,712	96,690
On refunding	<u>562,488</u>	<u>181,972</u>
Net investment in capital assets	<u>\$ 697,791,106</u>	<u>\$ 193,410,202</u>

22. RESTATEMENTS

The City adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. As a result of this change, beginning net position of the governmental activities, business-type activities, water supply system enterprise fund, sewage disposal system enterprise fund, stormwater sewer system enterprise fund, solid waste enterprise funds and employees' retirement system pension trust fund decreased by \$46,108,612, \$8,513,000, \$3,074,000, \$2,955,000, \$1,048,000, \$1,436,000 and \$209,000, respectively.

Beginning net position of business-type activities decreased by \$216,370, and increased in the governmental activities by the same amount, to account for the closure of the market enterprise fund.

Beginning net position of the Housing Commission component unit was decreased by \$55,775 and increased by \$66,814 for the implementation of GASB 68 and to properly account for the beginning equity of the non-profit organization of the Ann Arbor Housing Development Corporation.



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
Change in total pension liability		
Service cost	\$ 9,802,000	\$ 9,760,000
Interest	34,400,755	35,978,096
Differences between expected and actual experience	3,834,000	279,000
Benefit payments, including refunds of member contributions	(32,011,444)	(32,667,512)
Net change in total pension liability	<u>16,025,311</u>	<u>13,349,584</u>
Total pension liability, beginning	<u>507,436,000</u>	<u>523,461,311</u>
Total pension liability, ending (a)	<u>523,461,311</u>	<u>536,810,895</u>
Change in plan fiduciary net position		
Contributions - employer	11,227,290	13,091,474
Contributions - member	2,948,177	3,013,353
Net investment income	60,253,683	20,144,251
Benefit payments, including refunds of member contributions	(32,011,444)	(32,667,512)
Administrative expense	(644,051)	(683,980)
Net change in plan fiduciary net position	<u>41,773,655</u>	<u>2,897,586</u>
Plan fiduciary net position, beginning, before restatement	427,911,656	469,685,311
Restatement for pension liability	-	(209,000)
Plan fiduciary net position, ending (b)	<u>469,685,311</u>	<u>472,373,897</u>
City's net pension liability, ending (a)-(b)	<u>\$ 53,776,000</u>	<u>\$ 64,436,998</u>
Plan fiduciary net position as a percentage of the total pension liability	89.73%	88.00%
Covered-employee payroll	\$ 47,956,745	\$ 49,638,000
City's net pension liability as a percentage of covered payroll	112.13%	129.81%

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%

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%

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	June 30, 2014
Notes	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%

⁽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)
6/30/2014	\$ 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
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 Fund - to account for federal Office of Homeland Security grant money.

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

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

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

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

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

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

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

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

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

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

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

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.

Local Forfeiture - to account for monies received as a result of police seizures from non-federal investigations. These monies are restricted for use in future law enforcement activities.

Sidewalk Improvement - to account for funds related to the City's sidewalk improvement efforts.

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).

CITY OF ANN ARBOR, MICHIGAN

■ Nonmajor Governmental Funds

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.

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CITY OF ANN ARBOR, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2015

	Special Revenue Funds			
	Energy Projects	Local Law Enforcement Block Grant	Community Television Network	Homeland Security Fund
Assets				
Cash	\$ 56,092	\$ -	\$ -	\$ -
Equity in pooled cash and investments	263,954	237	5,040,514	-
Investments, at fair value	-	-	-	-
Receivables:				
Taxes	-	-	-	-
Accounts	-	-	561,454	-
Special assessments	500,782	-	-	-
Accrued interest and dividends	-	-	-	-
Loans	8,085	-	-	-
Due from other governments	-	-	-	7,744
Total assets	<u>\$ 828,913</u>	<u>\$ 237</u>	<u>\$ 5,601,968</u>	<u>\$ 7,744</u>
Liabilities				
Accounts payable	\$ 1,027	\$ -	\$ 10,035	\$ -
Accrued liabilities	368	-	38,095	-
Due to other funds	-	-	-	7,670
Total liabilities	<u>1,395</u>	<u>-</u>	<u>48,130</u>	<u>7,670</u>
Deferred inflows of resources				
Unavailable revenue	441,293	-	-	-
Fund balances				
Nonspendable	-	-	-	-
Restricted for:				
Debt service	-	-	-	-
Culture and recreation	-	-	-	-
Road maintenance and repairs	-	-	-	-
Law enforcement	-	237	-	74
Other purposes	100,000	-	5,553,838	-
Committed for:				
Culture and recreation	-	-	-	-
Other purposes	286,225	-	-	-
Assigned to capital projects	-	-	-	-
Total fund balances	<u>386,225</u>	<u>237</u>	<u>5,553,838</u>	<u>74</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 828,913</u>	<u>\$ 237</u>	<u>\$ 5,601,968</u>	<u>\$ 7,744</u>

continued...

CITY OF ANN ARBOR, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2015

	Special Revenue Funds			
	Major Streets	Local Streets	Court Facilities	Open Space & Parkland Preservation
Assets				
Cash	\$ -	\$ -	\$ -	\$ -
Equity in pooled cash and investments	10,643,971	3,885,309	4	9,124,256
Investments, at fair value	-	-	-	-
Receivables:				
Taxes	-	-	-	441
Accounts	63,011	-	-	-
Special assessments	-	-	-	-
Accrued interest and dividends	-	-	-	-
Loans	-	-	-	-
Due from other governments	1,109,715	288,738	-	159,524
Total assets	<u>\$ 11,816,697</u>	<u>\$ 4,174,047</u>	<u>\$ 4</u>	<u>\$ 9,284,221</u>
Liabilities				
Accounts payable	\$ 90,923	\$ 4,493	\$ -	\$ 41,321
Accrued liabilities	84,638	27,953	-	1,546
Due to other funds	-	-	-	-
Total liabilities	<u>175,561</u>	<u>32,446</u>	<u>-</u>	<u>42,867</u>
Deferred inflows of resources				
Unavailable revenue	-	-	-	-
Fund balances				
Nonspendable	-	-	-	-
Restricted for:				
Debt service	-	-	-	-
Culture and recreation	-	-	-	9,241,354
Road maintenance and repairs	11,641,136	4,141,601	-	-
Law enforcement	-	-	4	-
Other purposes	-	-	-	-
Committed for:				
Culture and recreation	-	-	-	-
Other purposes	-	-	-	-
Assigned to capital projects	-	-	-	-
Total fund balances	<u>11,641,136</u>	<u>4,141,601</u>	<u>4</u>	<u>9,241,354</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,816,697</u>	<u>\$ 4,174,047</u>	<u>\$ 4</u>	<u>\$ 9,284,221</u>

continued...

CITY OF ANN ARBOR, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2015

	Special Revenue Funds			
	Bandemer	Construction Code	Drug Enforcement	Federal Equitable Sharing Forfeiture
Assets				
Cash	\$ -	\$ -	\$ -	\$ -
Equity in pooled cash and investments	122,668	3,394,818	150,262	76,630
Investments, at fair value	-	-	-	-
Receivables:				
Taxes	-	-	-	-
Accounts	575	12,710	-	-
Special assessments	-	-	-	-
Accrued interest and dividends	-	-	-	-
Loans	-	-	-	-
Due from other governments	-	-	-	-
Total assets	<u>\$ 123,243</u>	<u>\$ 3,407,528</u>	<u>\$ 150,262</u>	<u>\$ 76,630</u>
Liabilities				
Accounts payable	\$ -	\$ 89,995	\$ 1,500	\$ 9,839
Accrued liabilities	-	67,477	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>157,472</u>	<u>1,500</u>	<u>9,839</u>
Deferred inflows of resources				
Unavailable revenue	-	-	-	-
Fund balances				
Nonspendable	-	-	-	-
Restricted for:				
Debt service	-	-	-	-
Culture and recreation	-	-	-	-
Road maintenance and repairs	-	-	-	-
Law enforcement	-	-	148,762	66,791
Other purposes	-	-	-	-
Committed for:				
Culture and recreation	123,243	-	-	-
Other purposes	-	3,250,056	-	-
Assigned to capital projects	-	-	-	-
Total fund balances	<u>123,243</u>	<u>3,250,056</u>	<u>148,762</u>	<u>66,791</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 123,243</u>	<u>\$ 3,407,528</u>	<u>\$ 150,262</u>	<u>\$ 76,630</u>

continued...

CITY OF ANN ARBOR, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2015

	Special Revenue Funds			
	Parks Memorial & Contribution	Metro Expansion	Special Assistance	Open Space Endowment
Assets				
Cash	\$ -	\$ -	\$ -	\$ -
Equity in pooled cash and investments	942,987	1,489,480	2,747	698,953
Investments, at fair value	-	-	-	-
Receivables:				
Taxes	-	-	-	-
Accounts	-	-	909	-
Special assessments	-	-	-	-
Accrued interest and dividends	-	-	-	-
Loans	-	-	-	-
Due from other governments	-	298,302	-	-
Total assets	<u>\$ 942,987</u>	<u>\$ 1,787,782</u>	<u>\$ 3,656</u>	<u>\$ 698,953</u>
Liabilities				
Accounts payable	\$ 27,480	\$ 3,684	\$ -	\$ -
Accrued liabilities	-	250	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>27,480</u>	<u>3,934</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources				
Unavailable revenue	-	-	-	-
Fund balances				
Nonspendable	-	-	-	-
Restricted for:				
Debt service	-	-	-	-
Culture and recreation	915,507	-	-	698,953
Road maintenance and repairs	-	1,783,848	-	-
Law enforcement	-	-	-	-
Other purposes	-	-	-	-
Committed for:				
Culture and recreation	-	-	-	-
Other purposes	-	-	3,656	-
Assigned to capital projects	-	-	-	-
Total fund balances	<u>915,507</u>	<u>1,783,848</u>	<u>3,656</u>	<u>698,953</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 942,987</u>	<u>\$ 1,787,782</u>	<u>\$ 3,656</u>	<u>\$ 698,953</u>

continued...

CITY OF ANN ARBOR, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2015

	Special Revenue Funds			
	Police and Fire Relief	Cemetery Perpetual Care	Art in Public Places	Alternative Transportation
Assets				
Cash	\$ -	\$ -	\$ -	\$ -
Equity in pooled cash and investments	689,195	85,257	457,348	263,155
Investments, at fair value	61,898	-	-	-
Receivables:				
Taxes	-	-	-	-
Accounts	-	-	-	-
Special assessments	-	-	-	38,429
Accrued interest and dividends	-	-	-	-
Loans	-	-	-	-
Due from other governments	-	-	-	-
Total assets	<u>\$ 751,093</u>	<u>\$ 85,257</u>	<u>\$ 457,348</u>	<u>\$ 301,584</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ 39,371	\$ 17,668
Accrued liabilities	-	-	-	11,642
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>39,371</u>	<u>29,310</u>
Deferred inflows of resources				
Unavailable revenue	-	-	-	36,556
Fund balances				
Nonspendable	-	-	-	-
Restricted for:				
Debt service	-	-	-	-
Culture and recreation	-	-	417,977	-
Road maintenance and repairs	-	-	-	-
Law enforcement	751,093	-	-	-
Other purposes	-	-	-	-
Committed for:				
Culture and recreation	-	-	-	-
Other purposes	-	85,257	-	235,718
Assigned to capital projects	-	-	-	-
Total fund balances	<u>751,093</u>	<u>85,257</u>	<u>417,977</u>	<u>235,718</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 751,093</u>	<u>\$ 85,257</u>	<u>\$ 457,348</u>	<u>\$ 301,584</u>

continued...

CITY OF ANN ARBOR, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2015

	Special Revenue Funds			
	Michigan Justice Training	Parks Maint & Capital Imp Millage	Local Forfeiture	Sidewalk Improvement
Assets				
Cash	\$ -	\$ -	\$ -	\$ -
Equity in pooled cash and investments	10,820	2,961,654	-	-
Investments, at fair value	-	-	-	-
Receivables:				
Taxes	-	1,014	-	-
Accounts	-	2,580	-	-
Special assessments	-	-	-	-
Accrued interest and dividends	-	-	-	-
Loans	-	-	-	-
Due from other governments	-	45,768	-	-
Total assets	<u>\$ 10,820</u>	<u>\$ 3,011,016</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities				
Accounts payable	\$ -	\$ 395,030	\$ -	\$ -
Accrued liabilities	-	79,944	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>474,974</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources				
Unavailable revenue	-	-	-	-
Fund balances				
Nonspendable	-	-	-	-
Restricted for:				
Debt service	-	-	-	-
Culture and recreation	-	2,536,042	-	-
Road maintenance and repairs	-	-	-	-
Law enforcement	10,820	-	-	-
Other purposes	-	-	-	-
Committed for:				
Culture and recreation	-	-	-	-
Other purposes	-	-	-	-
Assigned to capital projects	-	-	-	-
Total fund balances	<u>10,820</u>	<u>2,536,042</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,820</u>	<u>\$ 3,011,016</u>	<u>\$ -</u>	<u>\$ -</u>

continued...

CITY OF ANN ARBOR, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2015

	Special Revenue	Debt Service		Capital Projects
	Major Grants	General Debt Service	Special Assessment Bonds	Maintenance Facility
Assets				
Cash	\$ -	\$ -	\$ -	\$ -
Equity in pooled cash and investments	606,684	779	675,504	1,711,818
Investments, at fair value	-	-	-	-
Receivables:				
Taxes	-	42	-	-
Accounts	341	-	-	-
Special assessments	-	-	15,880	-
Accrued interest and dividends	-	-	-	-
Loans	-	-	-	-
Due from other governments	252,541	3,014,176	-	-
Total assets	<u>\$ 859,566</u>	<u>\$ 3,014,997</u>	<u>\$ 691,384</u>	<u>\$ 1,711,818</u>
Liabilities				
Accounts payable	\$ 28,972	\$ 387,489	\$ -	\$ 76
Accrued liabilities	13,812	-	-	1,333
Due to other funds	-	2,190,000	-	-
Total liabilities	<u>42,784</u>	<u>2,577,489</u>	<u>-</u>	<u>1,409</u>
Deferred inflows of resources				
Unavailable revenue	37,710	-	5,748	-
Fund balances				
Nonspendable	-	-	-	-
Restricted for:				
Debt service	-	437,508	685,636	-
Culture and recreation	-	-	-	-
Road maintenance and repairs	-	-	-	-
Law enforcement	-	-	-	-
Other purposes	779,072	-	-	-
Committed for:				
Culture and recreation	-	-	-	-
Other purposes	-	-	-	-
Assigned to capital projects	-	-	-	1,710,409
Total fund balances	<u>779,072</u>	<u>437,508</u>	<u>685,636</u>	<u>1,710,409</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 859,566</u>	<u>\$ 3,014,997</u>	<u>\$ 691,384</u>	<u>\$ 1,711,818</u>

continued...

CITY OF ANN ARBOR, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2015

	Capital Projects		Permanent	Total
	Municipal Center	General Capital Improvements	Elizabeth R. Dean Trust	
Assets				
Cash	\$ -	\$ -	\$ -	\$ 56,092
Equity in pooled cash and investments	177,129	900,107	117,448	44,493,688
Investments, at fair value	-	-	2,004,102	2,066,000
Receivables:				
Taxes	-	-	-	1,497
Accounts	-	-	-	641,580
Special assessments	-	-	-	555,091
Accrued interest and dividends	-	-	6,845	6,845
Loans	-	-	-	8,085
Due from other governments	-	-	-	5,176,508
Total assets	<u>\$ 177,129</u>	<u>\$ 900,107</u>	<u>\$ 2,128,395</u>	<u>\$ 53,005,386</u>
Liabilities				
Accounts payable	\$ -	\$ 144,870	\$ -	\$ 1,293,773
Accrued liabilities	-	-	46	327,104
Due to other funds	-	-	-	2,197,670
Total liabilities	<u>-</u>	<u>144,870</u>	<u>46</u>	<u>3,818,547</u>
Deferred inflows of resources				
Unavailable revenue	-	-	-	521,307
Fund balances				
Nonspendable	-	-	1,984,000	1,984,000
Restricted for:				
Debt service	-	-	-	1,123,144
Culture and recreation	-	-	144,349	13,954,182
Road maintenance and repairs	-	-	-	17,566,585
Law enforcement	-	-	-	977,781
Other purposes	-	-	-	6,432,910
Committed for:				
Culture and recreation	-	-	-	123,243
Other purposes	-	-	-	3,860,912
Assigned to capital projects	177,129	755,237	-	2,642,775
Total fund balances	<u>177,129</u>	<u>755,237</u>	<u>2,128,349</u>	<u>48,665,532</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 177,129</u>	<u>\$ 900,107</u>	<u>\$ 2,128,395</u>	<u>\$ 53,005,386</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, 2015

	Special Revenue			
	Energy Projects	Local Law Enforcement Block Grant	Community Television Network	Homeland Security Grant
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Special assessments/improvement charges	-	-	-	-
Licenses, permits and registration	-	-	2,217,110	-
Federal grants	-	21,919	-	42,378
State shared revenues and grants	-	-	-	-
Charges for services	68,078	-	-	-
Fines and forfeits	-	-	-	-
Interest and penalties	-	-	-	-
Investment income (loss)	31,603	(6)	41,353	1
Contributions and donations	-	-	-	-
Intra-governmental sales	-	-	-	-
Other revenues	10,016	-	869	-
Total revenues	109,697	21,913	2,259,332	42,379
Expenditures				
Current:				
General government	157,716	-	1,735,148	-
Public safety	-	21,919	-	42,305
Public works	-	-	-	-
Community and economic development	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	139,583	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	157,716	21,919	1,874,731	42,305
Revenues over (under) expenditures	(48,019)	(6)	384,601	74
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	(121,063)	-	-	-
Issuance of debt	-	-	-	-
Payment to escrow agent	-	-	-	-
Bond discount	-	-	-	-
Total other financing sources (uses)	(121,063)	-	-	-
Net change in fund balances	(169,082)	(6)	384,601	74
Fund balances, beginning of year	555,307	243	5,169,237	-
Fund balances, end of year	\$ 386,225	\$ 237	\$ 5,553,838	\$ 74

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, 2015

	Special Revenue			
	Major Streets	Local Streets	Court Facilities	Open Space & Parkland Preservation
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ 2,271,916
Special assessments/improvement charges	-	-	-	-
Licenses, permits and registration	-	-	-	-
Federal grants	52,446	-	-	159,524
State shared revenues and grants	6,626,587	1,852,163	-	-
Charges for services	748,063	190,965	-	-
Fines and forfeits	-	-	122,704	-
Interest and penalties	-	-	-	-
Investment income (loss)	90,760	31,360	113	89,588
Contributions and donations	9,581	-	-	37,072
Intra-governmental sales	213,511	-	-	-
Other revenues	108,701	844	-	305
Total revenues	7,849,649	2,075,332	122,817	2,558,405
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	6,650,577	1,501,729	-	-
Community and economic development	-	-	-	-
Culture and recreation	-	-	-	814,768
Capital outlay	19,900	-	-	330,335
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	6,670,477	1,501,729	-	1,145,103
Revenues over (under) expenditures	1,179,172	573,603	122,817	1,413,302
Other financing sources (uses)				
Transfers in	176,371	60,000	100,491	-
Transfers out	(1,044,892)	(186,157)	(225,000)	(1,650,231)
Issuance of debt	-	-	-	-
Payment to escrow agent	-	-	-	-
Bond discount	-	-	-	-
Total other financing sources (uses)	(868,521)	(126,157)	(124,509)	(1,650,231)
Net change in fund balances	310,651	447,446	(1,692)	(236,929)
Fund balances, beginning of year	11,330,485	3,694,155	1,696	9,478,283
Fund balances, end of year	\$ 11,641,136	\$ 4,141,601	\$ 4	\$ 9,241,354

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, 2015

	Special Revenue			
	Bandemer	Construction Code	Drug Enforcement	Federal Equitable Sharing Forfeiture
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Special assessments/improvement charges	-	-	-	-
Licenses, permits and registration	-	3,721,789	-	-
Federal grants	-	-	-	-
State shared revenues and grants	-	-	-	-
Charges for services	-	-	4,750	-
Fines and forfeits	-	-	14,336	11,768
Interest and penalties	-	192	-	-
Investment income (loss)	1,014	19,558	1,150	1,448
Contributions and donations	-	-	-	-
Intra-governmental sales	-	-	-	-
Other revenues	6,900	1,056	-	-
Total revenues	7,914	3,742,595	20,236	13,216
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	2,766,777	39,079	215,944
Public works	-	-	-	-
Community and economic development	-	-	-	-
Culture and recreation	1,834	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	1,834	2,766,777	39,079	215,944
Revenues over (under) expenditures	6,080	975,818	(18,843)	(202,728)
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Issuance of debt	-	-	-	-
Payment to escrow agent	-	-	-	-
Bond discount	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	6,080	975,818	(18,843)	(202,728)
Fund balances, beginning of year	117,163	2,274,238	167,605	269,519
Fund balances, end of year	\$ 123,243	\$ 3,250,056	\$ 148,762	\$ 66,791

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, 2015

	Special Revenue			
	Parks Memorial & Contributions	Metro Expansion	Special Assistance	Open Space Endowment
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Special assessments/improvement charges	-	-	-	-
Licenses, permits and registration	-	-	-	-
Federal grants	-	-	-	-
State shared revenues and grants	-	298,302	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Interest and penalties	-	-	-	-
Investment income (loss)	8,074	13,717	58	5,710
Contributions and donations	265,218	-	5,185	-
Intra-governmental sales	-	-	-	-
Other revenues	-	-	-	-
Total revenues	273,292	312,019	5,243	5,710
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	192,684	-	-
Community and economic development	-	-	13,000	-
Culture and recreation	3,553	-	-	5,815
Capital outlay	139,396	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	142,949	192,684	13,000	5,815
Revenues over (under) expenditures	130,343	119,335	(7,757)	(105)
Other financing sources (uses)				
Transfers in	-	-	-	23,867
Transfers out	(97,201)	-	-	-
Issuance of debt	-	-	-	-
Payment to escrow agent	-	-	-	-
Bond discount	-	-	-	-
Total other financing sources (uses)	(97,201)	-	-	23,867
Net change in fund balances	33,142	119,335	(7,757)	23,762
Fund balances, beginning of year	882,365	1,664,513	11,413	675,191
Fund balances, end of year	\$ 915,507	\$ 1,783,848	\$ 3,656	\$ 698,953

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, 2015

	Special Revenue			
	Police and Fire Relief	Cemetery Perpetual Care	Art in Public Places	Alternative Transportation
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Special assessments/improvement charges	-	-	-	4,409
Licenses, permits and registration	-	-	-	-
Federal grants	-	-	-	-
State shared revenues and grants	-	-	3,100	-
Charges for services	-	5,100	-	-
Fines and forfeits	-	-	-	-
Interest and penalties	-	-	-	15
Investment income (loss)	5,674	768	2,911	3,662
Contributions and donations	-	-	-	-
Intra-governmental sales	-	-	-	-
Other revenues	-	-	-	-
Total revenues	5,674	5,868	6,011	8,086
Expenditures				
Current:				
General government	-	-	-	19,897
Public safety	-	-	-	-
Public works	-	-	-	318,851
Community and economic development	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	199,018	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	-	-	199,018	338,748
Revenues over (under) expenditures	5,674	5,868	(193,007)	(330,662)
Other financing sources (uses)				
Transfers in	-	-	40,000	361,420
Transfers out	-	-	-	-
Issuance of debt	-	-	-	-
Payment to escrow agent	-	-	-	-
Bond discount	-	-	-	-
Total other financing sources (uses)	-	-	40,000	361,420
Net change in fund balances	5,674	5,868	(153,007)	30,758
Fund balances, beginning of year	745,419	79,389	570,984	204,960
Fund balances, end of year	\$ 751,093	\$ 85,257	\$ 417,977	\$ 235,718

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, 2015

	Special Revenue			
	Michigan Justice Training	Parks Maint. & Capital Impr. Millage	Local Forfeiture	Sidewalk Improvement
Revenues				
Taxes	\$ -	\$ 5,229,577	\$ -	\$ -
Special assessments/improvement charges	-	-	-	-
Licenses, permits and registration	-	-	-	-
Federal grants	-	-	-	-
State shared revenues and grants	11,865	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Interest and penalties	-	-	-	-
Investment income (loss)	126	38,321	20	167
Contributions and donations	-	45,000	-	-
Intra-governmental sales	-	-	-	-
Other revenues	-	14,192	-	-
Total revenues	11,991	5,327,090	20	167
Expenditures				
Current:				
General government	-	2,540	-	-
Public safety	40,700	-	-	-
Public works	-	-	-	-
Community and economic development	-	-	-	-
Culture and recreation	-	4,422,945	-	-
Capital outlay	-	723,107	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	40,700	5,148,592	-	-
Revenues over (under) expenditures	(28,709)	178,498	20	167
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	(38,627)	(3,517)	(61,321)
Issuance of debt	-	-	-	-
Payment to escrow agent	-	-	-	-
Bond discount	-	-	-	-
Total other financing sources (uses)	-	(38,627)	(3,517)	(61,321)
Net change in fund balances	(28,709)	139,871	(3,497)	(61,154)
Fund balances, beginning of year	39,529	2,396,171	3,497	61,154
Fund balances, end of year	\$ 10,820	\$ 2,536,042	\$ -	\$ -

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, 2015

	Special Revenue	Debt Service		Capital Projects
	Major Grants	General Debt Service	Special Assessment Bonds	Maintenance Facility
Revenues				
Taxes	\$ -	\$ 2,129	\$ -	\$ -
Special assessments/improvement charges	-	-	19,853	-
Licenses, permits and registration	-	-	-	-
Federal grants	631,648	-	-	-
State shared revenues and grants	387,065	-	-	-
Charges for services	-	4,267,951	-	-
Fines and forfeits	-	-	-	-
Interest and penalties	-	-	4	-
Investment income (loss)	2,497	3,976	6,912	14,551
Contributions and donations	-	-	-	-
Intra-governmental sales	-	-	-	-
Other revenues	-	1,189	-	-
Total revenues	1,021,210	4,275,245	26,769	14,551
Expenditures				
Current:				
General government	643,355	482	-	-
Public safety	42,094	-	-	-
Public works	341,685	-	-	-
Community and economic development	-	-	-	-
Culture and recreation	1,880	-	-	-
Capital outlay	53,163	-	-	78,906
Debt service:				
Principal retirement	-	4,125,000	25,000	-
Interest and fiscal charges	-	4,917,643	2,901	-
Total expenditures	1,082,177	9,043,125	27,901	78,906
Revenues over (under) expenditures	(60,967)	(4,767,880)	(1,132)	(64,355)
Other financing sources (uses)				
Transfers in	18,590	5,161,330	-	-
Transfers out	-	-	(23,425)	-
Issuance of debt	-	16,235,000	-	-
Payment to escrow agent	-	(16,486,836)	-	-
Bond discount	-	(135,652)	-	-
Total other financing sources (uses)	18,590	4,773,842	(23,425)	-
Net change in fund balances	(42,377)	5,962	(24,557)	(64,355)
Fund balances, beginning of year	821,449	431,546	710,193	1,774,764
Fund balances, end of year	\$ 779,072	\$ 437,508	\$ 685,636	\$ 1,710,409

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, 2015

	Capital Projects		Permanent	Total
	Municipal Center	General Capital Improvements	Elizabeth R. Dean Trust	
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ 7,503,622
Special assessments/improvement charges	-	-	-	24,262
Licenses, permits and registration	-	-	-	5,938,899
Federal grants	-	-	-	907,915
State shared revenues and grants	-	-	-	9,179,082
Charges for services	-	-	-	5,284,907
Fines and forfeits	-	-	-	148,808
Interest and penalties	-	-	-	211
Investment income (loss)	1,387	7,039	32,433	455,945
Contributions and donations	-	-	500	362,556
Intra-governmental sales	-	-	-	213,511
Other revenues	-	-	-	144,072
Total revenues	1,387	7,039	32,933	30,163,790
Expenditures				
Current:				
General government	-	-	-	2,559,138
Public safety	-	-	-	3,168,818
Public works	-	193,476	-	9,199,002
Community and economic development	-	-	-	13,000
Culture and recreation	-	-	62,882	5,313,677
Capital outlay	12,206	516,815	-	2,212,429
Debt service:				
Principal retirement	-	-	-	4,150,000
Interest and fiscal charges	-	-	-	4,920,544
Total expenditures	12,206	710,291	62,882	31,536,608
Revenues over (under) expenditures	(10,819)	(703,252)	(29,949)	(1,372,818)
Other financing sources (uses)				
Transfers in	-	721,871	-	6,663,940
Transfers out	-	-	-	(3,451,434)
Issuance of debt	-	-	-	16,235,000
Payment to escrow agent	-	-	-	(16,486,836)
Bond discount	-	-	-	(135,652)
Total other financing sources (uses)	-	721,871	-	2,825,018
Net change in fund balances	(10,819)	18,619	(29,949)	1,452,200
Fund balances, beginning of year	187,948	736,618	2,158,298	47,213,332
Fund balances, end of year	\$ 177,129	\$ 755,237	\$ 2,128,349	\$ 48,665,532

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, 2015

	Energy Projects		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ -	\$ -	\$ -
Special assessments/improvement charges	-	-	-
Licenses, permits and registration	-	-	-
Federal grants	-	-	-
State shared revenues and grants	-	-	-
Charges for services	-	68,078	68,078
Fines and forfeits	-	-	-
Interest and penalties	-	-	-
Investment income (loss)	5,750	31,603	25,853
Contributions and donations	-	-	-
Intra-governmental sales	-	-	-
Other revenues	-	10,016	10,016
Total revenues	5,750	109,697	103,947
Expenditures			
Current:			
General government	252,830	157,716	(95,114)
Public safety	-	-	-
Public works	-	-	-
Community and economic development	-	-	-
Culture and recreation	-	-	-
Capital outlay	120,000	-	(120,000)
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	372,830	157,716	(215,114)
Revenues over (under) expenditures	(367,080)	(48,019)	319,061
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	(121,313)	(121,063)	250
Total other financing sources (uses)	(121,313)	(121,063)	250
Net change in fund balances	(488,393)	(169,082)	319,311
Fund balances, beginning of year	555,307	555,307	-
Fund balances, end of year	\$ 66,914	\$ 386,225	\$ 319,311

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, 2015

	Local Law Enforcement Block Grant		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ -	\$ -	\$ -
Special assessments/improvement charges	-	-	-
Licenses, permits and registration	-	-	-
Federal grants	21,919	21,919	-
State shared revenues and grants	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and penalties	-	-	-
Investment income (loss)	-	(6)	(6)
Contributions and donations	-	-	-
Intra-governmental sales	-	-	-
Other revenues	-	-	-
Total revenues	21,919	21,913	(6)
Expenditures			
Current:			
General government	-	-	-
Public safety	21,919	21,919	-
Public works	-	-	-
Community and economic development	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	21,919	21,919	-
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	243	243	-
Fund balances, end of year	\$ 243	\$ 237	\$ (6)

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, 2015

	Community Television Network		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ -	\$ -	\$ -
Special assessments/improvement charges	-	-	-
Licenses, permits and registration	1,964,000	2,217,110	253,110
Federal grants	-	-	-
State shared revenues and grants	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and penalties	-	-	-
Investment income (loss)	40,763	41,353	590
Contributions and donations	-	-	-
Intra-governmental sales	-	-	-
Other revenues	1,000	869	(131)
Total revenues	2,005,763	2,259,332	253,569
Expenditures			
Current:			
General government	1,720,943	1,735,148	14,205
Public safety	-	-	-
Public works	-	-	-
Community and economic development	-	-	-
Culture and recreation	-	-	-
Capital outlay	281,648	139,583	(142,065)
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	2,002,591	1,874,731	(127,860)
Revenues over (under) expenditures	3,172	384,601	381,429
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	3,172	384,601	381,429
Fund balances, beginning of year	5,169,237	5,169,237	-
Fund balances, end of year	\$ 5,172,409	\$ 5,553,838	\$ 381,429

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, 2015

	Homeland Security Grant		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ -	\$ -	\$ -
Special assessments/improvement charges	-	-	-
Licenses, permits and registration	-	-	-
Federal grants	42,305	42,378	73
State shared revenues and grants	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and penalties	-	-	-
Investment income (loss)	-	1	1
Contributions and donations	-	-	-
Intra-governmental sales	-	-	-
Other revenues	-	-	-
Total revenues	42,305	42,379	74
Expenditures			
Current:			
General government	-	-	-
Public safety	42,305	42,305	-
Public works	-	-	-
Community and economic development	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	42,305	42,305	-
Revenues over (under) expenditures	-	74	74
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	-	74	74
Fund balances, beginning of year	-	-	-
Fund balances, end of year	\$ -	\$ 74	\$ 74

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, 2015

	Major Streets		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ -	\$ -	\$ -
Special assessments/improvement charges	-	-	-
Licenses, permits and registration	-	-	-
Federal grants	2,298	52,446	50,148
State shared revenues and grants	6,142,502	6,626,587	484,085
Charges for services	834,765	748,063	(86,702)
Fines and forfeits	-	-	-
Interest and penalties	-	-	-
Investment income (loss)	76,710	90,760	14,050
Contributions and donations	5,600	9,581	3,981
Intra-governmental sales	245,000	213,511	(31,489)
Other revenues	25,000	108,701	83,701
Total revenues	7,331,875	7,849,649	517,774
Expenditures			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	8,382,103	6,650,577	(1,731,526)
Community and economic development	-	-	-
Culture and recreation	-	-	-
Capital outlay	19,500	19,900	400
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	8,401,603	6,670,477	(1,731,126)
Revenues over (under) expenditures	(1,069,728)	1,179,172	2,248,900
Other financing sources (uses)			
Transfers in	117,550	176,371	58,821
Transfers out	(1,044,998)	(1,044,892)	106
Total other financing sources (uses)	(927,448)	(868,521)	58,927
Net change in fund balances	(1,997,176)	310,651	2,307,827
Fund balances, beginning of year	11,330,485	11,330,485	-
Fund balances, end of year	\$ 9,333,309	\$ 11,641,136	\$ 2,307,827

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, 2015

	Local Streets		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ -	\$ -	\$ -
Special assessments/improvement charges	-	-	-
Licenses, permits and registration	-	-	-
Federal grants	-	-	-
State shared revenues and grants	1,735,253	1,852,163	116,910
Charges for services	193,651	190,965	(2,686)
Fines and forfeits	-	-	-
Interest and penalties	-	-	-
Investment income (loss)	33,533	31,360	(2,173)
Contributions and donations	-	-	-
Intra-governmental sales	-	-	-
Other revenues	-	844	844
Total revenues	1,962,437	2,075,332	112,895
Expenditures			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	2,187,825	1,501,729	(686,096)
Community and economic development	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	2,187,825	1,501,729	(686,096)
Revenues over (under) expenditures	(225,388)	573,603	798,991
Other financing sources (uses)			
Transfers in	60,000	60,000	-
Transfers out	(186,169)	(186,157)	12
Total other financing sources (uses)	(126,169)	(126,157)	12
Net change in fund balances	(351,557)	447,446	799,003
Fund balances, beginning of year	3,694,155	3,694,155	-
Fund balances, end of year	\$ 3,342,598	\$ 4,141,601	\$ 799,003

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, 2015

	Court Facilities		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ -	\$ -	\$ -
Special assessments/improvement charges	-	-	-
Licenses, permits and registration	-	-	-
Federal grants	-	-	-
State shared revenues and grants	-	-	-
Charges for services	-	-	-
Fines and forfeits	150,000	122,704	(27,296)
Interest and penalties	-	-	-
Investment income (loss)	-	113	113
Contributions and donations	-	-	-
Intra-governmental sales	-	-	-
Other revenues	-	-	-
Total revenues	150,000	122,817	(27,183)
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	150,000	122,817	(27,183)
Other financing sources (uses)			
Transfers in	75,000	100,491	25,491
Transfers out	(225,000)	(225,000)	-
Total other financing sources (uses)	(150,000)	(124,509)	25,491
Net change in fund balances	-	(1,692)	(1,692)
Fund balances, beginning of year	1,696	1,696	-
Fund balances, end of year	\$ 1,696	\$ 4	\$ (1,692)

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, 2015

	Open Space & Parkland Preservation		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ 2,251,005	\$ 2,271,916	\$ 20,911
Special assessments/improvement charges	-	-	-
Licenses, permits and registration	-	-	-
Federal grants	178,360	159,524	(18,836)
State shared revenues and grants	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and penalties	-	-	-
Investment income (loss)	178,195	89,588	(88,607)
Contributions and donations	37,072	37,072	-
Intra-governmental sales	-	-	-
Other revenues	-	305	305
Total revenues	2,644,632	2,558,405	(86,227)
Expenditures			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Community and economic development	-	-	-
Culture and recreation	858,149	814,768	(43,381)
Capital outlay	357,848	330,335	(27,513)
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	1,215,997	1,145,103	(70,894)
Revenues over (under) expenditures	1,428,635	1,413,302	(15,333)
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	(1,650,442)	(1,650,231)	211
Total other financing sources (uses)	(1,650,442)	(1,650,231)	211
Net change in fund balances	(221,807)	(236,929)	(15,122)
Fund balances, beginning of year	9,478,283	9,478,283	-
Fund balances, end of year	\$ 9,256,476	\$ 9,241,354	\$ (15,122)

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, 2015

	Bandemer		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ -	\$ -	\$ -
Special assessments/improvement charges	-	-	-
Licenses, permits and registration	-	-	-
Federal grants	-	-	-
State shared revenues and grants	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and penalties	-	-	-
Investment income (loss)	1,032	1,014	(18)
Contributions and donations	-	-	-
Intra-governmental sales	-	-	-
Other revenues	4,200	6,900	2,700
Total revenues	5,232	7,914	2,682
Expenditures			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Community and economic development	-	-	-
Culture and recreation	1,834	1,834	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	1,834	1,834	-
Revenues over (under) expenditures	3,398	6,080	2,682
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	3,398	6,080	2,682
Fund balances, beginning of year	117,163	117,163	-
Fund balances, end of year	\$ 120,561	\$ 123,243	\$ 2,682

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, 2015

	Construction Code		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ -	\$ -	\$ -
Special assessments/improvement charges	-	-	-
Licenses, permits and registration	1,938,300	3,721,789	1,783,489
Federal grants	-	-	-
State shared revenues and grants	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and penalties	-	192	192
Investment income (loss)	29,000	19,558	(9,442)
Contributions and donations	-	-	-
Intra-governmental sales	-	-	-
Other revenues	-	1,056	1,056
Total revenues	1,967,300	3,742,595	1,775,295
Expenditures			
Current:			
General government	-	-	-
Public safety	2,767,356	2,766,777	(579)
Public works	-	-	-
Community and economic development	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	2,767,356	2,766,777	(579)
Revenues over (under) expenditures	(800,056)	975,818	1,775,874
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(800,056)	975,818	1,775,874
Fund balances, beginning of year	2,274,238	2,274,238	-
Fund balances, end of year	\$ 1,474,182	\$ 3,250,056	\$ 1,775,874

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, 2015

	Drug Enforcement		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ -	\$ -	\$ -
Special assessments/improvement charges	-	-	-
Licenses, permits and registration	-	-	-
Federal grants	-	-	-
State shared revenues and grants	-	-	-
Charges for services	-	4,750	4,750
Fines and forfeits	14,337	14,336	(1)
Interest and penalties	-	-	-
Investment income (loss)	1,000	1,150	150
Contributions and donations	-	-	-
Intra-governmental sales	-	-	-
Other revenues	-	-	-
Total revenues	15,337	20,236	4,899
Expenditures			
Current:			
General government	-	-	-
Public safety	60,337	39,079	(21,258)
Public works	-	-	-
Community and economic development	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	60,337	39,079	(21,258)
Revenues over (under) expenditures	(45,000)	(18,843)	26,157
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(45,000)	(18,843)	26,157
Fund balances, beginning of year	167,605	167,605	-
Fund balances, end of year	\$ 122,605	\$ 148,762	\$ 26,157

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, 2015

	Federal Equitable Sharing Forfeiture		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ -	\$ -	\$ -
Special assessments/improvement charges	-	-	-
Licenses, permits and registration	-	-	-
Federal grants	-	-	-
State shared revenues and grants	-	-	-
Charges for services	-	-	-
Fines and forfeits	11,768	11,768	-
Interest and penalties	-	-	-
Investment income (loss)	1,000	1,448	448
Contributions and donations	-	-	-
Intra-governmental sales	-	-	-
Other revenues	-	-	-
Total revenues	12,768	13,216	448
Expenditures			
Current:			
General government	-	-	-
Public safety	232,528	215,944	(16,584)
Public works	-	-	-
Community and economic development	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	232,528	215,944	(16,584)
Revenues over (under) expenditures	(219,760)	(202,728)	17,032
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(219,760)	(202,728)	17,032
Fund balances, beginning of year	269,519	269,519	-
Fund balances, end of year	\$ 49,759	\$ 66,791	\$ 17,032

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, 2015

	Parks & Memorial Contributions		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ -	\$ -	\$ -
Special assessments/improvement charges	-	-	-
Licenses, permits and registration	-	-	-
Federal grants	-	-	-
State shared revenues and grants	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and penalties	-	-	-
Investment income (loss)	6,125	8,074	1,949
Contributions and donations	333,513	265,218	(68,295)
Intra-governmental sales	-	-	-
Other revenues	-	-	-
Total revenues	339,638	273,292	(66,346)
Expenditures			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Community and economic development	-	-	-
Culture and recreation	10,068	3,553	(6,515)
Capital outlay	139,396	139,396	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	149,464	142,949	(6,515)
Revenues over (under) expenditures	190,174	130,343	(59,831)
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	(99,701)	(97,201)	2,500
Total other financing sources (uses)	(99,701)	(97,201)	2,500
Net change in fund balances	90,473	33,142	(57,331)
Fund balances, beginning of year	882,365	882,365	-
Fund balances, end of year	\$ 972,838	\$ 915,507	\$ (57,331)

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, 2015

	Metro Expansion		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ -	\$ -	\$ -
Special assessments/improvement charges	-	-	-
Licenses, permits and registration	-	-	-
Federal grants	-	-	-
State shared revenues and grants	337,000	298,302	(38,698)
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and penalties	-	-	-
Investment income (loss)	12,294	13,717	1,423
Contributions and donations	-	-	-
Intra-governmental sales	-	-	-
Other revenues	-	-	-
Total revenues	349,294	312,019	(37,275)
Expenditures			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	263,170	192,684	(70,486)
Community and economic development	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	263,170	192,684	(70,486)
Revenues over (under) expenditures	86,124	119,335	33,211
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	86,124	119,335	33,211
Fund balances, beginning of year	1,664,513	1,664,513	-
Fund balances, end of year	\$ 1,750,637	\$ 1,783,848	\$ 33,211

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, 2015

	Special Assistance		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ -	\$ -	\$ -
Special assessments/improvement charges	-	-	-
Licenses, permits and registration	-	-	-
Federal grants	-	-	-
State shared revenues and grants	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and penalties	-	-	-
Investment income (loss)	-	58	58
Contributions and donations	4,000	5,185	1,185
Intra-governmental sales	-	-	-
Other revenues	-	-	-
Total revenues	4,000	5,243	1,243
Expenditures			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Community and economic development	15,413	13,000	(2,413)
Culture and recreation	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	15,413	13,000	(2,413)
Revenues over (under) expenditures	(11,413)	(7,757)	3,656
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(11,413)	(7,757)	3,656
Fund balances, beginning of year	11,413	11,413	-
Fund balances, end of year	\$ -	\$ 3,656	\$ 3,656

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, 2015

	Open Space Endowment		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ -	\$ -	\$ -
Special assessments/improvement charges	-	-	-
Licenses, permits and registration	-	-	-
Federal grants	-	-	-
State shared revenues and grants	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and penalties	-	-	-
Investment income (loss)	4,500	5,710	1,210
Contributions and donations	-	-	-
Intra-governmental sales	-	-	-
Other revenues	-	-	-
Total revenues	4,500	5,710	1,210
Expenditures			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Community and economic development	-	-	-
Culture and recreation	10,000	5,815	(4,185)
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	10,000	5,815	(4,185)
Revenues over (under) expenditures	(5,500)	(105)	5,395
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)	23,762	29,262
Fund balances, beginning of year	675,191	675,191	-
Fund balances, end of year	\$ 669,691	\$ 698,953	\$ 29,262

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, 2015

	Police and Fire Relief		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ -	\$ -	\$ -
Special assessments/improvement charges	-	-	-
Licenses, permits and registration	-	-	-
Federal grants	-	-	-
State shared revenues and grants	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and penalties	-	-	-
Investment income (loss)	6,600	5,674	(926)
Contributions and donations	-	-	-
Intra-governmental sales	-	-	-
Other revenues	-	-	-
Total revenues	6,600	5,674	(926)
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	6,600	5,674	(926)
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	6,600	5,674	(926)
Fund balances, beginning of year	745,419	745,419	-
Fund balances, end of year	\$ 752,019	\$ 751,093	\$ (926)

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, 2015

	Cemetery Perpetual Care		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ -	\$ -	\$ -
Special assessments/improvement charges	-	-	-
Licenses, permits and registration	-	-	-
Federal grants	-	-	-
State shared revenues and grants	-	-	-
Charges for services	-	5,100	5,100
Fines and forfeits	-	-	-
Interest and penalties	-	-	-
Investment income (loss)	724	768	44
Contributions and donations	-	-	-
Intra-governmental sales	-	-	-
Other revenues	-	-	-
Total revenues	724	5,868	5,144
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	724	5,868	5,144
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	724	5,868	5,144
Fund balances, beginning of year	79,389	79,389	-
Fund balances, end of year	\$ 80,113	\$ 85,257	\$ 5,144

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, 2015

	Art in Public Places		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ -	\$ -	\$ -
Special assessments/improvement charges	-	-	-
Licenses, permits and registration	-	-	-
Federal grants	2,870	-	(2,870)
State shared revenues and grants	18,130	3,100	(15,030)
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and penalties	-	-	-
Investment income (loss)	13,333	2,911	(10,422)
Contributions and donations	-	-	-
Intra-governmental sales	-	-	-
Other revenues	-	-	-
Total revenues	34,333	6,011	(28,322)
Expenditures			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	31	-	(31)
Community and economic development	-	-	-
Culture and recreation	(1)	-	1
Capital outlay	198,988	199,018	30
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	199,018	199,018	-
Revenues over (under) expenditures	(164,685)	(193,007)	(28,322)
Other financing sources (uses)			
Transfers in	40,000	40,000	-
Transfers out	-	-	-
Total other financing sources (uses)	40,000	40,000	-
Net change in fund balances	(124,685)	(153,007)	(28,322)
Fund balances, beginning of year	570,984	570,984	-
Fund balances, end of year	\$ 446,299	\$ 417,977	\$ (28,322)

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, 2015

	Alternative Transportation		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ -	\$ -	\$ -
Special assessments/improvement charges	14,537	4,409	(10,128)
Licenses, permits and registration	-	-	-
Federal grants	-	-	-
State shared revenues and grants	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and penalties	-	15	15
Investment income (loss)	3,253	3,662	409
Contributions and donations	3,828	-	(3,828)
Intra-governmental sales	-	-	-
Other revenues	-	-	-
Total revenues	21,618	8,086	(13,532)
Expenditures			
Current:			
General government	19,839	19,897	58
Public safety	-	-	-
Public works	464,639	318,851	(145,788)
Community and economic development	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	484,478	338,748	(145,730)
Revenues over (under) expenditures	(462,860)	(330,662)	132,198
Other financing sources (uses)			
Transfers in	398,596	361,420	(37,176)
Transfers out	-	-	-
Total other financing sources (uses)	398,596	361,420	(37,176)
Net change in fund balances	(64,264)	30,758	95,022
Fund balances, beginning of year	204,960	204,960	-
Fund balances, end of year	\$ 140,696	\$ 235,718	\$ 95,022

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, 2015

	Michigan Justice Training		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ -	\$ -	\$ -
Special assessments/improvement charges	-	-	-
Licenses, permits and registration	-	-	-
Federal grants	-	-	-
State shared revenues and grants	20,000	11,865	(8,135)
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and penalties	-	-	-
Investment income (loss)	700	126	(574)
Contributions and donations	-	-	-
Intra-governmental sales	-	-	-
Other revenues	-	-	-
Total revenues	20,700	11,991	(8,709)
Expenditures			
Current:			
General government	-	-	-
Public safety	40,700	40,700	-
Public works	-	-	-
Community and economic development	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	40,700	40,700	-
Revenues over (under) expenditures	(20,000)	(28,709)	(8,709)
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(20,000)	(28,709)	(8,709)
Fund balances, beginning of year	39,529	39,529	-
Fund balances, end of year	\$ 19,529	\$ 10,820	\$ (8,709)

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, 2015

	Parks Maint & Capital Improvement Millage		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ 5,166,619	\$ 5,229,577	\$ 62,958
Special assessments/improvement charges	-	-	-
Licenses, permits and registration	-	-	-
Federal grants	-	-	-
State shared revenues and grants	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and penalties	-	-	-
Investment income (loss)	62,022	38,321	(23,701)
Contributions and donations	-	45,000	45,000
Intra-governmental sales	-	-	-
Other revenues	1,500	14,192	12,692
Total revenues	5,230,141	5,327,090	96,949
Expenditures			
Current:			
General government	-	2,540	2,540
Public safety	-	-	-
Public works	-	-	-
Community and economic development	-	-	-
Culture and recreation	4,582,940	4,422,945	(159,995)
Capital outlay	579,490	723,107	143,617
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	5,162,430	5,148,592	(13,838)
Revenues over (under) expenditures	67,711	178,498	110,787
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	(38,627)	(38,627)	-
Total other financing sources (uses)	(38,627)	(38,627)	-
Net change in fund balances	29,084	139,871	110,787
Fund balances, beginning of year	2,396,171	2,396,171	-
Fund balances, end of year	\$ 2,425,255	\$ 2,536,042	\$ 110,787

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, 2015

	Local Forfeiture		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ -	\$ -	\$ -
Special assessments/improvement charges	-	-	-
Licenses, permits and registration	-	-	-
Federal grants	-	-	-
State shared revenues and grants	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and penalties	-	-	-
Investment income (loss)	100	20	(80)
Contributions and donations	-	-	-
Intra-governmental sales	-	-	-
Other revenues	-	-	-
Total revenues	100	20	(80)
Expenditures			
Current:			
General government	-	-	-
Public safety	100	-	(100)
Public works	-	-	-
Community and economic development	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	100	-	(100)
Revenues over (under) expenditures	-	20	20
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	(3,418)	(3,517)	(99)
Total other financing sources (uses)	(3,418)	(3,517)	(99)
Net change in fund balances	(3,418)	(3,497)	(79)
Fund balances, beginning of year	3,497	3,497	-
Fund balances, end of year	\$ 79	\$ -	\$ (79)

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, 2015

	Sidewalk Improvement		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ -	\$ -	\$ -
Special assessments/improvement charges	-	-	-
Licenses, permits and registration	-	-	-
Federal grants	-	-	-
State shared revenues and grants	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and penalties	-	-	-
Investment income (loss)	-	167	167
Contributions and donations	-	-	-
Intra-governmental sales	-	-	-
Other revenues	-	-	-
Total revenues	<u>-</u>	<u>167</u>	<u>167</u>
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	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>167</u>	<u>167</u>
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	(61,321)	(61,321)	-
Total other financing sources (uses)	<u>(61,321)</u>	<u>(61,321)</u>	<u>-</u>
Net change in fund balances	<u>(61,321)</u>	<u>(61,154)</u>	<u>167</u>
Fund balances, beginning of year	<u>61,321</u>	<u>61,154</u>	<u>(167)</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2015

	Major Grants		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes	\$ -	\$ -	\$ -
Special assessments/improvement charges	-	-	-
Licenses, permits and registration	-	-	-
Federal grants	185,640	631,648	446,008
State shared revenues and grants	351,853	387,065	35,212
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and penalties	-	-	-
Investment income (loss)	-	2,497	2,497
Contributions and donations	-	-	-
Intra-governmental sales	-	-	-
Other revenues	-	-	-
Total revenues	537,493	1,021,210	483,717
Expenditures			
Current:			
General government	643,951	643,355	(596)
Public safety	42,428	42,094	(334)
Public works	341,685	341,685	-
Community and economic development	-	-	-
Culture and recreation	1,880	1,880	-
Capital outlay	53,163	53,163	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	1,083,107	1,082,177	(930)
Revenues over (under) expenditures	(545,614)	(60,967)	484,647
Other financing sources (uses)			
Transfers in	18,590	18,590	-
Transfers out	-	-	-
Total other financing sources (uses)	18,590	18,590	-
Net change in fund balances	(527,024)	(42,377)	484,647
Fund balances, beginning of year	821,449	821,449	-
Fund balances, end of year	\$ 294,425	\$ 779,072	\$ 484,647

concluded.

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Net Position

Internal Service Funds

June 30, 2015

	Central Stores	Fleet Services	Information Technology	Project Management
Assets				
Current assets:				
Cash	\$ -	\$ 150	\$ -	\$ 200
Equity in pooled cash and investments	1,707,928	9,979,241	4,670,296	6,054,987
Accounts receivable, net	-	3,149	9,166	36,940
Prepaid items	-	-	73,086	-
Inventory	658,208	405,188	-	-
Total current assets	<u>2,366,136</u>	<u>10,387,728</u>	<u>4,752,548</u>	<u>6,092,127</u>
Noncurrent assets:				
Capital assets not depreciated	-	90,005	-	-
Capital assets being depreciated, net	30,461	6,510,213	717,726	49,353
Total noncurrent assets	<u>30,461</u>	<u>6,600,218</u>	<u>717,726</u>	<u>49,353</u>
Total assets	<u>2,396,597</u>	<u>16,987,946</u>	<u>5,470,274</u>	<u>6,141,480</u>
Liabilities				
Current liabilities:				
Accounts payable	38,045	196,736	231,113	38,677
Estimated claims payable, current	-	-	-	-
Total current liabilities	<u>38,045</u>	<u>196,736</u>	<u>231,113</u>	<u>38,677</u>
Noncurrent liabilities -				
Estimated claims payable, net	-	-	-	-
Total liabilities	<u>38,045</u>	<u>196,736</u>	<u>231,113</u>	<u>38,677</u>
Net position				
Invested in capital assets	30,461	6,600,218	717,726	49,353
Unrestricted	<u>2,328,091</u>	<u>10,190,992</u>	<u>4,521,435</u>	<u>6,053,450</u>
Total net position	<u>\$ 2,358,552</u>	<u>\$ 16,791,210</u>	<u>\$ 5,239,161</u>	<u>\$ 6,102,803</u>

continued...

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Net Position

Internal Service Funds

June 30, 2015

	Insurance	Wheeler Center	Total
Assets			
Current assets:			
Cash	\$ -	\$ -	\$ 350
Equity in pooled cash and investments	14,804,441	399,182	37,616,075
Accounts receivable, net	-	12	49,267
Prepaid items	2,188,555	-	2,261,641
Inventory	-	-	1,063,396
Total current assets	<u>16,992,996</u>	<u>399,194</u>	<u>40,990,729</u>
Noncurrent assets:			
Capital assets not depreciated	-	-	90,005
Capital assets being depreciated, net	-	-	7,307,753
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>7,397,758</u>
Total assets	<u>16,992,996</u>	<u>399,194</u>	<u>48,388,487</u>
Liabilities			
Current liabilities:			
Accounts payable	853,907	37,036	1,395,514
Estimated claims payable, current	477,561	-	477,561
Total current liabilities	<u>1,331,468</u>	<u>37,036</u>	<u>1,873,075</u>
Noncurrent liabilities -			
Estimated claims payable, net	<u>3,803,421</u>	<u>-</u>	<u>3,803,421</u>
Total liabilities	<u>5,134,889</u>	<u>37,036</u>	<u>5,676,496</u>
Net position			
Invested in capital assets	-	-	7,397,758
Unrestricted	<u>11,858,107</u>	<u>362,158</u>	<u>35,314,233</u>
Total net position	<u>\$ 11,858,107</u>	<u>\$ 362,158</u>	<u>\$ 42,711,991</u>

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, 2015

	Central Stores	Fleet Services	Information Technology	Project Management
Operating revenues				
Charges for services	\$ 1,214,928	\$ 7,341,729	\$ 6,165,692	\$ 2,817,730
Operating expenses				
Personal services	293,440	1,202,005	2,970,728	1,663,436
Municipal service charge	25,440	142,416	675,120	138,492
Information technology charges	13,236	61,686	233,796	285,643
Other operating costs	672,272	2,306,585	2,386,433	140,475
Depreciation and amortization	10,417	2,375,064	402,884	16,883
Total operating expenses	1,014,805	6,087,756	6,668,961	2,244,929
Operating income (loss)	200,123	1,253,973	(503,269)	572,801
Nonoperating revenues				
Investment income	13,667	72,701	39,609	48,216
Gain on sale of capital assets	-	114,145	-	-
Total nonoperating revenues	13,667	186,846	39,609	48,216
Income (loss) before contributions and transfers	213,790	1,440,819	(463,660)	621,017
Capital contributions	-	166,274	-	-
Transfers in	-	75,000	-	-
Transfers out	(43,181)	(696,248)	(80,000)	(39,714)
Change in net position	170,609	985,845	(543,660)	581,303
Net position, beginning of year	2,187,943	15,805,365	5,782,821	5,521,500
Net position, end of year	\$ 2,358,552	\$ 16,791,210	\$ 5,239,161	\$ 6,102,803

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, 2015

	Insurance	Wheeler Center	Total
Operating revenues			
Charges for services	\$ 26,936,251	\$ 436,178	\$ 44,912,508
Operating expenses			
Personal services	563,491	32,512	6,725,612
Municipal service charge	386,268	19,992	1,387,728
Information technology charges	20,280	-	614,641
Other operating costs	24,800,443	334,301	30,640,509
Depreciation and amortization	-	-	2,805,248
Total operating expenses	25,770,482	386,805	42,173,738
Operating income (loss)	1,165,769	49,373	2,738,770
Nonoperating revenues			
Investment income	156,472	3,451	334,116
Gain on sale of capital assets	-	-	114,145
Total nonoperating revenues	156,472	3,451	448,261
Income (loss) before contributions and transfers	1,322,241	52,824	3,187,031
Capital contributions	-	-	166,274
Transfers in	-	-	75,000
Transfers out	-	-	(859,143)
Change in net position	1,322,241	52,824	2,569,162
Net position, beginning of year	10,535,866	309,334	40,142,829
Net position, end of year	\$ 11,858,107	\$ 362,158	\$ 42,711,991

concluded.

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Cash Flows
 Internal Service Funds
 For the Year Ended June 30, 2015

	Central Stores	Fleet Services	Information Technology	Project Management
Cash flow from operating activities				
Receipts from customers	\$ 1,214,928	\$ 7,342,291	\$ 6,189,027	\$ 2,794,773
Payments to suppliers	(831,082)	(2,655,081)	(3,061,762)	(554,466)
Payments on behalf of employees	(328,619)	(1,597,249)	(3,414,510)	(2,037,677)
Net cash provided (used) by operating activities	55,227	3,089,961	(287,245)	202,630
Cash flows from noncapital financing activities				
Transfers in	-	75,000	-	-
Transfers out	(43,181)	(696,248)	(80,000)	(39,714)
Net cash flows provided by (used in) noncapital financing activities	(43,181)	(621,248)	(80,000)	(39,714)
Cash flows from capital and related financing activities				
Proceeds from sale of equipment	-	121,401	-	-
Acquisition of capital assets	-	(460,662)	(96,793)	-
Net cash flows provided by (used in) capital and related financing activities	-	(339,261)	(96,793)	-
Cash flows from investing activities				
Interest and dividends on investments	13,667	72,701	39,609	48,216
Net change in cash and cash equivalents	25,713	2,202,153	(424,429)	211,132
Cash and cash equivalents, beginning of the year	1,682,215	7,777,238	5,094,725	5,844,055
Cash and cash equivalents, end of the year	\$ 1,707,928	\$ 9,979,391	\$ 4,670,296	\$ 6,055,187
Reconciliation to statement of net position				
Cash	\$ -	\$ 150	\$ -	\$ 200
Equity in pooled cash and investments	1,707,928	9,979,241	4,670,296	6,054,987
Cash and cash equivalent, end of year	\$ 1,707,928	\$ 9,979,391	\$ 4,670,296	\$ 6,055,187

continued...

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Cash Flows
 Internal Service Funds
 For the Year Ended June 30, 2015

	Insurance	Wheeler Center	Total
Cash flow from operating activities			
Receipts from customers	\$ 26,936,252	\$ 436,167	\$ 44,913,438
Payments to suppliers	(25,907,037)	(353,640)	(33,363,068)
Payments on behalf of employees	(597,020)	(33,470)	(8,008,545)
Net cash provided (used) by operating activities	<u>432,195</u>	<u>49,057</u>	<u>3,541,825</u>
Cash flows from noncapital financing activities			
Transfers in	-	-	75,000
Transfers out	-	-	(859,143)
Net cash flows provided by (used in) noncapital financing activities	<u>-</u>	<u>-</u>	<u>(784,143)</u>
Cash flows from capital and related financing activities			
Proceeds from sale of equipment	-	-	121,401
Acquisition of capital assets	-	-	(557,455)
Net cash flows provided by (used in) capital and related financing activities	<u>-</u>	<u>-</u>	<u>(436,054)</u>
Cash flows from investing activities			
Interest and dividends on investments	<u>156,472</u>	<u>3,451</u>	<u>334,116</u>
Net change in cash and cash equivalents	588,667	52,508	2,655,744
Cash and cash equivalents, beginning of the year	<u>14,215,774</u>	<u>346,674</u>	<u>34,960,681</u>
Cash and cash equivalents, end of the year	<u>\$ 14,804,441</u>	<u>\$ 399,182</u>	<u>\$ 37,616,425</u>
Reconciliation to statement of net position			
Cash	\$ -	\$ -	\$ 350
Equity in pooled cash and investments	<u>14,804,441</u>	<u>399,182</u>	<u>37,616,075</u>
Cash and cash equivalent, end of year	<u>\$ 14,804,441</u>	<u>\$ 399,182</u>	<u>\$ 37,616,425</u>

continued...

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2015

	Central Stores	Fleet Services	Information Technology	Project Management
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 200,123	\$ 1,253,973	\$ (503,269)	\$ 572,801
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	10,417	2,375,064	402,884	16,883
Changes in assets and liabilities:				
Accounts receivable	-	561	23,334	(19,387)
Allowance for uncollectible accounts	-	-	-	(3,568)
Prepaid items	-	-	112,833	-
Inventory	(135,564)	(2,344)	-	-
Accounts payable	15,431	(142,050)	120,752	10,142
Accrued liabilities	(6,946)	(40,691)	(93,905)	(42,910)
Accrued compensated absences	(28,234)	(354,552)	(349,874)	(331,331)
Estimated claims payable	-	-	-	-
Net cash provided (used) by operating activities	<u>\$ 55,227</u>	<u>\$ 3,089,961</u>	<u>\$ (287,245)</u>	<u>\$ 202,630</u>

continued...

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Cash Flows
 Internal Service Funds
 For the Year Ended June 30, 2015

	Insurance	Wheeler Center	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 1,165,769	\$ 49,373	\$ 2,738,770
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	-	-	2,805,248
Changes in assets and liabilities:			
Accounts receivable	-	(16)	4,492
Allowance for uncollectible accounts	-	4	(3,564)
Prepaid items	(501,246)	-	(388,413)
Inventory	-	-	(137,908)
Accounts payable	38,926	654	43,855
Accrued liabilities	(14,989)	(958)	(200,399)
Accrued compensated absences	(18,540)	-	(1,082,531)
Estimated claims payable	(237,725)	-	(237,725)
Net cash provided (used) by operating activities	<u>\$ 432,195</u>	<u>\$ 49,057</u>	<u>\$ 3,541,825</u>

concluded.

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Fiduciary Net Position

Pension and Other Employee Benefits Trust Funds

June 30, 2015

	Employees' Retirement System	Retiree Health Care Trust Fund	Total
Assets			
Equity in pooled cash and investments	\$ 1,011,379	\$ 1,050,543	\$ 2,061,922
Investments, at fair value:			
Equities	252,990,505	75,073,418	328,063,923
Fixed income	163,724,181	41,633,632	205,357,813
Other	57,287,249	15,483,264	72,770,513
Accrued interest and dividends	466,519	229,103	695,622
Due from broker for securities sold	1,186,824	78,549	1,265,373
Capital assets (net of depreciation of \$100,528)	385,523	-	385,523
Total assets	477,052,180	133,548,509	610,600,689
Deferred outflows of resources			
Deferred pension amounts	72,964	-	72,964
Liabilities			
Accounts payable	2,893,246	-	2,893,246
Accrued liabilities	-	53,009	53,009
Due to broker for securities purchased	1,325,151	306,461	1,631,612
Mortgage payable, due in one year	26,190	-	26,190
Mortgage payable, due in more than one year	219,473	-	219,473
Net pension liability	287,187	-	287,187
Total liabilities	4,751,247	359,470	5,110,717
Net position			
Net investment in capital assets	139,860	-	139,860
Restricted for pensions	472,234,037	133,189,039	605,423,076
Total net position	\$ 472,373,897	\$ 133,189,039	\$ 605,562,936

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, 2015

	Employee Retirement System	Retiree Health Care Trust Fund	Total
Additions			
Investment income:			
<i>From investing activities:</i>			
Appreciation (depreciation) in fair value of investments	\$ 17,016,321	\$ (105,662)	\$ 16,910,659
Interest and dividends	4,035,448	2,125,371	6,160,819
Total investment income	21,051,769	2,019,709	23,071,478
Investment management fees	(935,719)	(311,794)	(1,247,513)
Net investment income from investing activities	20,116,050	1,707,915	21,823,965
<i>From securities lending activities:</i>			
Gross earnings	40,621	29,232	69,853
Borrower rebates received (paid)	(402)	44,966	44,564
Securities lending fees	(12,018)	(22,161)	(34,179)
Net investment income from securities lending activities	28,201	52,037	80,238
Total net investment income	20,144,251	1,759,952	21,904,203
Contributions:			
Employer	13,091,474	14,979,732	28,071,206
Plan member	3,013,353	-	3,013,353
Total contributions	16,104,827	14,979,732	31,084,559
Total additions	36,249,078	16,739,684	52,988,762
Deductions			
Benefits	32,146,995	10,758,954	42,905,949
Refund of contributions	520,517	-	520,517
Administrative expense	683,980	16,858	700,838
Total deductions	33,351,492	10,775,812	44,127,304
Change in net position	2,897,586	5,963,872	8,861,458
Net position, beginning of year, as restated	469,476,311	127,225,167	596,701,478
Net position, end of year	\$ 472,373,897	\$ 133,189,039	\$ 605,562,936

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Assets and Liabilities
 Agency Funds
 June 30, 2015

	Treasurer's Delinquent Tax	Treasurer's Current Tax	Contractors' Retainage	15th District Court
Assets				
Cash	\$ -	\$ 41,184	\$ -	\$ 137,732
Equity in pooled cash and investments	88,638	51,168	7,610	-
Due from other governments	4,305	-	-	-
Total assets	<u>\$ 92,943</u>	<u>\$ 92,352</u>	<u>\$ 7,610</u>	<u>\$ 137,732</u>
Liabilities				
Due to others	\$ 92,943	\$ 92,352	\$ 7,610	\$ -
Due to other governments	-	-	-	72,340
Deposits	-	-	-	65,392
Total liabilities	<u>\$ 92,943</u>	<u>\$ 92,352</u>	<u>\$ 7,610</u>	<u>\$ 137,732</u>

continued...

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Assets and Liabilities
 Agency Funds
 June 30, 2015

	Payroll	Total	
Assets			
Cash	\$ -	\$ 178,916	
Equity in pooled cash and investments	18,151	165,567	
Due from other governments	-	4,305	
	\$ 18,151	\$ 348,788	
Total assets	\$ 18,151	\$ 348,788	
Liabilities			
Due to others	\$ 18,151	\$ 211,056	
Due to other governments	-	72,340	
Deposits	-	65,392	
	\$ 18,151	\$ 348,788	
Total liabilities	\$ 18,151	\$ 348,788	

concluded.

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2015

	Beginning Balance	Additions	Deductions	Ending Balance
Treasurer's Delinquent Tax Fund				
Assets				
Equity in pooled cash and investments	\$ 77,474	\$ 565,325	\$ 554,161	\$ 88,638
Due from other governments	-	4,305	-	4,305
Total assets	\$ 77,474	\$ -	\$ 554,161	\$ 92,943
Liabilities				
Due to others	\$ 77,474	\$ 1,681,215	\$ 1,665,746	\$ 92,943
Treasurer's Current Tax Fund				
Assets				
Cash	\$ 33,132	\$ 278,653,088	\$ 278,645,036	\$ 41,184
Equity in pooled cash and investments	61,323	1,531,340	1,541,495	51,168
Total assets	\$ 94,455	\$ 280,184,428	\$ 280,186,531	\$ 92,352
Liabilities				
Due to others	\$ 94,455	\$ 264,378,917	\$ 264,381,020	\$ 92,352
Contractors' Retainage Fund				
Assets				
Cash	\$ 134,860	\$ 24,321	\$ 159,181	\$ -
Equity in pooled cash and investments	-	166,244	158,634	7,610
Total assets	\$ 134,860	\$ 190,565	\$ 317,815	\$ 7,610
Liabilities				
Due to others	\$ 134,860	\$ 24,456	\$ 151,706	\$ 7,610
15th District Court Fund				
Assets				
Cash	\$ 178,984	\$ 4,823	\$ 46,075	\$ 137,732
Liabilities				
Due to other governments	\$ 79,311	\$ -	\$ 6,971	\$ 72,340
Deposits	99,673	-	34,281	65,392
Total liabilities	\$ 178,984	\$ -	\$ 41,252	\$ 137,732

continued...

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2015

	Beginning Balance	Additions	Deductions	Ending Balance
Payroll Fund				
Assets				
Cash	\$ -	\$ 1,026	\$ 1,026	\$ -
Equity in pooled cash and investments	78,902	74,072,602	74,133,353	18,151
Total assets	\$ 78,902	\$ 74,073,628	\$ 74,134,379	\$ 18,151
Liabilities				
Due to others	\$ 78,902	\$ 130,370,386	\$ 130,431,137	\$ 18,151
Total - All Agency Funds				
Assets				
Cash	\$ 346,976	\$ 278,683,258	\$ 278,851,318	\$ 178,916
Equity in pooled cash and investments	217,699	76,335,511	76,387,643	165,567
Due from other governments	-	4,305	-	4,305
Total assets	\$ 564,675	\$ 355,023,074	\$ 355,238,961	\$ 348,788
Liabilities				
Due to others	\$ 385,691	\$ 396,454,974	\$ 396,629,609	\$ 211,056
Due to other governments	79,311	-	6,971	72,340
Deposits	99,673	-	34,281	65,392
Total liabilities	\$ 564,675	\$ 396,454,974	\$ 396,670,861	\$ 348,788

concluded.

CITY OF ANN ARBOR, MICHIGAN

Component Unit Balance Sheet

SmartZone Local Development Finance Authority

June 30, 2015

SmartZone
Local
Development
Finance
Authority

Assets

Equity in pooled cash and investments	\$ 1,591,485
Accounts receivable	25,429
Loans receivable	<u>1,082,679</u>

Total assets \$ 2,699,593

Liabilities

Accounts payable	\$ 210,057
Unearned revenue	<u>1,082,679</u>

Total liabilities 1,292,736

Fund balances

Committed for community and economic development	<u>1,406,857</u>
--	------------------

Total liabilities and fund balances \$ 2,699,593

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, 2015

	SmartZone Local Development Finance Authority
Revenues	
Taxes	\$ 2,321,467
Investment income	15,728
Other revenues	25,429
	<hr/>
Total revenues	2,362,624
Expenditures	
Current -	
Community and economic development	1,861,534
	<hr/>
Net change in fund balance	501,090
Fund balances, beginning of year	905,767
	<hr/>
Fund balances, end of year	<u>\$ 1,406,857</u>

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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.	174
Revenue Capacity	These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	186
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.	194
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.	200
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.	202

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

	2015	2014	2013	2012	2011
Governmental activities					
Net investment in capital assets	\$ 697,791,106	\$ 701,552,873	\$ 700,945,291	\$ 684,183,914	\$ 672,899,397
Restricted	56,287,227	56,297,832	57,612,227	66,605,173	66,772,308
Unrestricted	1,632,309	41,317,182	33,838,840	23,913,683	15,649,176
Total governmental activities net position	\$ 755,710,642	\$ 799,167,887	\$ 792,396,358	\$ 774,702,770	\$ 755,320,881
Business-type activities					
Net investment in capital assets	\$ 193,410,202	\$ 190,021,586	\$ 189,062,847	\$ 183,625,625	\$ 164,731,782
Restricted	32,368,111	30,332,704	28,947,807	21,926,274	17,374,027
Unrestricted	61,336,547	61,806,858	47,860,799	49,549,547	56,356,293
Total business-type activities net position	\$ 287,114,860	\$ 282,161,148	\$ 265,871,453	\$ 255,101,446	\$ 238,462,102
Primary government					
Net investment in capital assets	\$ 891,201,308	\$ 891,574,459	\$ 890,008,138	\$ 867,809,539	\$ 837,631,179
Restricted	88,655,338	86,630,536	86,560,034	88,531,447	84,146,335
Unrestricted	62,968,856	103,124,040	81,699,639	73,463,230	72,005,469
Total primary government net position	\$ 1,042,825,502	\$ 1,081,329,035	\$ 1,058,267,811	\$ 1,029,804,216	\$ 993,782,983

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

	2010	2009	2008	2007	2006
Governmental activities					
Net investment in capital assets	\$ 579,020,698	\$ 612,949,811	\$ 626,041,914	\$ 611,225,989	\$ 575,895,851
Restricted	118,723,718	101,462,605	75,698,698	79,571,639	101,447,127
Unrestricted	43,955,179	10,198,885	30,524,342	25,703,229	17,347,389
Total governmental activities net position	\$ 741,699,595	\$ 724,611,301	\$ 732,264,954	\$ 716,500,857	\$ 694,690,367
Business-type activities					
Net investment in capital assets	\$ 145,084,736	\$ 122,234,225	\$ 77,083,900	\$ 111,888,472	\$ 97,487,787
Restricted	17,245,077	18,391,715	18,837,147	15,291,215	15,918,577
Unrestricted	59,771,622	69,899,328	101,517,578	55,985,356	56,489,160
Total business-type activities net position	\$ 222,101,435	\$ 210,525,268	\$ 197,438,625	\$ 183,165,043	\$ 169,895,524
Primary government					
Net investment in capital assets	\$ 724,105,434	\$ 735,184,036	\$ 703,125,814	\$ 723,114,461	\$ 673,383,638
Restricted	135,968,795	119,854,320	94,535,845	94,862,854	117,365,704
Unrestricted	103,726,801	80,098,213	132,041,920	81,688,585	73,836,549
Total primary government net position	\$ 963,801,030	\$ 935,136,569	\$ 929,703,579	\$ 899,665,900	\$ 864,585,891

concluded.

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

	2015	2014	2013	2012	2011
Expenses					
Governmental activities:					
General government	\$ 16,550,948	\$ 15,580,703	\$ 14,780,995	\$ 15,236,105	\$ 14,794,159
Public safety	43,882,972	40,307,361	39,396,533	40,649,428	42,049,504
Public works	33,619,237	37,787,092	24,374,228	19,889,391	20,468,502
Community and economic development	2,749,048	2,031,872	1,820,460	2,931,838	3,781,557
Culture and recreation	13,374,937	12,008,899	10,573,584	10,071,912	9,935,578
Public transportation	9,735,605	9,494,422	9,233,757	8,913,232	9,362,712
Debt service	4,691,976	5,037,624	4,953,237	5,134,805	5,260,736
Unallocated depreciation	-	-	-	-	44,331
Total governmental activities expenses	<u>124,604,723</u>	<u>122,247,973</u>	<u>105,132,794</u>	<u>102,826,711</u>	<u>105,697,079</u>
Business-type activities:					
Water	18,494,776	17,332,597	17,939,124	16,976,630	17,338,241
Sewer	16,842,294	15,201,859	15,024,567	14,569,815	14,443,929
Parking	2,144,727	2,434,729	2,537,775	2,708,673	2,678,011
Market	-	229,134	234,078	168,977	156,059
Golf courses	-	-	1,443,008	1,554,083	1,649,866
Airport	746,680	676,227	670,743	568,629	744,629
Stormwater	5,986,171	4,269,354	4,983,006	4,336,523	3,945,211
Solid waste	12,986,803	12,848,176	14,336,494	11,563,289	13,724,530
Total business-type activities expenses	<u>57,201,451</u>	<u>52,992,076</u>	<u>57,168,795</u>	<u>52,446,619</u>	<u>54,680,476</u>
Total primary government expenses	<u>181,806,174</u>	<u>175,240,049</u>	<u>162,301,589</u>	<u>155,273,330</u>	<u>160,377,555</u>

continued...

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

	2010	2009	2008	2007	2006
Expenses					
Governmental activities:					
General government	\$ 17,333,282	\$ 24,108,111	\$ 14,290,184	\$ 15,219,894	\$ 13,908,277
Public safety	43,010,456	56,723,757	48,004,360	42,368,701	44,026,682
Public works	17,933,743	21,084,898	22,948,985	16,388,169	19,659,069
Community and economic development	3,996,830	5,869,426	5,611,549	5,146,231	2,188,427
Culture and recreation	7,945,806	9,530,857	8,616,049	6,464,261	6,810,978
Public transportation	9,682,798	9,592,129	9,574,677	9,169,355	8,666,141
Debt service	3,297,914	3,229,523	2,544,827	2,737,333	1,539,263
Unallocated depreciation	141,823	39,175	64,861	55,005	71,575
Total governmental activities expenses	<u>103,342,652</u>	<u>130,177,876</u>	<u>111,655,492</u>	<u>97,548,949</u>	<u>96,870,412</u>
Business-type activities:					
Water	16,861,582	18,971,550	17,876,975	16,943,066	16,881,883
Sewer	14,242,272	15,190,288	13,585,023	15,247,981	13,488,810
Parking	2,879,139	3,048,960	2,963,565	2,902,894	3,684,777
Market	155,993	145,024	136,004	124,636	124,754
Golf courses	1,646,340	1,510,711	1,374,434	1,115,341	1,134,301
Airport	670,736	846,383	728,168	842,521	904,514
Stormwater	3,031,318	2,789,058	3,038,548	2,622,490	1,556,229
Solid waste	11,770,761	12,131,440	10,881,003	10,322,715	9,876,503
Total business-type activities expenses	<u>51,258,141</u>	<u>54,633,414</u>	<u>50,583,720</u>	<u>50,121,644</u>	<u>47,651,771</u>
Total primary government expenses	<u>154,600,793</u>	<u>184,811,290</u>	<u>162,239,212</u>	<u>147,670,593</u>	<u>144,522,183</u>

continued...

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

	2015	2014	2013	2012	2011
Program revenues					
Governmental activities:					
Charges for services:					
General government	\$ 9,296,146	\$ 8,612,587	\$ 8,557,284	\$ 7,371,102	\$ 11,729,555
Public safety	8,847,862	7,783,075	8,110,028	9,559,178	8,732,273
Public works	2,662,357	2,236,913	2,620,789	3,303,537	2,253,632
Community and economic development	657	293,533	-	35,269	-
Culture and Recreation	4,097,635	3,891,323	2,502,342	2,383,032	2,623,518
Public transportation	-	-	-	92,518	93,612
Interest on long-term debt	4,287,804	4,241,683	3,733,571	3,038,523	-
Operating grants and contributions	11,030,886	12,380,494	13,682,013	13,210,386	9,635,060
Capital grants and contributions	865,776	974,291	493,900	346,046	3,621,001
Total governmental activities program revenues	<u>41,089,123</u>	<u>40,413,899</u>	<u>39,699,927</u>	<u>39,339,591</u>	<u>38,688,651</u>
Business-type activities:					
Charges for services:					
Water	22,697,619	22,725,289	23,746,197	22,017,955	21,160,437
Sewer	22,137,470	22,639,231	21,456,653	21,103,955	21,741,717
Parking	2,820,269	2,860,469	2,884,220	2,877,149	2,923,214
Market	-	198,989	148,942	253,850	148,687
Golf courses	-	-	1,146,989	1,304,135	1,171,776
Airport	888,809	869,591	855,286	834,238	847,728
Stormwater	6,343,928	6,446,776	5,956,093	5,712,581	7,512,538
Solid waste	2,875,575	3,329,167	2,942,230	3,450,410	3,136,831
Capital grants and contributions	4,645,758	1,963,610	4,925,869	1,256,394	951,818
Total business-type activities program revenues	<u>62,409,428</u>	<u>61,033,122</u>	<u>64,062,479</u>	<u>58,810,667</u>	<u>59,594,746</u>
Total primary government program revenues	<u>103,498,551</u>	<u>101,447,021</u>	<u>103,762,406</u>	<u>98,150,258</u>	<u>98,283,397</u>

continued...

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

	2010	2009	2008	2007	2006
Program revenues					
Governmental activities:					
Charges for services:					
General government	\$ 8,527,479	\$ 5,747,883	\$ 5,365,601	\$ 4,968,702	\$ 10,716,589
Public safety	7,272,976	11,128,662	13,042,927	12,119,252	11,624,431
Public works	3,158,923	1,552,806	2,104,180	4,224,568	1,834,707
Community and economic development	-	-	-	-	890
Culture and Recreation	2,372,364	2,615,433	2,561,561	2,447,072	2,482,219
Public transportation	97,513	98,464	91,589	91,589	86,770
Interest on long-term debt	-	-	-	-	-
Operating grants and contributions	9,998,747	10,174,646	10,635,661	10,659,938	12,604,477
Capital grants and contributions	1,239,229	681,800	336,643	479,321	791,100
Total governmental activities program revenues	<u>32,667,231</u>	<u>31,999,694</u>	<u>34,138,162</u>	<u>34,990,442</u>	<u>40,141,183</u>
Business-type activities:					
Charges for services:					
Water	19,905,769	18,420,957	20,274,057	19,075,505	18,377,961
Sewer	19,292,506	19,074,478	19,493,468	17,330,738	18,933,853
Parking	2,941,159	3,423,624	2,531,021	3,305,205	3,066,276
Market	144,591	115,902	122,644	126,979	125,347
Golf courses	1,164,840	1,031,632	865,113	870,567	998,218
Airport	782,039	741,339	793,125	773,784	719,842
Stormwater	5,954,788	5,316,391	4,910,929	4,373,848	3,758,240
Solid waste	1,517,653	1,049,923	1,543,903	729,343	814,140
Capital grants and contributions	2,204,638	2,736,217	418,430	668,917	-
Total business-type activities program revenues	<u>53,907,983</u>	<u>51,910,463</u>	<u>50,952,690</u>	<u>47,254,886</u>	<u>46,793,877</u>
Total primary government program revenues	<u>86,575,214</u>	<u>83,910,157</u>	<u>85,090,852</u>	<u>82,245,328</u>	<u>86,935,060</u>

continued...

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

	2015	2014	2013	2012	2011
Net (expense) revenue					
Governmental activities	\$ (83,515,600)	\$ (81,834,074)	\$ (65,432,867)	\$ (63,487,120)	\$ (67,008,428)
Business-type activities	5,207,977	8,041,046	6,893,684	6,364,048	4,914,270
Total primary government net expense	<u>(78,307,623)</u>	<u>(73,793,028)</u>	<u>(58,539,183)</u>	<u>(57,123,072)</u>	<u>(62,094,158)</u>
General revenues and other changes in net position					
Governmental activities:					
Taxes:					
Property taxes, levied for general purposes	69,605,519	67,910,879	66,703,347	65,483,779	58,050,469
Property taxes, levied for designated purpose	-	-	-	-	7,131,115
Property taxes, levied for debt services	-	-	-	-	2,265,030
State shared revenues and grants (unrestricted)	10,317,088	10,050,793	9,771,731	9,748,477	9,582,165
Investment income	1,262,302	1,621,595	(410,361)	2,567,568	2,523,944
Special item	-	-	-	-	-
Other	150,905	5,231,878	145,399	3,410,739	835,982
Transfers	4,831,153	3,574,088	3,690,615	2,428,146	241,009
Total governmental activities	<u>86,166,967</u>	<u>88,389,233</u>	<u>79,900,731</u>	<u>83,638,709</u>	<u>80,629,714</u>
Business-type activities:					
Property taxes, levied for general purposes	11,728,679	11,470,474	11,154,045	11,030,550	11,171,676
Investment income	1,293,959	1,241,702	(245,003)	1,188,581	515,730
Other	67,250	(673,069)	(504,477)	484,311	-
Transfers	(4,831,153)	(3,574,088)	(3,690,615)	(2,428,146)	(241,009)
Total business-type activities	<u>8,258,735</u>	<u>8,465,019</u>	<u>6,713,950</u>	<u>10,275,296</u>	<u>11,446,397</u>
Total primary government	<u>94,425,702</u>	<u>96,854,252</u>	<u>86,614,681</u>	<u>93,914,005</u>	<u>92,076,111</u>
Change in net position					
Governmental activities	2,651,367	6,555,159	14,467,864	20,151,589	13,621,286
Business-type activities	13,466,712	16,506,065	13,607,634	16,639,344	16,360,667
Total primary government	<u>\$ 16,118,079</u>	<u>\$ 23,061,224</u>	<u>\$ 28,075,498</u>	<u>\$ 36,790,933</u>	<u>\$ 29,981,953</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

	2010	2009	2008	2007	2006
Net (expense) revenue					
Governmental activities	\$ (70,675,421)	\$ (98,178,182)	\$ (77,517,330)	\$ (62,558,507)	\$ (56,729,229)
Business-type activities	2,649,842	(2,722,951)	368,970	(2,866,758)	(857,894)
Total primary government net expense	<u>(68,025,579)</u>	<u>(100,901,133)</u>	<u>(77,148,360)</u>	<u>(65,425,265)</u>	<u>(57,587,123)</u>
General revenues and other changes in net position					
Governmental activities:					
Taxes:					
Property taxes, levied for general purposes	60,655,729	60,468,022	60,510,514	48,243,639	45,587,059
Property taxes, levied for designated purpose	7,454,130	-	-	-	-
Property taxes, levied for debt services	2,274,782	9,526,085	9,555,291	17,236,440	16,430,807
State shared revenues and grants (unrestricted)	9,456,109	11,102,183	11,116,813	11,464,818	11,469,467
Investment income	4,308,095	7,890,239	9,059,668	7,990,673	4,246,277
Special item	-	-	-	-	4,100,000
Other	215,199	375,390	899,577	709,786	194,410
Transfers	4,140,628	1,162,611	2,139,564	(1,276,359)	7,134,212
Total governmental activities	<u>88,504,672</u>	<u>90,524,530</u>	<u>93,281,427</u>	<u>84,368,997</u>	<u>89,162,232</u>
Business-type activities:					
Property taxes, levied for general purposes	11,677,513	11,529,057	11,550,982	10,998,459	10,399,700
Investment income	1,545,547	5,443,148	4,493,194	3,861,459	2,177,470
Other	-	-	-	-	-
Transfers	(4,140,628)	(1,162,611)	(2,139,564)	1,276,359	(7,134,212)
Total business-type activities	<u>9,082,432</u>	<u>15,809,594</u>	<u>13,904,612</u>	<u>16,136,277</u>	<u>5,442,958</u>
Total primary government	<u>97,587,104</u>	<u>106,334,124</u>	<u>107,186,039</u>	<u>100,505,274</u>	<u>94,605,190</u>
Change in net position					
Governmental activities	17,829,251	(7,653,652)	15,764,097	21,810,490	32,433,003
Business-type activities	11,732,274	13,086,643	14,273,582	13,269,519	4,585,064
Total primary government	<u>\$ 29,561,525</u>	<u>\$ 5,432,991</u>	<u>\$ 30,037,679</u>	<u>\$ 35,080,009</u>	<u>\$ 37,018,067</u>

concluded.

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

	2015	2014	2013	2012	2011
General fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-
Nonspendable (1)	765,634	853,930	915,644	960,336	1,032,509
Assigned (1)	4,482,510	7,446,598	810,595	243,308	2,024,490
Unassigned (1)	17,235,156	14,278,680	14,392,854	14,093,650	10,525,445
Total general fund	\$ 22,483,300	\$ 22,579,208	\$ 16,119,093	\$ 15,297,294	\$ 13,582,444
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	1,985,800	1,984,000
Restricted (1)	55,120,246	55,346,228	56,701,167	63,432,711	85,121,367
Committed (1)	3,984,155	3,203,624	6,088,188	4,617,556	-
Assigned (1)	2,642,775	2,699,330	2,346,846	2,285,397	2,251,551
Total all other governmental funds	\$ 63,731,176	\$ 63,233,182	\$ 67,120,201	\$ 72,321,464	\$ 89,356,918

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

	2010	2009	2008	2007	2006
General fund					
Reserved	\$ 199,238	\$ 444,744	\$ 219,224	\$ 270,048	\$ 485,868
Unreserved	12,288,378	10,910,841	19,561,545	16,126,413	11,962,837
Nonspendable (1)	-	-	-	-	-
Assigned (1)	-	-	-	-	-
Unassigned (1)	-	-	-	-	-
Total general fund	\$ 12,487,616	\$ 11,355,585	\$ 19,780,769	\$ 16,396,461	\$ 12,448,705
All other governmental funds					
Reserved	\$ 19,102,850	\$ 43,160,630	\$ 16,289,679	\$ 14,783,804	\$ 33,451,679
Unreserved, reported in:					
Special revenue funds	67,567,542	64,524,470	64,279,003	70,463,629	34,425,813
Capital projects funds	38,031,543	2,401,119	3,622,949	-	11,709,820
Undesignated	320,340	-	-	-	26,634,034
Nonspendable (1)	-	-	-	-	-
Restricted (1)	-	-	-	-	-
Committed (1)	-	-	-	-	-
Assigned (1)	-	-	-	-	-
Total all other governmental funds	\$ 125,022,275	\$ 110,086,219	\$ 84,191,631	\$ 85,247,433	\$ 106,221,346

concluded.

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

	2015	2014	2013	2012	2011
Revenues					
Taxes	\$ 69,605,308	\$ 67,910,079	\$ 66,692,158	\$ 65,483,779	\$ 67,446,614
Special assessments/improvement charges	52,373	44,636	43,102	48,843	103,790
Licenses, fees and permits	7,619,826	6,683,485	6,537,092	6,279,934	6,125,839
Federal grants	1,033,789	1,953,212	3,366,834	1,567,185	4,950,416
State shared revenues and grants	20,792,519	20,428,435	19,916,609	21,367,804	18,156,777
Charges for services	14,034,309	13,732,847	12,050,841	13,721,017	12,642,161
Fines and penalties	4,601,589	4,483,484	4,483,090	4,606,580	4,863,239
Interest and penalties	211	800	11,189	828	516,159
Investment income (loss)	928,186	1,162,205	(305,700)	2,057,540	1,851,927
Rental	637,366	587,361	653,879	463,191	421,742
Contributions and donations	981,965	521,305	295,289	369,920	280,971
Intra-governmental sales	213,511	266,970	157,956	208,243	361,245
Miscellaneous	678,652	1,182,138	1,529,283	719,712	1,181,503
Total revenues	121,179,604	118,956,957	115,431,622	116,894,576	118,902,383
Expenditures					
Current:					
General government	14,501,593	14,372,873	14,659,352	15,034,085	14,058,718
Public safety	45,217,288	43,123,100	42,347,919	43,139,586	43,678,573
Public works	17,869,057	17,789,296	19,015,177	18,969,637	17,617,067
Community and economic development	2,808,976	2,118,053	1,918,460	3,677,716	3,863,957
Culture and recreation	12,567,890	11,360,700	10,142,639	9,996,650	9,653,540
Public transportation	9,735,605	9,494,422	9,233,757	8,913,232	10,106,607
Capital outlay	14,237,971	14,971,769	26,764,896	29,176,152	46,974,519
Debt service:					
Principal	4,150,000	7,550,000	4,055,000	3,320,000	3,410,000
Interest	4,920,544	5,072,356	5,045,229	5,117,493	5,302,317
Total expenditures	126,008,924	125,852,569	133,182,429	137,344,551	154,665,298
Revenues over (under) expenditures	(4,829,320)	(6,895,612)	(17,750,807)	(20,449,975)	(35,762,915)
Other financing sources (uses):					
Transfers in	13,294,382	15,619,817	10,917,733	9,620,472	7,170,739
Transfers out	(7,679,086)	(11,131,060)	(6,803,028)	(6,519,432)	(6,023,714)
Sale of property and equipment	3,598	4,979,951	30,563	2,809,085	45,361
Payment to refunded bond escrow agent	(16,486,836)	-	-	(2,714,429)	-
Issuance of debt	16,235,000	-	9,085,000	2,670,000	-
Bond premium (discount)	(135,652)	-	141,075	33,375	-
Bond issuance costs	-	-	-	-	-
Total other financing sources (uses)	5,231,406	9,468,708	13,371,343	5,899,071	1,192,386
Net change in fund balances	\$ 402,086	\$ 2,573,096	\$ (4,379,464)	\$ (14,550,904)	\$ (34,570,529)
Debt service as a percentage of noncapital expenditures	8.5%	12.0%	9.4%	8.7%	8.8%

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

	2010	2009	2008	2007	2006
Revenues					
Taxes	\$ 70,384,641	\$ 69,994,107	\$ 70,065,805	\$ 65,480,079	\$ 62,017,866
Special assessments/improvement charges	54,713	77,748	182,302	119,198	122,147
Licenses, fees and permits	5,108,409	1,133,847	1,284,685	1,210,631	3,229,331
Federal grants	2,583,511	3,434,753	3,470,830	3,801,631	4,062,637
State shared revenues and grants	17,277,839	18,469,118	18,743,579	19,214,610	20,011,307
Charges for services	10,393,128	13,350,572	14,228,315	14,846,082	9,608,385
Fines and penalties	4,138,282	4,963,134	5,874,429	5,894,126	5,997,715
Interest and penalties	515,190	28,963	30,472	36,551	39,894
Investment income (loss)	3,071,842	6,807,477	7,864,379	7,216,882	3,844,416
Rental	404,147	310,520	335,642	185,173	128,882
Contributions and donations	260,470	228,208	297,087	171,640	164,162
Intra-governmental sales	318,696	188,958	363,457	535,049	157,850
Miscellaneous	316,652	375,390	899,577	709,786	194,410
Total revenues	114,827,520	119,362,795	123,640,559	119,421,438	109,579,002
Expenditures					
Current:					
General government	16,323,784	22,475,026	16,360,311	14,755,887	15,320,549
Public safety	43,654,317	47,151,174	45,003,004	43,476,726	41,629,068
Public works	16,353,447	15,037,630	15,946,677	19,564,728	13,513,583
Community and economic development	4,014,989	5,243,807	5,610,030	5,059,096	4,601,791
Culture and recreation	7,498,717	8,462,253	7,955,698	6,153,578	11,957,408
Public transportation	9,682,798	9,592,129	9,574,677	9,169,355	8,666,141
Capital outlay	49,765,312	18,102,248	16,661,477	31,209,188	10,943,071
Debt service:					
Principal	3,345,000	3,270,000	3,175,000	3,405,000	2,508,050
Interest	2,773,143	2,934,523	2,586,455	2,422,079	1,329,166
Total expenditures	153,411,507	132,268,790	122,873,329	135,215,637	110,468,827
Revenues over (under) expenditures	(38,583,987)	(12,905,995)	767,230	(15,794,199)	(889,825)
Other financing sources (uses):					
Transfers in	11,227,633	13,104,036	8,879,908	9,362,022	21,817,720
Transfers out	(5,914,937)	(10,513,218)	(7,334,089)	(10,627,817)	(12,938,988)
Sale of property and equipment	13,855	312,501	15,457	33,837	3,470
Payment to refunded bond escrow agent	-	-	-	-	-
Issuance of debt	49,420,000	27,660,000	-	-	44,885,000
Bond premium (discount)	(93,674)	-	-	-	-
Bond issuance costs	-	(187,920)	-	-	(305,812)
Total other financing sources (uses)	54,652,877	30,375,399	1,561,276	(1,231,958)	53,461,390
Net change in fund balances	\$ 16,068,890	\$ 17,469,404	\$ 2,328,506	\$ (17,026,157)	\$ 52,571,565
Debt service as a percentage of noncapital expenditures	6.4%	5.7%	5.8%	6.2%	4.3%

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
2006	\$ 3,964,733,709	\$ 256,014,650	\$ -	\$ 4,220,748,359	16.8156
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

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)	2006	6.2318	2.4925	2.0772	2.0772
Non-PRE	2006	6.2318	2.4925	2.0772	2.0772
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

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)	0.5800	1.4042	1.9527	16.8156
Non-PRE	0.5800	1.4042	1.9527	16.8156
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

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)		18.7994	1.9332	5.5024	3.7249	46.7755
Non-PRE		31.2636	1.9332	5.5024	3.7249	59.2397
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

concluded.

Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	Type of Business	2015		
		Taxable Value	Rank	Percentage of Total City Assessed Value
Briarwood Shopping Complex	Shopping Center	\$ 38,282,500	1	0.77%
Campus Investors 601 Forest	Apartments	30,990,844	2	0.62%
AMCAP Arborland LLC	Shopping Center	29,835,543	3	0.60%
Ann Arbor Campus Housing, LLC	Apartments	28,125,324	4	0.57%
HUB Eisenhower Property	Office Building	24,892,000	5	0.50%
DTE Electric Company	Utility	23,229,700	6	0.47%
THC Ann Arbor WP LLC	Apartments	19,754,799	7	0.40%
Varsity at Ann Arbor, LLC	Apartments	18,753,974	8	0.38%
DTE Gas Company	Utility	16,518,500	9	0.33%
Sterling - 4 Eleven, LP	Apartments	15,629,584	10	0.31%
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		\$ 246,012,768		4.95%

continued...

Source: City of Ann Arbor Financial Services, Assessing Unit

Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2006		
	Taxable Value	Rank	Percentage of Total City Assessed Value
Briarwood Shopping Complex	\$ 37,649,209	2	0.89%
Campus Investors 601 Forest			
AMCAP Arborland LLC	21,340,831	4	0.51%
Ann Arbor Campus Housing, LLC			
HUB Eisenhower Property			
DTE Electric Company	29,091,101	3	0.69%
THC Ann Arbor WP LLC			
Varsity at Ann Arbor, LLC			
DTE Gas Company	13,367,000	10	0.32%
Sterling - 4 Eleven, LP			
Geddes Lake Cooperative	17,681,124	5	0.42%
Pfizer	215,403,800	1	5.10%
Windemere I Ltd Partnership	17,520,000	6	0.42%
McKinley Associates	16,068,769	7	0.38%
Great Lakes Reit LP	15,710,000	8	0.37%
Village Cooperative	14,263,405	9	0.34%
Total	\$ 398,095,239		9.43%

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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
2006	\$71,482,832	\$70,318,467	98.37%	\$ 1,015,575	\$ 108,203	\$71,442,245	99.94%
2007	75,429,967	73,974,415	98.07%	1,330,102	118,029	75,422,546	99.99%
2008	80,126,988	78,036,023	97.39%	1,986,130	96,075	80,118,228	99.99%
2009	81,928,011	79,444,679	96.97%	2,377,225	64,885	81,886,789	99.95%
2010	81,663,316	79,228,933	97.02%	2,317,119	55,356	81,601,408	99.92%
2011	78,565,863	76,336,483	97.16%	2,121,932	16,935	78,475,350	99.88%
2012	75,840,849	74,102,021	97.71%	1,651,831	21,934	75,775,786	99.91%
2013	77,169,289	76,009,075	98.50%	1,055,355	17,286	77,081,716	99.89%
2014	79,385,502	78,341,354	98.68%	925,652	15,943	79,282,949	99.87%
2015	81,742,181	80,666,319	98.68%	819,344	17,063	81,502,726	99.71%

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
2006	\$ 60,235	\$ 1,165	\$ 3,500	\$ 27,616	\$ -	\$ 66,750	\$ 2,972
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	19,877	-	102,866	1,470
2013	123,552	140	3,500	17,267	278	106,572	35,981
2014	119,588	60	-	15,635	192	128,643	9,932
2015	115,624	35	-	12,140	106	159,195	13,827

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Note: For fiscal year 2013 and 2014 percent of personal income, the divisor used was for 2012 since 2013 and 2014 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
2006	\$ 162,238	1.17%	\$ 1,419
2007	158,941	1.17%	1,390
2008	197,832	1.44%	1,683
2009	214,220	1.63%	1,869
2010	255,810	1.90%	2,267
2011	257,419	1.81%	2,259
2012	245,986	1.62%	2,159
2013	287,290	1.89%	2,522
2014	274,050	1.81%	2,405
2015	300,927	1.93%	2,641

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**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	Net General Bonded Debt	Percentage of Actual Taxable Value of Property	Per Capita
2006	\$ 60,235	\$ 27,616	\$ 87,851	\$ (1,375)	\$ 86,476	2.05%	\$ 757.13
2007	57,190	29,672	86,862	(1,271)	85,591	1.91%	748.95
2008	54,140	27,510	81,650	(1,268)	80,382	1.70%	703.37
2009	78,655	25,295	103,950	(1,248)	102,702	2.10%	896.16
2010	124,855	23,365	148,220	(1,324)	146,896	3.02%	1,301.67
2011	121,565	21,315	142,880	(1,516)	141,364	3.03%	1,240.78
2012	118,053	19,877	137,930	(1,318)	136,612	2.95%	1,199.05
2013	123,552	17,267	140,819	(1,243)	139,576	2.98%	1,225.06
2014	119,588	15,635	135,223	(1,142)	134,081	2.77%	1,176.83
2015	115,624	12,140	127,764	(1,123)	126,641	2.55%	1,111.53

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, 2015

Government Unit	Net Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Direct debt			
General obligation bonds	\$ 115,624	100.00%	\$ 115,624
Special assessment bonds	35	100.00%	35
Total city direct debt	<u>\$ 115,659</u>		<u>115,659</u>
Overlapping debt			
Ann Arbor School District	\$ 183,510	63.24%	116,052
Washtenaw Community College	13,580	34.88%	4,737
Washtenaw County, at large	33,203	34.06%	11,309
Total overlapping debt	<u>\$ 230,293</u>		<u>132,097</u>
Total direct & overlapping debt			<u>\$ 247,756</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 2015

Assessed value of real and personal property	<u>\$ 5,447,340,500</u>
Debt limit (10% of assessed value)	\$ 544,734,050
Debt applicable to limit:	
Net direct debt	115,659,000
Less: special assessment bonds (general obligation portion)	<u>(35,000)</u>
Total net debt applicable to limit	<u>115,624,000</u>
Legal debt margin	<u>\$ 429,110,050</u>

	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to Limit as a Percentage of Debt Limit
2006	\$ 563,353,190	\$ 63,436,196	\$ 499,916,994	11.26%
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%

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:							
2006	\$ 18,719,846	\$ 12,793,461	\$ 5,926,385	\$ 3,090,000	\$ 1,266,128	\$ 4,356,128	1.4
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
Sewage Disposal System:							
2006	\$ 20,291,760	\$ 9,621,514	\$ 10,670,246	\$ 1,440,000	\$ 1,243,005	\$ 2,683,005	4.0
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
Stormwater Sewer System (3):							
2005	\$ 3,578,596	\$ 1,449,544	\$ 2,129,052	\$ 115,000	\$ 36,243	\$ 151,243	14.1
2006	3,810,641	1,333,400	2,477,241	125,000	51,547	176,547	14.0
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)
2006	114,216	\$ 13,892,850	\$ 40,381	27.3	16.9	16,879	4.4
2007	114,282	13,614,000	39,142	27.3	16.9	16,680	5.2
2008	114,282	13,766,000	39,107	27.3	16.9	17,012	6.3
2009	114,602	13,159,000	38,032	27.3	16.9	16,539	8.3
2010	112,852	13,496,000	39,085	28.1	16.9	16,536	8.1
2011	113,932	14,204,286	40,821	28.1	16.9	16,440	6.5
2012	113,934	15,161,590	43,202	27.8	16.5	16,544	8.6
2013	113,934	15,560,767	43,927	27.8	16.5	16,545	6.8
2014	113,934	N/A	N/A	27.8	16.5	16,449	5.7
2015	113,934	N/A	N/A	27.8	16.5	16,901	4.3

Sources:

- (1) U. S. Census Bureau
- (2) Bureau of Economic Analysis, Regional Data, CA04 Personal Income and Employment Summary
<http://www.bea.gov/>
*Note: 2013 data has not been released at this time.
*Note: 2014 data has not been released at this time.
- (3) Ann Arbor Public School's Child Accounting Office.
<http://www.aaps.k12.mi.us/>
- (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	2015			2006		
	Employees	Rank	Percentage	Employees	Rank	Percentage
University of Michigan	29,068	1	69.18%	29,165	1	46.38%
Trinity Health System (formerly St. Joseph's Health System)	5,307	2	12.63%	5,077	3	8.07%
Ann Arbor Public Schools	2,300	3	5.47%	3,000	4	4.77%
Washtenaw County	1,332	4	3.17%	1,200	9	1.91%
Integrated Health Associates, Inc.	1,125	5	2.68%			
Truven Health Analytics	730	6	1.74%			
City of Ann Arbor	686	7	1.63%	828	10	1.32%
Domino's Pizza	600	8	1.43%			
Washtenaw Community College	567	9	1.35%	1,500	6	2.39%
Con-way Inc.	302	10	0.72%			
Univ. of Mich Hospitals & Health System				17,057	2	27.12%
Pfizer Inc.				2,500	5	3.98%
Borders Group, Inc.				1,330	7	2.11%
Veterans Administration Medical Center				1,230	8	1.95%
Total	<u>42,017</u>		<u>100.00%</u>	<u>62,887</u>		<u>100.00%</u>

Source: Crain's Detroit Business, Vol. 29, No. 52, 2014 Edition, 2014 Book of Lists.
Crain's Detroit Business, Dec 26, 2005.

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

Function/Program	2015	2014	2013	2012	2011
General government					
Financial Services	61	61	48	45	48
Community Services	57	34	32	34	33
Parks & Recreation	24	24	20	20	20
City Administrator Services	34	34	31	30	31
Mayor & Council	1	1	1	1	1
Other					
Police					
Officers	122	119	118	118	150
Civilians	27	27	28	46	27
Fire					
Firefighters & Officers	86	85	81	81	89
Civilians	1	1	1	1	
Public Services					
Project Management	12	12	13	13	15
Water	26	26	26	26	26
Wastewater Treatment	35	35	35	35	35
Field Operations	120	120	124	126	129
Other	61	61	74	74	75
15th District Court	34	34	34	36	37
Retirement System	4	4	4	4	4
Downtown Development Authority	4	4	4	4	3
City Attorney	12	12	12	13	13
Total	721	694	686	706	736

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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	2010	2009	2008	2007	2006
General government					
Financial Services	49	49	51	50	47
Community Services	35	35	42	41	56
Parks & Recreation	19	17	21	23	24
City Administrator Services	31	29	32	31	16
Mayor & Council	1	1	1	1	1
Other					
Police					
Officers	152	152	160	159	159
Civilians	30	30	50	67	67
Fire					
Firefighters & Officers	94	94	94	94	94
Civilians					
Public Services					
Project Management	15	15	17	16	17
Water	26	23	26	24	21
Wastewater Treatment	35	34	35	34	32
Field Operations	135	125	125	128	124
Other	79	93	87	92	103
15th District Court	39	39	41	41	41
Retirement System	4	4	4	4	4
Downtown Development Authority	3	3	3	3	3
City Attorney	14	14	14	14	14
Total	761	800	803	822	823

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

Function/Program	2015	2014	2013	2012	2011
Police					
Physical arrests	1,461	1,462	2,395	2,610	2,630
Parking violations	108,759	92,184	87,898	95,990	86,780
Traffic violations	12,205	14,053	14,676	10,638	16,729
Fire					
Emergency responses	6,572	6,646	6,180	5,843	5,808
Fire extinguished	220	283	418	431	281
Inspections	1,218	1,164	1,769	1,962	913
Refuse collection					
Refuse collected (tons/day)	72.87	103.82	121.42	114.85	120.17
Recyclables collected (tons/day)	40.17	42.42	38.13	37.10	30.82
Other public works					
Street resurfacing (miles)	8.32	5.41	6.60	6.20	4.72
Potholes repaired (tons)	570.92	636.50	359.35	392.78	500.00
Parks and recreation					
Athletic field permits issued	866	929	956	1,032	1,067
Community center admissions	12,000	12,000	11,500	11,500	11,500
Water					
Connections	28,418	28,387	38,376	28,333	28,266
Water main breaks	91	120	102	72	96
Average daily consumption (millions of gallons)	13.576	14.091	14.870	14.600	13.782
Peak daily consumption (millions of gallons)	19.174	23.120	28.100	27.115	21.415
Wastewater					
Average daily sewage treatment (millions of gallons)	16.999	17.758	16.700	18.100	17.680

Source: Various services areas within City of Ann Arbor

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year				
	2015	2014	2013	2012	2011
Police					
Station	1	1	1	1	1
Zone offices	2	2	2	2	2
Patrol units	35	37	36	36	37
Fire Stations	5	5	5	5	5
Refuse collection					
Collection trucks	27	27	27	26	27
Other public works					
Streets (miles)	297	297	297	295	295
Streetlights	7,497	7,194	7,194	7,139	7,134
Traffic signals	159	158	158	158	158
Parks and recreation					
Acreage	2,118	2,118	2,095	2,089	2,089
Playgrounds	77	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)	488	490	501	464	472
Fire hydrants	3,741	3,733	3,711	2,960	2,909
Storage capacity (thousands of gallons)	19,000	19,000	19,000	19,000	19,000
Wastewater					
Sanitary sewers (miles)	362	362	369	364	364
Storm sewers (miles)	266	264	264	322	320
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				
	2010	2009	2008	2007	2006
Police					
Station	1	1	1	1	1
Zone offices	2	2	2	2	2
Patrol units	35	36	36	34	35
Fire Stations	5	5	5	5	5
Refuse collection					
Collection trucks	28	18	18	14	14
Other public works					
Streets (miles)	295	295	295	295	295
Streetlights	7,134	7,134	7,134	7,134	7,028
Traffic signals	158	158	158	154	154
Parks and recreation					
Acreage	2,088	2,088	2,088	2,069	2,056
Playgrounds	73	73	85	78	153
Baseball/softball diamonds	34	34	34	34	34
Soccer/football fields	25	25	25	25	25
Community centers	2	2	2	2	2
Water					
Water mains (miles)	485	485	490	481	482
Fire hydrants	3,555	3,555	3,549	3,510	3,466
Storage capacity (thousands of gallons)	19,000	19,000	19,000	19,000	19,000
Wastewater					
Sanitary sewers (miles)	405	405	407	402	400
Storm sewers (miles)	413	413	388	368	360
Treatment capacity (thousands of gallons)	50,000	50,000	50,000	50,000	50,000

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