

CITY OF ANN ARBOR, MICHIGAN

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE YEAR ENDED JUNE 30, 2018

City of Ann Arbor

Comprehensive Annual Financial Report

County of Washtenaw

State of Michigan

Fiscal Year Ended June 30, 2018



Prepared by:
Financial and Administrative Services
Accounting Services Unit
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CITY OF ANN ARBOR, MICHIGAN
301 East Huron, P.O. Box 8647, Ann Arbor, Michigan 48107

October 12, 2018

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

The Comprehensive Annual Financial Report (CAFR) of the City of Ann Arbor for the year-end June 30, 2018, 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, 2018.

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

Yeo & Yeo, P.C., have issued an unqualified ("clean") opinion on the City of Ann Arbor financial statements for the year ended June 30, 2018. 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, parks and recreation including pools and ice rinks, social services by contract, public improvements, planning and zoning, and general administrative services. The citizens and visitors to the City enjoy these services.

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

Certain services are provided through a legally separate component unit. The City includes one blended component unit and three discretely presented component units in the City's financial reporting entity because of the significance of their operational or financial relationships with the City. In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*," as amended by GASB Statement No. 39, "*Determining Whether Certain Organizations Are Component Units*", these financial statements present the City (the primary government) and its component units. The Ann Arbor Building Authority is presented as a blended component unit and is reported as if it were part of the primary government because its sole purpose is to issue revenue bonds to finance major capital construction by the City. The Downtown Development Authority, Ann Arbor Housing Commission and SmartZone Local Development Finance Authority (SmartZone LDFA) are all presented as discretely presented component units of the City. Additional information on all of these legally separate entities can be found in the notes to the financial statements.

The city takes pride in the service provided to our citizens and our community's well-earned reputation. 2018 recognitions include:

- Ann Arbor Renter Confidence 2018 Study (A+ rating), [ApartmentList.com](#).
- 101 Best College Towns In America For 2018 (No. 1), [collegeSnacks](#).
- America's Most Artistic Towns 2018 list, [Expedia](#).
- Smart Cities North America Awards, Connected & Autonomous Vehicles, Public Transit, Ride-Hailing, Ride-Sharing category (Safety Pilot Model Deployment and Ann Arbor Connected Vehicle Test Environment project), [IDC](#).
- Greenest Cities Award 2018 (No. 4 in Michigan), [Insurify](#).
- 2018 Top 100 Best Places to Live (No. 1), [Livability.com](#).
- 2018 Best U.S. Small Cities, [National Geographic Traveler Magazine](#).
- 2018 Best Cities to Live In (No. 1), [Niche](#).
- 2018 America's Best Hockey Towns (No. 6), [SmartAsset](#).
- 2018 Least Stressed Cities in America (No. 9), [SmartAsset](#).
- 2018 Most Undervalued Cities in America (No. 5), [SmartAsset](#).
- 2018 Best College Towns and Cities in America (No. 1), [WalletHub](#).
- 2018 Best Midsize City for Basketball Fans (No. 2), [WalletHub](#).
- 2018 Best Midsize City for Football Fans (No. 7), [WalletHub](#).
- 2018 Most Educated Cities (No. 1), [WalletHub](#).

Local Economy

The City is endowed with several major corporations located within its boundaries such as Google. In addition, Ann Arbor is home to one of the largest employers in the County, the University of Michigan, which employs approximately 48,000 people. Ann Arbor is also known for its excellent talent and technology infrastructure that has attracted several large technology firms to the area.

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

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

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

The City of Ann Arbor enjoys a healthy local economy. The local area unemployment rate is 3.6% as of June 2018, receipts from sales taxes have increased modestly, and residential property values are increasing, primarily due to new construction. Offsetting some of this economic improvement are State laws limiting property tax revenues along with legislative uncertainty of funds provided by the State to the City.

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

Long-term Financial Planning

The City Council and City Administrator are committed to strategies designed to ensure the long-term financial health of the City. The City's financial policies now include a funding policy for a sinking fund for capital needs which was approved by Council in May of 2018.

The City strives to maintain an unassigned General Fund fund balance with a minimum of 15% to 20%. If it is necessary to use these funds, subsequent budgets will be planned for additions to restore fund balance. The City continues to manage its operating expenditures within levels supported by recurring revenues. The City is also striving to budget a consistent level of capital outlay sufficient to maintain current infrastructure. For fiscal year 2018, the City purchased land with a use of fund balance decreasing fund balance below the minimum in City policy as of June 30, 2018. However, subsequent to year-end, the Council financed this purchase with a bond sale replenishing the use of fund balance.

Relevant Financial Policies

The City has adopted and adheres to several financial management policies governing Debt, Investments, Fund Balance, Pension Funding, Other Post-Employment Benefits Funding, Capital Funding and Capital Improvements. These policies govern the management of resources including use of one time funds, sale and defeasance of bonds, and investment strategy. With respect to the Pension and Other Post-Employment Benefits Funding policies, to the extent that a fully funded plan has not been achieved, the City funds the higher of the actuarially required contribution or the existing level of funding adjusted annually by an increase of at least 2%.

Major Initiatives

Changing Driver Behavior (project budget=\$150,000)

The City of Ann Arbor's Changing Driver Behavior study, conducted in collaboration with Dr. Ron Van Houten and his team from Western Michigan University, started in 2017 and concluded in July, 2018, with the goal of utilizing enforcement, in street messaging and communications to improve the yielding and stopping rates at crosswalks in Ann Arbor. When measured as of November of 2017, Ann Arbor's Changing Driver Behavior Study has seen a doubling of drivers stopping and yielding for pedestrians at crosswalks at targeted sites. At the targeted enforcement sites across the city, yielding rates have rocketed from a mean of 27% to 58%. At observation sites where only data was collected, yielding rates have jumped from 37% to 49%. Final study results will be released this fall.

Kerrytown (construction budget=\$6,345,800)

In junction with the Downtown Development Authority, the City's North Fifth Ave. Reconstruction Project will reconstruct North Fifth Avenue between Catherine and East Kingsley Streets, and Detroit Street between North Fifth Avenue and East Kingsley Street. The project will include brick paver replacement, approximately 2,000 feet of water main replacement, crosswalk improvements, streetlight replacement, and extensive streetscape improvements. The projected completion date is December of 2018.

Veterans Memorial Pool Improvements (construction cost = \$376,300)

Veterans Memorial Pool underwent repairs and renovations to the pool and mechanical room to improve the user experience. The pool liner was in poor condition and required replacement. Instead of replacing the pool liner with the same product, a PVC liner was installed, as they have been shown to last at least twice as long as traditional marcite pool liners. A new filtration and pump system and other mechanical upgrades were installed in the pool mechanical room. The new system is anticipated to reduce General Fund operating costs by approximately \$5,000 annually. The new system operates in a way that requires less 'back washing', leading to decreased water usage, chemical treatment and pool heating demands. The filtration system also improves water clarity, providing for a safer, more enjoyable user experience. The new main pool pump has a variable frequency drive, allowing for lower electrical usage when the pool is not in use. The project met multiple City Sustainability Goals: active living and learning, safe community, energy conservation, and responsible resource use.

Leslie Park Pickleball Courts (construction cost =\$122,885)

The Leslie Park tennis courts had reached the end of their useful life, requiring a total replacement of the asphalt surfacing. The opportunity was taken to convert the tennis courts into the first dedicated Pickleball courts in the park system, which the most recent Parks Master Plan identified as a strong community desire in addition to being a national trend and popular with the growing active senior population. The project met multiple City Sustainability Goals: engaged community, active living and learning and sustainable systems.

Facilities Renovation Project (construction cost = \$111,163,428)

This project consists of upgrading, rehabilitating and/or replacing the aging and deteriorating facilities at the WWTP. The WWTP consists of an older West Plant (constructed in the 1930's) and a newer East Plant (constructed in the late 1970's). The Facilities Renovations Project is split into two phases, thereby providing significant construction and financial benefits. The first phase is the Storage Building Demolition and Improvements Project, which includes demolition of the Solids Re-aeration Tank and the Old Solids Storage Building, as well as some minor electrical modifications. The first phase is completed. The second phase of the Facilities Renovations Project includes complete replacement of the older West Plant, improvements to newer East Plant and replacement of the plant electrical grid and stand-by generators. The second phase project is State Revolving Funds funded and the project is 99% 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, 2017. This was the twenty-ninth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

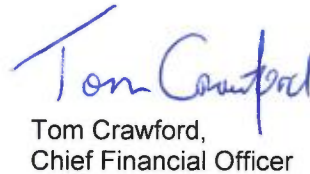
In addition, the City of Ann Arbor also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for fiscal year 2018. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

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

Sincerely,



Howard Lazarus
City Administrator



Tom Crawford,
Chief Financial Officer

City of Ann Arbor
List of Elected and Appointed Officials
June 30, 2018

Christopher Taylor – Mayor

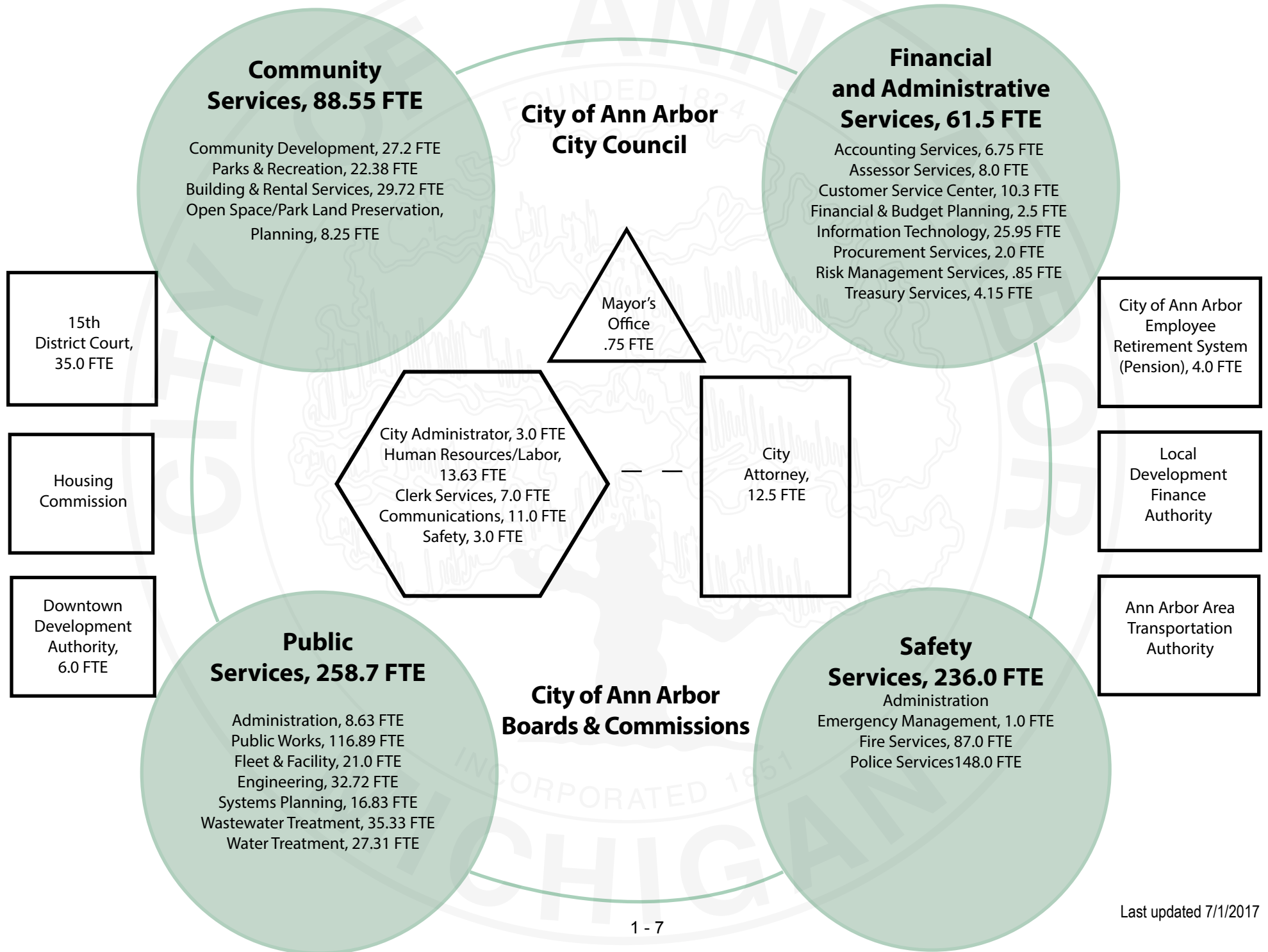
City Council

Sumi Kailasapathy
Kirk Westphal
Julie Grand
Graydon Krapohl
Chuck Warpehoski
Jane Lumm
Zachary Ackerman
Jack Eaton
Chip Smith
Anne Bannister

Other Officers and Officials

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

CITY OF ANN ARBOR 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, 2017

Christopher P. Morill

Executive Director/CEO



800.968.0010 | yeoandyeo.com

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ann Arbor, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Ann Arbor Housing Commission, a component unit, which statements reflect total assets and net position constituting 13.79 percent and 12.82 percent of the total assets and total net position of the discretely presented component units at June 30, 2018, respectively, and total revenues constituting 37.46 percent of the total revenues of the discretely presented component units for the year then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Ann Arbor Housing Commission, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ann Arbor, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standards

As described in Note 1 to the financial statements, during the year ended June 30, 2018, the City adopted GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ann Arbor's basic financial statements. The introductory section, statistical section and other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, is the responsibility of management was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections, which are the responsibility of management, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2018 on our consideration of the City of Ann Arbor's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Ann Arbor's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Ann Arbor, MI
October 12, 2018

City of Ann Arbor
Management's Discussion and Analysis
June 30, 2018

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, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-1 of this report.

FINANCIAL HIGHLIGHTS

- The City's governmental funds financial statements are prepared using modified accrual basis of accounting and all other funds are prepared using the full accrual basis of accounting resulting in fund financial statements and government-wide statements.
- Government-wide financial statements are comprised of governmental activities, business-type activities and discretely presented component units. Governmental activities include General Fund activities such as Public Safety and Parks and Recreation. Business-type activities include proprietary funds such as Water, Sewer, and Solid Waste.
 - In total, the assets of the City exceed its liabilities by \$983,119,751 at the close of the most recent fiscal year.
 - \$918,112,915 is the net investment in capital assets;
 - \$90,995,253 is restricted for specific purposes, such as capital projects;
 - (\$25,988,417) is unrestricted. This balance is comprised of (\$92,031,983) in governmental activities and \$66,043,566 in business-type activities.
 - The City's total net position decreased by \$85,513,496 during the year, primarily due to the implementation of GASB 75 (Accounting and Financial Reporting for Postemployment Benefits Other than Pension) which requires local governments to recognize the net unfunded OPEB liability on the financial statements.
 - The City's total debt decreased by \$8,973,806, (new issues less retirements), during the current fiscal year due to the normally scheduled retirement of debt.
- Fund financial statements are comprised of 29 governmental funds and 12 proprietary funds. Governmental funds include the General Fund, the Street, Bridge & Sidewalk Millage Fund, and other special revenue, capital projects and debt service funds.
 - At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$81,383,486, decreasing \$9,560,695 during the fiscal year.
 - Of the above fund balance amount, \$11,143,139 is unassigned and may be used to meet the government's ongoing obligations to citizens and creditors, \$11,423,896 is assigned and may be used subject to the purpose of the fund in which they are located and the remaining amount of \$58,816,451 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 (\$19,320,196) and the Street, Bridge & Sidewalk Millage Fund (\$5,454,033) account for 30.4% of total fund balance including restricted amounts. The remaining amount is represented across the other 27 non-major funds.
 - The General fund recognized a decrease to fund balance of \$3,878,951. The General fund unassigned fund balance decreased from \$16,243,676 in FY2017 to \$11,143,139 in FY2018. The assigned fund balance increased \$1,300,071. At the end of the current fiscal year, unassigned general fund balance was 12.1% of the total general fund expenditures.

City of Ann Arbor
Management's Discussion and Analysis
June 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE STATEMENTS

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

- The Statement of Net Position is the difference between assets and liabilities, which can be used as an indicator of the City's financial health, or position. This statement includes all of the City assets and liabilities.
- The Statement of Activities provides information about the City activities as a whole, as it relates to the City's revenues and expenses. The statement of activities accounts for revenues and expenses when they occur, regardless of when cash is received or paid. This statement indicates whether the City's revenues exceed its expenses, which is another way to monitor the overall health of the City.

The Statement of Net Position and the Statement of Activities, contain information in the following three categories:

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

The government-wide statements can be located on pages 4-1 to 4-3 of this report.

City of Ann Arbor
Management's Discussion and Analysis
June 30, 2018

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.

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The City maintains 29 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General and Street, Bridge and Sidewalk Millage funds. Data from the other 27 governmental funds are combined in a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be located on pages 4-4 to 4-10 of this report.

Proprietary funds

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sanitary sewer operations, parking system, airport, stormwater system, and solid waste, each of which are considered major funds of the City. The basic proprietary fund financial statements can be located on pages 4-11 to 4-16 of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City is the trustee, or fiduciary, for certain assets held on behalf of others. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Fiduciary funds combining statement information is contained in the combining section of the CAFR. The basic fiduciary fund financial statements can be located on pages 4-17 to 4-18 of this report.

ADDITIONAL INFORMATION

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 4-21 to 4-65 of this report.

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Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to the major fund budgetary comparisons and a schedule concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 5-1 to 5-11 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be located on pages 6-1 to 6-33 of this report.

**City of Ann Arbor
Management's Discussion and Analysis
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FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The government-wide financial analysis focuses on the net assets and changes in net assets of the City's governmental and business-type activities. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As the following table demonstrates, the City's assets exceeded its liabilities by \$983,119,751 at June 30, 2018 compared to \$1,068,633,247 at June 30, 2017.

**City of Ann Arbor
Net Position
Comparative Schedule - June 30, 2018 and 2017**

	Governmental Activities		Business-type Activities		Total	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Current and other assets	\$124,447,975	\$134,375,388	\$144,768,343	\$135,025,617	\$269,216,318	\$269,401,005
Capital assets	802,164,886	806,191,291	415,625,017	412,781,303	1,217,789,903	1,218,972,594
Total assets	926,612,861	940,566,679	560,393,360	547,806,920	1,487,006,221	1,488,373,599
Deferred outflow of resources	4,153,524	12,596,025	13,669,649	17,488,488	17,823,173	30,084,513
Long-term liabilities	115,569,329	120,937,667	203,966,422	207,571,890	319,535,751	328,509,557
Pension and OPEB	130,555,547	47,725,771	40,526,018	19,898,209	171,081,565	67,623,980
Other liabilities	17,715,797	15,699,897	13,230,477	18,387,471	30,946,274	34,087,368
Total liabilities	263,840,673	184,363,335	257,722,917	245,857,570	521,563,590	430,220,905
Deferred inflow of resources	103,371	13,835,537	42,682	5,768,423	146,053	19,603,960
Net assets:						
Net investment in capital assets	701,307,637	700,165,724	216,805,278	210,361,709	918,112,915	910,527,433
Restricted	57,546,687	55,228,918	33,448,566	32,956,794	90,995,253	88,185,712
Unrestricted	(92,031,983)	(430,810)	66,043,566	70,350,912	(25,988,417)	69,920,102
Total net position	\$666,822,341	\$754,963,832	\$316,297,410	\$313,669,415	\$983,119,751	\$1,068,633,247

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

City of Ann Arbor
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An additional portion of the City's net position at June 30, 2018, \$90,995,253, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is (\$25,988,417).

Long-term liabilities decreased due to the normally scheduled retirement of debt. Pension and OPEB liabilities have increased from \$67,623,980 in fiscal year 2017 to \$171,081,565 in 2018 due to the implementation of GASB 75 previously mentioned above. Other liabilities have increased in the Governmental Activities due to an increase in accounts payable due to increased activity for street resurfacing, while a decrease in Business-type Activities was related to the release of retainage relating to Wastewater System Improvements in the Sewer fund.

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

**City of Ann Arbor
Management's Discussion and Analysis
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City of Ann Arbor
Changes in Net Position
Comparative Schedule - Years Ended June 30, 2018 and 2017

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenue:						
Program revenue:						
Charges for services	\$32,084,919	\$30,459,218	\$71,783,862	\$69,114,871	\$103,868,781	\$99,574,089
Operating contributions and grants	14,948,746	13,756,071	-	-	14,948,746	13,756,071
Capital contributions and grants	4,086,170	1,025,460	54,384	359,981	4,140,554	1,385,441
General revenue:						
Property taxes	75,369,526	73,120,969	12,638,680	12,306,559	88,008,206	85,427,528
State shared revenues and grants	11,034,159	10,712,412	-	-	11,034,159	10,712,412
Investment income	655,430	10,347	472,977	(11,349)	1,128,407	(1,002)
Other	162,745	500,138	35,500	98,767	198,245	598,905
Total revenue	<u>138,341,695</u>	<u>129,584,615</u>	<u>84,985,403</u>	<u>81,868,829</u>	<u>223,327,098</u>	<u>211,453,444</u>
Expenses:						
Governmental activities:						
General government	19,219,630	17,463,340	-	-	19,219,630	17,463,340
Public safety	46,868,877	46,375,914	-	-	46,868,877	46,375,914
Public works	49,591,083	40,196,459	-	-	49,591,083	40,196,459
Community and economic development	2,063,185	2,098,986	-	-	2,063,185	2,098,986
Culture and recreation	13,779,455	14,074,974	-	-	13,779,455	14,074,974
Other - Public Transportation	10,524,383	10,269,099	-	-	10,524,383	10,269,099
Debt service	3,527,743	3,340,791	-	-	3,527,743	3,340,791
Business-type activities:						
Water	-	-	19,737,572	19,288,471	19,737,572	19,288,471
Sewer	-	-	19,382,437	18,621,741	19,382,437	18,621,741
Parking	-	-	1,831,512	1,871,468	1,831,512	1,871,468
Airport	-	-	727,902	791,342	727,902	791,342
Stormwater	-	-	5,747,664	5,802,413	5,747,664	5,802,413
Solid waste	-	-	14,890,852	15,624,601	14,890,852	15,624,601
Total expenses	<u>145,574,356</u>	<u>133,819,563</u>	<u>62,317,939</u>	<u>62,000,036</u>	<u>207,892,295</u>	<u>195,819,599</u>
Increase (decrease) in net position before transfers	(7,232,661)	(4,234,948)	22,667,464	19,868,793	15,434,803	15,633,845
Transfers	2,093,810	5,173,955	(2,093,810)	(5,173,955)	-	-
Increase in net position	(5,138,851)	939,007	20,573,654	14,694,838	15,434,803	15,633,845
Net position: beginning of year, previously stated	754,963,832	754,024,825	313,669,415	298,974,577	1,068,633,247	1,052,999,402
Net position: Restatement for implementation of GASB 75	(83,002,640)	-	(17,945,659)	-	(100,948,299)	-
Net position: end of year	<u>\$666,822,341</u>	<u>\$754,963,832</u>	<u>\$316,297,410</u>	<u>\$313,669,415</u>	<u>\$983,119,751</u>	<u>\$1,068,633,247</u>

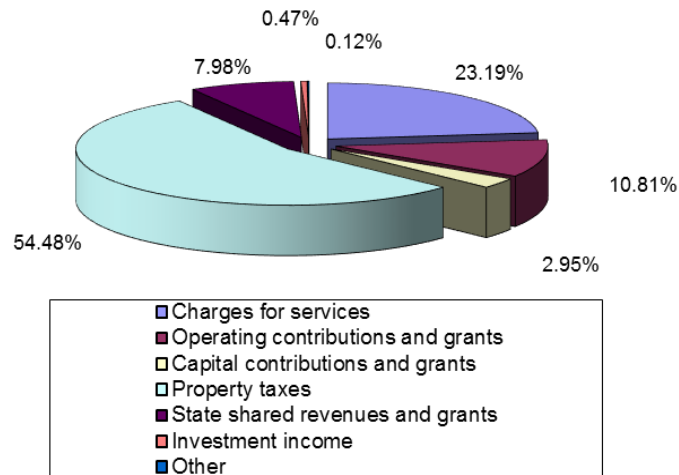
**City of Ann Arbor
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The City's net position increased by \$15,434,803 during the current fiscal year and \$15,633,845 in the prior fiscal year.

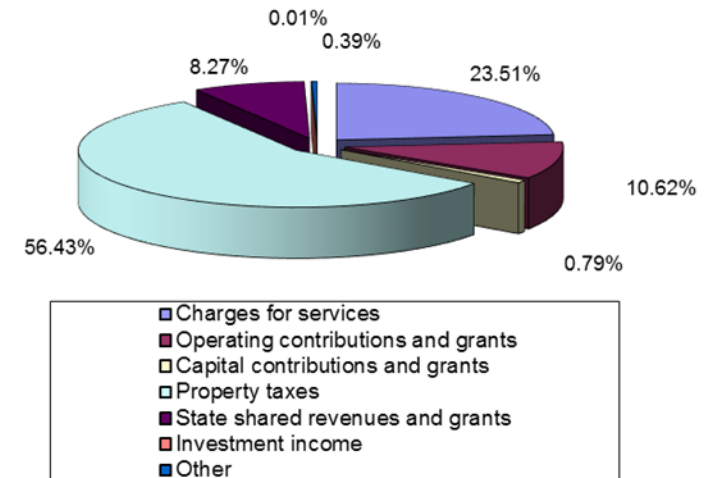
Governmental activities decreased the City's net position by \$5,138,851. During fiscal year 2017, governmental activities increased by \$939,007. Key revenue elements are as follows:

- Property taxes increased 3.1% during fiscal year 2018 and 2.2% in fiscal year 2017.
- Investment income increased from \$10,347 in fiscal year 2017 to \$655,430 in fiscal year 2018 due to a change in market value. Last year, investment income decreased 99%. 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.
- Capital contributions and grants increased 298.5% due to a Washtenaw County Road Millage reimbursement for the Street, Bridge and Sidewalk Millage fund Street Resurfacing as compared to an increase of 60.7% in fiscal year 2017.

2018 Governmental Activities - Revenues by Source



2017 Governmental Activities - Revenues by Source

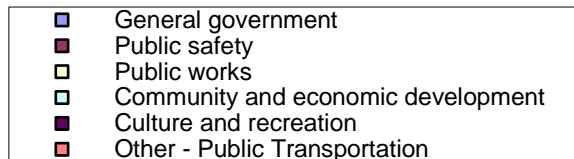
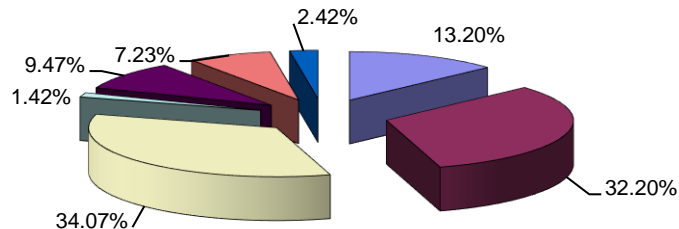


City of Ann Arbor Management's Discussion and Analysis June 30, 2018

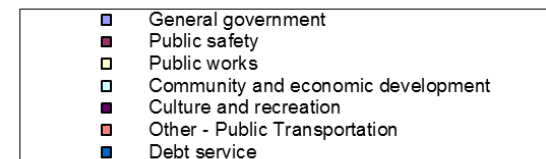
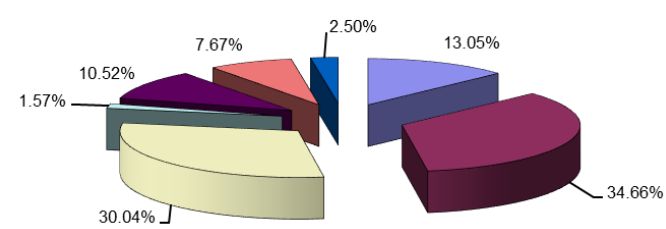
Expenses for governmental activities increased \$11,754,793 from 2017 to 2018. Key elements are as follows:

- General Government expenses increased \$1.8 million due to an increase in personnel expense and a legal settlement related to the purchase of the 350 S Fifth Property (formerly the YMCA lot).
- Public Works expenses increased by \$9.4 million due to an increase in contracted services related to street resurfacing and an increase in depreciation expense for street infrastructure.
- Culture and recreation decreased by 2.1% due to a decrease in projects in the Park Maintenance and Capital Improvements fund.

2018 Governmental Activities - Expenses by Function



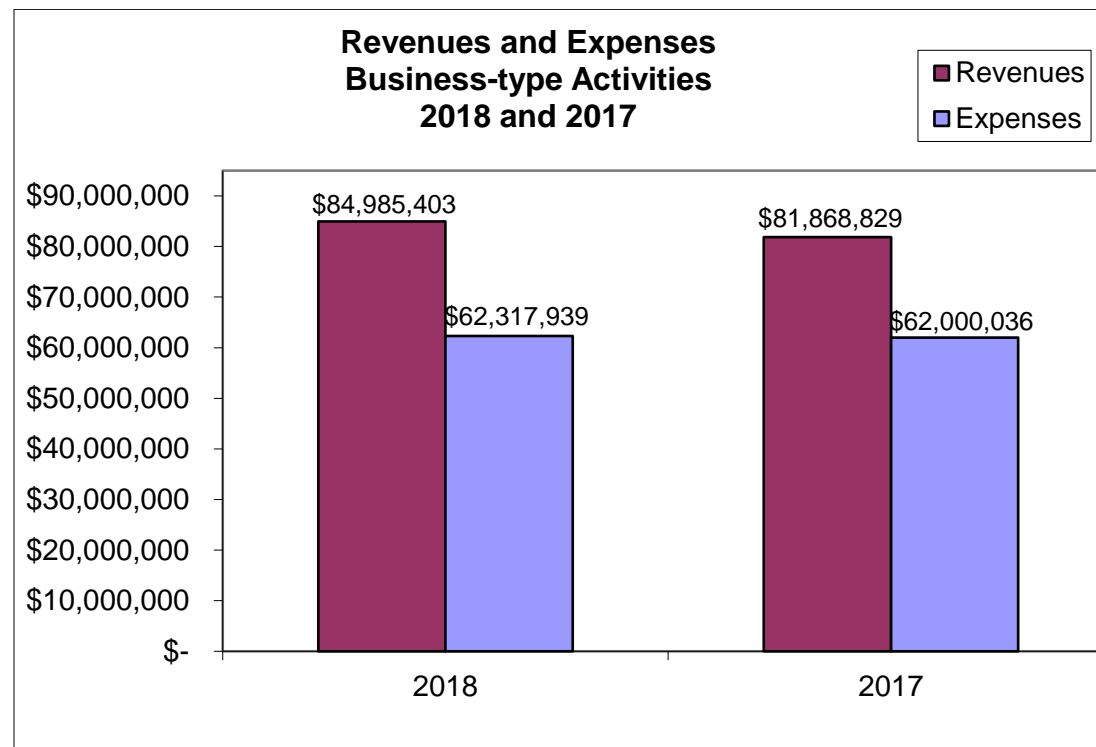
2017 Governmental Activities - Expenses by Function



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Business-type activities. Business-type activities increased the City's net position by \$20,573,654 for fiscal year 2018 and by \$14,694,838 for fiscal year 2017, accounting for 100% and 94% of the total growth in the government's net position for the current year and prior year, respectively. Key elements of this increase are as follows:

- Revenues increased by \$3,116,574, or 4%, in fiscal year 2018 due to increased services for stormwater & an increase in capital recovery charges for sewer. In the prior year, the revenues had increased 8%.
- Overall, expenses remained relatively flat in fiscal year 2018. This is compared to a decrease of \$1,705,243, or 3%, in fiscal year 2017. Solid waste expenses decreased in fiscal year 2018 by .5% due to a decrease in personnel service and contracted services. Personnel service costs decreased due to the utilization of temporary staff until regionalization efforts were finalized. The decrease in contracted services relates to Emergency Operations that were occurring at the Material Recovery Facility in fiscal year 2017 that were no longer in place in 2018.



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Financial Analysis of the Government's Funds

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

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$81,383,486 at June 30, 2018 versus \$90,944,181 at June 30, 2017, a decrease of \$9,560,695. Of the total fund balance amount, \$11,143,139 at June 30, 2018 is unassigned and unrestricted under GASB #54 fund balance classifications which indicates this money is available for spending at the government's discretion. At June 30, 2017, \$16,243,676 was unassigned and unrestricted.

The General fund is the chief operating fund of the City. At the end of the current fiscal year, unrestricted, unassigned fund balance of the general fund was \$11,143,139 at June 30, 2018. At June 30, 2017, the unrestricted, unassigned fund balance was \$16,243,676. Total fund balance was \$19,320,196 and \$23,199,147 at June 30, 2018 and 2017, 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 12.1% at June 30, 2018 of total General Fund expenditures. Unassigned fund balance was 18.7% at June 30, 2017 of total General Fund expenditures. The fund balance of the City's General Fund decreased by \$3,878,951 during the current fiscal year in comparison to a decrease of \$1,936,205 during the prior fiscal year. For fiscal year 2018, the decrease is attributable to the purchase of 350 South Fifth Avenue property, a legal settlement and increased expenses for street resurfacing. In fiscal year 2019, the City plans to finance the purchase of the property to restore fund balance in the General Fund.

The Street, Bridge & Sidewalk Millage fund balance decreased by \$2,765,966 in fiscal year 2018 compared to a decrease of \$5,044,960 in fiscal year 2017.

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

Unrestricted net position of the water, sanitary, stormwater sewer, parking system, solid waste and airport, at the end of the year amounted to \$62,065,504. Water, sanitary, stormwater sewer, parking system, solid waste and airport all had increases in net position for the year, totaling \$18,759,255. Other factors concerning the finances of these funds have been addressed in the discussion of the City's business-type activities.

City of Ann Arbor
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General Fund Budgetary Highlights

Differences between the original and final budgets for expenditures resulted in a 6.62% increase in fiscal year 2018 compared to a 2.96% increase in fiscal year 2017. The increase in the final budget from the original for fiscal year 2018 is attributed to the purchase of the 350 S Fifth Property. The actual General Fund revenues and other financing sources were under expenditures and other financing uses by \$3,878,951. This is \$2.7 million under final budget. At year end, revenues were \$1.0 million higher than budgeted due primarily to an increase in state shared revenue as well as increased revenue from taxes, interest and penalties and license, permits and registrations. Several departments came under budget for expenditures for a combined \$1.1 million positive variance from budget. Key departments under budget include Finance, Fire, Administration, Planning, and District Court due to vacancies.

**City of Ann Arbor
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June 30, 2018**

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental/business-type activities as of June 30, 2018 was \$1,217,789,903 compared to \$1,218,972,594 at June 30, 2017 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, improvements, machinery and equipment, intangible assets, vehicles, and construction in progress. The total decrease in the City's investment in capital assets for the current fiscal year was -.10% compared to an increase 1.05% in fiscal year 2017. Major capital asset events during the fiscal year 2018 included an increase in land due to purchase of the 350 S Fifth Property, as well as two properties on Textile Road. Construction in Progress increased \$17,492,863 and infrastructure had an increase of \$25,054,015 for road and other improvements. Accumulated depreciation increased from \$498,097,365 in fiscal year 2017 to \$550,295,664 in fiscal year 2018. Additional information on the City's capital assets can be located in note 5 on pages 4-42 and 4-43 of this report.

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

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$65,618,231	\$60,154,573	\$7,461,349	\$7,461,349	\$73,079,580	\$67,615,922
Construction in progress	11,423,302	7,027,752	142,296,469	129,199,156	153,719,771	136,226,908
Buildings	166,400,455	166,400,455	190,563,827	190,563,827	356,964,282	356,964,282
Improvements other than buildings	24,206,667	23,951,889	242,962,032	241,658,815	267,168,699	265,610,704
Machinery and equipment	13,225,703	12,808,296	27,321,905	27,873,709	40,547,608	40,682,005
Vehicles	23,768,319	21,897,692	1,785,906	2,075,059	25,554,225	23,972,751
Drain Benefit	-	-	3,662,284	3,662,284	3,662,284	3,662,284
Intangible assets	1,173,590	1,173,590	-	-	1,173,590	1,173,590
Infrastructure	846,215,528	821,161,513	-	-	846,215,528	821,161,513
Less: accumulated depreciation	(349,866,909)	(308,384,469)	(200,428,755)	(189,712,896)	(550,295,664)	(498,097,365)
Total capital assets net of depreciation	\$802,164,886	\$806,191,291	\$415,625,017	\$412,781,303	\$1,217,789,903	\$1,218,972,594

**City of Ann Arbor
Management's Discussion and Analysis
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Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$159,720,000. Of that amount, \$107,835,000 comprises debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

The City's total debt decreased by \$8,973,806 or 2.7% during the fiscal year, due to retirement of debt. A summary of the City of Ann Arbor's Outstanding Debt can be found on pages 4-49 to 4-53 along with with additional information.

City of Ann Arbor's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	\$ 102,300,000	\$ 107,489,000	\$ 5,535,000	\$ 7,405,000	\$ 107,835,000	\$ 114,894,000
Special Assessment Bonds	-	-	-	-	-	-
Revenue Bonds	-	-	51,885,000	57,180,000	51,885,000	57,180,000
Revolving Loans	-	-	\$127,516,461	\$123,499,978	127,516,461	123,499,978
Drain Notes	-	-	15,777,623	16,187,222	15,777,623	16,187,222
Capital Leases	-	-	-	21,154	-	21,154
Deferred amounts:						
For issuance premiums	959,853	1,003,706	959,254	1,087,821	1,919,107	2,091,527
For issuance discounts	(199,638)	(208,770)	(1,942)	(3,777)	(201,580)	(212,547)
Compensated absences	12,509,114	12,653,731	2,295,026	2,194,492	14,804,140	14,848,223
Total outstanding debt	\$115,569,329	\$120,937,667	\$203,966,422	\$207,571,890	\$319,535,751	\$328,509,557

State statutes limit the amount of the general obligation debt a governmental entity may issue to 10% of its total assessed valuation. The current debt limitation for the City is \$713,435,510, which is significantly in excess of the City's outstanding general obligation debt. Additional information on the City's long-term debt can be located in note 9 of this report.

City of Ann Arbor
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Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for fiscal year 2019:

- Property tax revenues are budgeted to increase 2.46% in fiscal year 2019.
- Average salary costs were budgeted to increase 3.00% in fiscal year 2019.
- Healthcare costs were projected to increase 6.20% in fiscal year 2019.
- Pension contributions are projected to increase 2.0% in fiscal year 2019.

Contacting the City's Financial Management

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

City of Ann Arbor
Statement of Net Position
June 30, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 234,257	\$ 183,063	\$ 417,320	\$ 3,031,974
Equity in pooled cash and investments	113,666,658	104,549,100	218,215,758	3,479,069
Investments	2,018,009	13,951,154	15,969,163	18,368,383
Receivables				
Taxes, net	81,940	22,621	104,561	-
Accounts, net	3,303,172	13,869,180	17,172,352	891,416
Special assessments	481,449	67,973	549,422	-
Improvement charges	1,169	222,385	223,554	-
Accrued interest and other	8,241	-	8,241	-
Loans	7,880	-	7,880	-
Due from other units of government	4,186,447	3,955,510	8,141,957	-
Internal balances	(3,473,710)	3,473,710	-	-
Inventories	841,352	610,383	1,451,735	6,628
Prepaid items	3,091,111	3,863,264	6,954,375	53,087
Capital assets not being depreciated	77,041,533	149,757,818	226,799,351	324,914
Capital assets, net of accumulated depreciation	725,123,353	265,867,199	990,990,552	340,244
Total assets	<u>926,612,861</u>	<u>560,393,360</u>	<u>1,487,006,221</u>	<u>26,495,715</u>
Deferred Outflows of Resources				
Deferred charges on refunding	2,202,966	2,851,657	5,054,623	-
Deferred amount relating to net pension liability	1,940,822	10,815,765	12,756,587	36,218
Deferred amount relating to net OPEB liability	9,736	2,227	11,963	-
Total deferred outflows of resources	<u>4,153,524</u>	<u>13,669,649</u>	<u>17,823,173</u>	<u>36,218</u>
Total assets and deferred outflows of resources	<u>930,766,385</u>	<u>574,063,009</u>	<u>1,504,829,394</u>	<u>26,531,933</u>

See Accompanying Notes to the Financial Statements

City of Ann Arbor
Statement of Net Position
June 30, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Liabilities				
Accounts payable	\$ 10,404,147	\$ 5,008,440	\$ 15,412,587	\$ 3,807,027
Accrued and other liabilities	2,581,974	1,685,062	4,267,036	708,926
Deposits	1,258,485	160,625	1,419,110	-
Due to other units of government	818,012	-	818,012	62,228
Unearned revenue	-	-	-	515,960
Noncurrent liabilities				
Estimated claims payable due within one year	373,187	-	373,187	-
Estimated claims payable due in more than one year	2,279,992	6,376,350	8,656,342	-
Debt due within one year	10,333,012	15,086,638	25,419,650	42,522
Debt due in more than one year	105,236,317	188,879,784	294,116,101	223,271
Net pension liability	57,891,722	23,903,687	81,795,409	111,257
Net OPEB liability	72,663,825	16,622,331	89,286,156	-
Total liabilities	<u>263,840,673</u>	<u>257,722,917</u>	<u>521,563,590</u>	<u>5,471,191</u>
Deferred Inflows of Resources				
Deferred amount relating to net pension liability	<u>103,371</u>	<u>42,682</u>	<u>146,053</u>	<u>18,800</u>
Total liabilities and deferred inflows of resources	<u>263,944,044</u>	<u>257,765,599</u>	<u>521,709,643</u>	<u>5,489,991</u>
Net Position				
Net investment in capital assets	701,307,637	216,805,278	918,112,915	665,158
Restricted for				
Debt service	-	13,733,350	13,733,350	-
Endowment (non-expendable)	1,984,000	-	1,984,000	-
Equipment replacement	-	19,534,225	19,534,225	-
Landfill	-	180,991	180,991	-
Highways and streets	27,307,360	-	27,307,360	-
Culture and recreation	15,743,071	-	15,743,071	-
Other purposes	12,512,256	-	12,512,256	1
Unrestricted (deficit)	<u>(92,031,983)</u>	<u>66,043,566</u>	<u>(25,988,417)</u>	<u>20,376,783</u>
Total net position	<u>\$ 666,822,341</u>	<u>\$ 316,297,410</u>	<u>\$ 983,119,751</u>	<u>\$ 21,041,942</u>

See Accompanying Notes to the Financial Statements

**City of Ann Arbor
Statement of Activities
For the Year Ended June 30, 2018**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 19,219,630	\$ 9,796,913	\$ 616,296	\$ 117,046	\$ (8,689,375)	\$ -	\$ (8,689,375)	\$ -
Public safety	46,868,877	10,613,768	1,164,138	-	(35,090,971)	-	(35,090,971)	-
Public works	49,591,083	2,630,025	12,801,581	3,566,204	(30,593,273)	-	(30,593,273)	-
Public transportation	10,524,383	-	-	-	(10,524,383)	-	(10,524,383)	-
Community and economic development	2,063,185	-	5,888	-	(2,057,297)	-	(2,057,297)	-
Recreation and culture	13,779,455	4,738,164	360,843	402,920	(8,277,528)	-	(8,277,528)	-
Interest and fiscal charges on long-term debt	3,527,743	4,306,049	-	-	778,306	-	778,306	-
Total governmental activities	<u>145,574,356</u>	<u>32,084,919</u>	<u>14,948,746</u>	<u>4,086,170</u>	<u>(94,454,521)</u>	<u>-</u>	<u>(94,454,521)</u>	<u>-</u>
Business-type activities								
Water	19,737,572	27,002,482	-	-	-	7,264,910	7,264,910	-
Sewer	19,382,437	28,329,519	-	-	-	8,947,082	8,947,082	-
Parking	1,831,512	2,036,188	-	-	-	204,676	204,676	-
Airport	727,902	935,786	-	4,535	-	212,419	212,419	-
Stormwater	5,747,664	9,444,063	-	49,849	-	3,746,248	3,746,248	-
Solid waste	14,890,852	4,035,824	-	-	-	(10,855,028)	(10,855,028)	-
Total business-type activities	<u>62,317,939</u>	<u>71,783,862</u>	<u>-</u>	<u>54,384</u>	<u>-</u>	<u>9,520,307</u>	<u>9,520,307</u>	<u>-</u>
Total primary government	<u>\$ 207,892,295</u>	<u>\$ 103,868,781</u>	<u>\$ 14,948,746</u>	<u>\$ 4,140,554</u>	<u>(94,454,521)</u>	<u>9,520,307</u>	<u>(84,934,214)</u>	<u>-</u>
Component units								
Housing Commission	\$ 19,400,992	\$ 166,636	\$ 17,867,833	\$ 153,939				(1,212,584)
SmartZone LDFA	3,105,885	-	-	-				(3,105,885)
Downtown Development Authority	28,600,109	21,868,070	-	-				(6,732,039)
Total Component units	<u>\$ 51,106,986</u>	<u>\$ 22,034,706</u>	<u>\$ 17,867,833</u>	<u>\$ 153,939</u>				<u>(11,050,508)</u>
General revenues								
Property taxes					75,369,526	12,638,680	88,008,206	10,024,860
State-shared revenue					11,034,159	-	11,034,159	-
Unrestricted investment earnings					655,430	472,977	1,128,407	522,365
Miscellaneous					162,745	35,500	198,245	1,430,432
Transfers					2,093,810	(2,093,810)	-	-
Total general revenues and transfers					<u>89,315,670</u>	<u>11,053,347</u>	<u>100,369,017</u>	<u>11,977,657</u>
Change in net position					<u>(5,138,851)</u>	<u>20,573,654</u>	<u>15,434,803</u>	<u>927,149</u>
Net position - beginning of year					754,963,832	313,669,415	1,068,633,247	20,114,793
Prior period adjustment					<u>(83,002,640)</u>	<u>(17,945,659)</u>	<u>(100,948,299)</u>	<u>-</u>
Net position - beginning of year, as restated					<u>671,961,192</u>	<u>295,723,756</u>	<u>967,684,948</u>	<u>20,114,793</u>
Net position - end of year					<u>\$ 666,822,341</u>	<u>\$ 316,297,410</u>	<u>\$ 983,119,751</u>	<u>\$ 21,041,942</u>

See Accompanying Notes to the Financial Statements

**City of Ann Arbor
Governmental Funds
Balance Sheet
June 30, 2018**

	General	Special Revenue Fund Street, Bridge, and Sidewalk Repair Millage Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 176,637	\$ -	\$ 32,022	\$ 208,659
Equity in pooled cash and investments	20,868,780	6,999,809	55,943,487	83,812,076
Investments	-	-	2,018,009	2,018,009
Receivables				
Taxes, net	77,214	2,729	1,997	81,940
Accounts, net	1,501,143	983,316	694,876	3,179,335
Special assessments	6,230	120,711	354,508	481,449
Accrued interest and other	-	-	8,241	8,241
Improvement charges	-	1,169	-	1,169
Loans	-	-	7,880	7,880
Due from other units of government	1,278,935	594,178	2,313,334	4,186,447
Due from other funds	83,549	-	-	83,549
Inventories	41,581	-	-	41,581
Advances to other funds	420,803	-	-	420,803
	<u>24,454,872</u>	<u>8,701,912</u>	<u>61,374,354</u>	<u>94,531,138</u>
Total assets	\$ 24,454,872	\$ 8,701,912	\$ 61,374,354	\$ 94,531,138

See Accompanying Notes to the Financial Statements

**City of Ann Arbor
Governmental Funds
Balance Sheet
June 30, 2018**

	General	Special Revenue Fund Street, Bridge, and Sidewalk Repair Millage Fund	Nonmajor Governmental Funds	Total Governmental Funds
Liabilities				
Accounts payable	\$ 1,951,044	\$ 3,090,215	\$ 3,774,893	\$ 8,816,152
Accrued and other liabilities	1,482,299	35,784	198,160	1,716,243
Deposits payable	1,258,485	-	-	1,258,485
Due to other units of government	436,618	-	27,135	463,753
Total liabilities	<u>5,128,446</u>	<u>3,125,999</u>	<u>4,000,188</u>	<u>12,254,633</u>
Deferred Inflows of Resources				
Unavailable revenue	<u>6,230</u>	<u>121,880</u>	<u>764,909</u>	<u>893,019</u>
Fund Balances				
Non-spendable	462,384	-	1,984,000	2,446,384
Restricted for				
Road maintenance and repairs	-	5,454,033	21,731,447	27,185,480
Culture and recreation	-	-	15,743,071	15,743,071
Law enforcement	-	-	929,300	929,300
Other special revenue funds	-	-	11,110,850	11,110,850
Debt service	-	-	472,109	472,109
Committed	-	-	929,257	929,257
Assigned	7,714,673	-	3,709,223	11,423,896
Unassigned	<u>11,143,139</u>	<u>-</u>	<u>-</u>	<u>11,143,139</u>
Total fund balances	<u>19,320,196</u>	<u>5,454,033</u>	<u>56,609,257</u>	<u>81,383,486</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 24,454,872</u>	<u>\$ 8,701,912</u>	<u>\$ 61,374,354</u>	<u>\$ 94,531,138</u>

See Accompanying Notes to the Financial Statements

**City of Ann Arbor
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2018**

Total fund balances for governmental funds	\$ 81,383,486
Total net position for governmental activities in the statement of net position is different because:	
Capital assets net of accumulated depreciation used in governmental activities are not financial resources and therefore are not reported in the funds.	714,413,026
Capital assets not being depreciated used in governmental activities are not financial resources and therefore are not reported in the funds.	76,951,528
Certain receivables are not available to pay for current period expenditures and therefore are deferred in the funds.	893,019
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(643,317)
Compensated absences	(12,509,114)
Union contracts	(222,099)
Deferred inflows of resources resulting from net pension liability	(103,371)
Deferred outflow of resources resulting from net pension liability	1,940,822
Deferred outflow of resources resulting from net OPEB liability	9,736
Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.	
Bonds payable	(102,300,000)
Unamortized bond discounts/premiums	(760,215)
Unamortized deferred loss on refunding	2,202,966
Net pension liability	(57,891,722)
Net OPEB liability	(72,663,825)
Internal service funds are included as part of governmental activities.	<u>36,121,421</u>
Net position of governmental activities	<u>\$ 666,822,341</u>

See Accompanying Notes to the Financial Statements

**City of Ann Arbor
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018**

	General	Special Revenue Fund Street, Bridge, and Sidewalk Repair Millage Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 56,134,198	\$ 11,152,753	\$ 8,082,553	\$ 75,369,504
Special assessments/improvement charges	-	15,149	48,597	63,746
Licenses and permits	2,032,205	-	6,895,136	8,927,341
Federal grants	-	35,435	1,092,470	1,127,905
State-shared revenue	12,147,478	-	12,876,737	25,024,215
Local contributions	32,155	3,566,805	176,046	3,775,006
Charges for services	10,373,983	512,791	5,551,162	16,437,936
Fines and forfeitures	4,052,656	-	231,284	4,283,940
Interest income	243,038	44,371	247,890	535,299
Rental income	735,822	-	-	735,822
Other revenue	240,042	6,337	462,149	708,528
Total revenues	85,991,577	15,333,641	35,664,024	136,989,242

See Accompanying Notes to the Financial Statements

**City of Ann Arbor
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018**

	General	Special Revenue Fund Street, Bridge, and Sidewalk Repair Millage Fund	Nonmajor Governmental Funds	Total Governmental Funds
Expenditures				
Current				
General government	\$ 14,711,976	\$ -	\$ 2,428,648	\$ 17,140,624
Public safety	45,028,351	-	3,918,953	48,947,304
Public works	4,191,481	5,413,330	14,928,050	24,532,861
Public transportation	10,524,383	-	-	10,524,383
Community and economic development	2,141,752	-	5,000	2,146,752
Recreation and culture	8,198,311	-	4,973,739	13,172,050
Capital outlay	4,331,066	13,030,486	6,654,976	24,016,528
Debt service				
Principal retirement	-	-	5,189,000	5,189,000
Interest and fiscal charges	-	-	3,558,867	3,558,867
Total expenditures	<u>89,127,320</u>	<u>18,443,816</u>	<u>41,657,233</u>	<u>149,228,369</u>
Deficiency of revenues over expenditures	<u>(3,135,743)</u>	<u>(3,110,175)</u>	<u>(5,993,209)</u>	<u>(12,239,127)</u>

See Accompanying Notes to the Financial Statements

**City of Ann Arbor
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018**

	General	Special Revenue Fund Street, Bridge, and Sidewalk Repair Millage Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other financing sources (uses)				
Transfers in	\$ 2,050,140	\$ 1,600,187	\$ 7,547,743	\$ 11,198,070
Transfers out	(2,820,098)	(1,255,978)	(4,470,312)	(8,546,388)
Sale of capital assets	26,750	-	-	26,750
Total other financing sources and uses	<u>(743,208)</u>	<u>344,209</u>	<u>3,077,431</u>	<u>2,678,432</u>
Net change in fund balance	(3,878,951)	(2,765,966)	(2,915,778)	(9,560,695)
Fund balance - beginning of year	<u>23,199,147</u>	<u>8,219,999</u>	<u>59,525,035</u>	<u>90,944,181</u>
Fund balance - end of year	<u>\$ 19,320,196</u>	<u>\$ 5,454,033</u>	<u>\$ 56,609,257</u>	<u>\$ 81,383,486</u>

See Accompanying Notes to the Financial Statements

**City of Ann Arbor
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2018**

Net change in fund balances - total governmental funds	\$ (9,560,695)
Total change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(42,232,453)
Capital outlay	37,265,220
Sale of capital assets (net book value)	(31,929)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Deferred inflow of resources	287,879
Expenses are recorded when incurred in the statement of activities.	
Accrued interest	51,806
Compensated absences	144,617
Union contracts	(7,924)
The statement of net position reports the net pension liability, net OPEB liability and deferred outflows of resources and deferred inflows related to the net pension liability and net OPEB liability and pension and OPEB expense. However, the amount recorded on the governmental funds equals actual pension and OPEB contributions.	
Net change in net pension liability	(10,165,951)
Net change in the deferred inflows and outflows of resources related to the net pension liability	5,335,332
Net change in net OPEB liability	5,784,871
Net change in the deferred inflows and outflows of resources related to the net OPEB liability	9,736
Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.	
Repayments of long-term debt	5,189,000
Amortization of premiums, discounts and similar items	(20,682)
Internal service funds are also included as governmental activities	2,812,322
Change in net position of governmental activities	\$ (5,138,851)

See Accompanying Notes to the Financial Statements

City of Ann Arbor
Proprietary Funds
Statement of Net Position
June 30, 2018

	Enterprise Funds						Internal Service Funds	
	Water Supply System	Sewage Disposal System	Parking System	Airport	Stormwater Sewer System	Solid Waste		Total
Assets								
Current assets								
Cash and cash equivalents	\$ 450	\$ -	\$ -	\$ 30	\$ -	\$ 182,583	\$ 183,063	\$ 25,598
Equity in pooled cash and investments	31,615,672	35,394,237	1,852,555	1,273,962	12,670,214	21,742,460	104,549,100	29,854,582
Investments	3,405,305	10,545,849	-	-	-	-	13,951,154	-
Receivables								
Taxes, net	17,133	-	-	-	-	5,488	22,621	-
Accounts, net	5,216,925	5,483,926	-	76,728	2,322,070	769,531	13,869,180	123,837
Special assessments, current	13,299	26,052	-	-	9,047	-	48,398	-
Improvement charges	14,948	25,837	-	-	466	-	41,251	-
Due from other units of government	302,210	-	1,200	-	-	-	303,410	-
Inventories	582,693	27,690	-	-	-	-	610,383	799,771
Prepaid items	-	3,582,159	-	-	281,105	-	3,863,264	3,091,111
Total current assets	41,168,635	55,085,750	1,853,755	1,350,720	15,282,902	22,700,062	137,441,824	33,894,899
Noncurrent assets								
Special assessments receivable	8,446	4,085	-	-	7,044	-	19,575	-
Improvement charges	56,053	125,081	-	-	-	-	181,134	-
Due from other units of government	3,652,100	-	-	-	-	-	3,652,100	-
Capital assets not being depreciated	10,702,097	130,995,174	3,934,897	708,927	1,142,048	2,274,675	149,757,818	90,005
Capital assets, net of accumulated depreciation	101,950,233	103,944,655	29,278,732	1,306,739	19,124,790	10,262,050	265,867,199	10,710,327
Total noncurrent assets	116,368,929	235,068,995	33,213,629	2,015,666	20,273,882	12,536,725	419,477,826	10,800,332
Total assets	157,537,564	290,154,745	35,067,384	3,366,386	35,556,784	35,236,787	556,919,650	44,695,231
Deferred Outflows of Resources								
Deferred amount on refunding	982,064	1,689,605	179,988	-	-	-	2,851,657	-
Deferred amount relating to net pension liability	4,028,769	3,526,846	-	-	1,428,206	1,831,944	10,815,765	-
Deferred amount relating to net OPEB liability	875	815	-	-	122	415	2,227	-
Total deferred outflows of resources	5,011,708	5,217,266	179,988	-	1,428,328	1,832,359	13,669,649	-
Total assets and deferred outflows of resources	162,549,272	295,372,011	35,247,372	3,366,386	36,985,112	37,069,146	570,589,299	44,695,231

See Accompanying Notes to the Financial Statements

City of Ann Arbor
Proprietary Funds
Statement of Net Position
June 30, 2018

	Enterprise Funds							Internal Service Funds
	Water Supply System	Sewage Disposal System	Parking System	Airport	Stormwater Sewer System	Solid Waste	Total	
Liabilities								
Current liabilities								
Accounts payable	\$ 1,644,945	\$ 1,446,270	\$ -	\$ 51,310	\$ 740,791	\$ 1,125,124	\$ 5,008,440	\$ 1,587,995
Accrued and other liabilities	117,124	90,026	-	-	48,952	47,858	303,960	315
Due to other funds	-	-	-	83,549	-	-	83,549	-
Accrued interest payable	271,945	984,804	42,696	1,719	79,938	-	1,381,102	-
Deposits	137,427	-	-	-	23,198	-	160,625	354,259
Bonds payable, current	2,290,735	3,234,047	1,928,681	-	-	-	7,453,463	-
Other debt, current	995,000	4,880,000	-	-	871,894	-	6,746,894	-
Estimated claims payable, current	-	-	-	-	-	-	-	373,187
Compensated absences, current	361,038	288,331	-	-	126,828	110,084	886,281	-
Total current liabilities	5,818,214	10,923,478	1,971,377	136,578	1,891,601	1,283,066	22,024,314	2,315,756
Noncurrent liabilities								
Bonds payable, net	33,832,097	134,972,527	3,760,686	-	14,905,729	-	187,471,039	-
Estimated claims payable, net	-	-	-	-	-	6,376,350	6,376,350	2,279,992
Compensated absences, net	734,715	520,378	-	-	78,715	74,937	1,408,745	-
Advances from other funds	-	-	-	420,803	-	-	420,803	-
Net pension liability	8,764,840	8,044,970	-	-	3,055,207	4,038,670	23,903,687	-
Net OPEB liability	6,529,126	6,090,975	-	-	905,739	3,096,491	16,622,331	-
Total noncurrent liabilities	49,860,778	149,628,850	3,760,686	420,803	18,945,390	13,586,448	236,202,955	2,279,992
Total liabilities	55,678,992	160,552,328	5,732,063	557,381	20,836,991	14,869,514	258,227,269	4,595,748
Deferred Inflows of Resources								
Deferred amount relating to net pension liability	15,649	14,365	-	-	5,456	7,212	42,682	-
Total liabilities and deferred inflows of resources	55,694,641	160,566,693	5,732,063	557,381	20,842,447	14,876,726	258,269,951	4,595,748

See Accompanying Notes to the Financial Statements

**City of Ann Arbor
Proprietary Funds
Statement of Net Position
June 30, 2018**

	Enterprise Funds						Internal Service Funds	
	Water Supply System	Sewage Disposal System	Parking System	Airport	Stormwater Sewer System	Solid Waste		Total
Net Position								
Net investment in capital assets	\$ 76,516,562	\$ 93,542,860	\$ 27,704,250	\$ 2,015,666	\$ 4,489,215	\$ 12,536,725	\$ 216,805,278	\$ 10,800,332
Restricted for								
Debt service	3,227,757	10,505,593	-	-	-	-	13,733,350	-
Equipment replacement	11,681,305	7,852,920	-	-	-	-	19,534,225	-
Landfill	-	-	-	-	-	180,991	180,991	-
Unrestricted	<u>15,429,007</u>	<u>22,903,945</u>	<u>1,811,059</u>	<u>793,339</u>	<u>11,653,450</u>	<u>9,474,704</u>	<u>62,065,504</u>	<u>29,299,151</u>
 Total net position	 <u>\$ 106,854,631</u>	 <u>\$ 134,805,318</u>	 <u>\$ 29,515,309</u>	 <u>\$ 2,809,005</u>	 <u>\$ 16,142,665</u>	 <u>\$ 22,192,420</u>	 312,319,348	 <u>\$ 40,099,483</u>
 Some amounts reported for business-type activities in the statement of net position are different because certain internal service funds assets and liabilities are reported with business-type activities							 <u>3,978,062</u>	
 Net position of business-type activities							 <u>\$ 316,297,410</u>	

See Accompanying Notes to the Financial Statements

City of Ann Arbor
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2018

	Enterprise Funds							Internal Service Funds
	Water Supply System	Sewage Disposal System	Parking System	Airport	Stormwater Sewer System	Solid Waste	Total	
Operating revenue								
Charges for services	\$ 27,002,482	\$ 28,329,519	\$ 2,036,188	\$ 935,786	\$ 9,444,063	\$ 4,035,824	\$ 71,783,862	\$ 51,685,234
Operating expenses								
Personnel services	7,558,218	6,332,850	-	289,029	2,362,910	3,053,268	19,596,275	8,865,048
Municipal service charge	403,392	664,848	-	30,132	213,996	443,856	1,756,224	1,293,600
Information technology charge	881,124	393,397	-	13,608	182,148	94,148	1,564,425	933,700
Other operating costs	6,321,347	5,121,722	2,003	318,877	2,086,578	11,263,260	25,113,787	33,916,366
Depreciation	4,154,463	4,040,560	1,687,836	81,699	724,760	888,508	11,577,826	2,799,638
Total operating expenses	19,318,544	16,553,377	1,689,839	733,345	5,570,392	15,743,040	59,608,537	47,808,352
Operating income (loss)	7,683,938	11,776,142	346,349	202,441	3,873,671	(11,707,216)	12,175,325	3,876,882
Nonoperating revenue (expenses)								
Property taxes	3,071	-	-	-	-	12,635,609	12,638,680	-
Interest income	136,317	185,946	6,392	4,647	43,198	96,477	472,977	120,133
Gain on sale of assets	-	13,000	-	-	22,500	-	35,500	135,995
Loss on disposal of assets	-	-	-	-	-	(92,452)	(92,452)	-
Interest expense	(770,419)	(3,105,990)	(141,673)	(22,824)	(390,443)	-	(4,431,349)	-
Total nonoperating revenues (expenses)	(631,031)	(2,907,044)	(135,281)	(18,177)	(324,745)	12,639,634	8,623,356	256,128
Income before contributions and transfers	7,052,907	8,869,098	211,068	184,264	3,548,926	932,418	20,798,681	4,133,010
Capital contributions	-	-	-	4,535	49,849	-	54,384	1,051,583
Transfers in	2,308,400	284,627	-	-	-	-	2,593,027	205,314
Transfers out	(2,091,219)	(958,710)	-	(6,888)	(1,215,162)	(414,858)	(4,686,837)	(763,186)
Change in net position	7,270,088	8,195,015	211,068	181,911	2,383,613	517,560	18,759,255	4,626,721
Net position - beginning of year	106,633,462	133,186,190	29,304,241	2,627,094	14,736,898	25,017,867	311,505,752	35,472,762
Prior period adjustment	(7,048,919)	(6,575,887)	-	-	(977,846)	(3,343,007)		-
Net position - beginning of year (restated)	99,584,543	126,610,303	29,304,241	2,627,094	13,759,052	21,674,860		35,472,762
Net position - end of year	\$ 106,854,631	\$ 134,805,318	\$ 29,515,309	\$ 2,809,005	\$ 16,142,665	\$ 22,192,420	\$ 312,319,348	\$ 40,099,483
Change in net position - total enterprise funds							\$ 18,759,255	
Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities							1,814,399	
Change in net position of business-type activities							\$ 20,573,654	

See Accompanying Notes to the Financial Statements

City of Ann Arbor
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2018

	Enterprise Funds							Internal Service Funds
	Water Supply System	Sewage Disposal System	Parking System	Airport	Stormwater Sewer System	Solid Waste	Total	
Cash flows from operating activities								
Receipts from customers	\$ 27,146,585	\$ 29,284,501	\$ 2,035,488	\$ 936,476	\$ 9,508,629	\$ 4,012,562	\$ 72,924,241	\$ -
Payments to suppliers	(7,161,944)	(9,970,549)	(2,003)	(310,312)	(1,236,313)	(9,074,257)	(27,755,378)	(37,380,572)
Payments to employees	(7,335,457)	(6,008,896)	-	(289,029)	(2,136,565)	(2,999,600)	(18,769,547)	(8,866,224)
Receipts (payments) for interfund services used	(1,476,637)	(845,437)	-	(65,961)	(697,324)	(2,733,574)	(5,818,933)	51,712,395
Net cash provided (used) by operating activities	<u>11,172,547</u>	<u>12,459,619</u>	<u>2,033,485</u>	<u>271,174</u>	<u>5,438,427</u>	<u>(10,794,869)</u>	<u>20,580,383</u>	<u>5,465,599</u>
Cash flows from noncapital financing activities								
Transfer from other funds	2,308,400	284,627	-	-	-	-	2,593,027	205,314
Transfers to other funds	(2,091,219)	(958,710)	-	(6,888)	(1,215,162)	(414,858)	(4,686,837)	(763,186)
Repayment of advances from other funds	-	-	-	(80,234)	-	-	(80,234)	-
Property taxes	3,071	-	-	-	-	12,635,609	12,638,680	-
Net cash provided (used) by noncapital financing activities	<u>220,252</u>	<u>(674,083)</u>	<u>-</u>	<u>(87,122)</u>	<u>(1,215,162)</u>	<u>12,220,751</u>	<u>10,464,636</u>	<u>(557,872)</u>
Cash flows from capital and related financing activities								
Proceeds from sale of bonds and notes	-	8,234,528	-	-	470,165	-	8,704,693	-
Capital contributions	-	-	-	4,535	49,849	-	54,384	1,051,583
Purchases/construction of capital assets	(7,430,330)	(6,405,734)	-	-	(667,095)	(38,247)	(14,541,406)	(3,795,650)
Principal and interest paid on long-term debt	(3,956,478)	(9,478,147)	(2,036,187)	(23,096)	(1,267,885)	(21,157)	(16,782,950)	-
Proceeds from sale of capital assets	-	13,000	-	-	22,500	27,415	62,915	159,250
Net cash used by capital and related financing activities	<u>(11,386,808)</u>	<u>(7,636,353)</u>	<u>(2,036,187)</u>	<u>(18,561)</u>	<u>(1,392,466)</u>	<u>(31,989)</u>	<u>(22,502,364)</u>	<u>(2,584,817)</u>

See Accompanying Notes to the Financial Statements

**City of Ann Arbor
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2018**

	Enterprise Funds							Internal Service Funds
	Water Supply System	Sewage Disposal System	Parking System	Airport	Stormwater Sewer System	Solid Waste	Total	
Cash flows from investing activities								
Purchases of investments	\$ (3,405,305)	\$ (10,545,849)	\$ -	\$ -	\$ -	\$ -	\$ (13,951,154)	\$ -
Interest received	136,317	185,946	6,392	4,647	43,198	96,477	472,977	120,133
Net cash provided (used) by investing activities	<u>(3,268,988)</u>	<u>(10,359,903)</u>	<u>6,392</u>	<u>4,647</u>	<u>43,198</u>	<u>96,477</u>	<u>(13,478,177)</u>	<u>120,133</u>
Net change in cash and cash equivalents	(3,262,997)	(6,210,720)	3,690	170,138	2,873,997	1,490,370	(4,935,522)	2,443,043
Cash and cash equivalents - beginning of year	34,879,119	41,604,957	1,848,865	1,103,854	9,796,217	20,434,673	109,667,685	27,437,137
Cash and cash equivalents - end of year	<u>\$ 31,616,122</u>	<u>\$ 35,394,237</u>	<u>\$ 1,852,555</u>	<u>\$ 1,273,992</u>	<u>\$ 12,670,214</u>	<u>\$ 21,925,043</u>	<u>\$ 104,732,163</u>	<u>\$ 29,880,180</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities								
Operating income (loss)	\$ 7,683,938	\$ 11,776,142	\$ 346,349	\$ 202,441	\$ 3,873,671	\$ (11,707,216)	\$ 12,175,325	\$ 3,876,882
Adjustments to reconcile operating income to net cash from operating activities								
Depreciation and amortization expense	4,154,463	4,040,560	1,687,836	81,699	724,760	888,508	11,577,826	2,799,638
Changes in assets and liabilities								
Receivables (net)	(65,163)	(468,063)	-	690	(691,233)	(23,262)	(1,247,031)	27,161
Due from other units of government	209,266	1,423,045	(700)	-	755,799	-	2,387,410	-
Inventories	18,901	45,531	-	-	-	-	64,432	121,731
Prepaid items	3,862	(50,950)	-	-	9,816	-	(37,272)	(625,118)
Accounts payable	(1,053,856)	(4,630,600)	-	(13,656)	516,071	166,232	(5,015,809)	(151,797)
Accrued and other liabilities	21,689	4,729	-	-	22,458	8,217	57,093	(1,164)
Due to other units of government	-	-	-	-	-	-	-	(25,600)
Deposits	-	-	-	-	23,198	-	23,198	354,259
Estimated claims payable	-	-	-	-	-	(172,799)	(172,799)	(910,393)
Customer deposits payable	(1,625)	-	-	-	-	-	(1,625)	-
Net pension liability	731,387	671,317	-	-	254,943	337,009	1,994,656	-
Net OPEB liability	(520,668)	(485,727)	-	-	(72,229)	(246,931)	(1,325,555)	-
Compensated absences	(9,647)	133,635	-	-	21,173	(44,627)	100,534	-
Net cash provided (used) by operating activities	<u>\$ 11,172,547</u>	<u>\$ 12,459,619</u>	<u>\$ 2,033,485</u>	<u>\$ 271,174</u>	<u>\$ 5,438,427</u>	<u>\$ (10,794,869)</u>	<u>\$ 20,580,383</u>	<u>\$ 5,465,599</u>

Non-cash activity:

The Airport Fund received equipment valued at \$4,535 from a grant during the year ended June 30, 2018.

City of Ann Arbor
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2018

	Pension and Employee Benefit Trust Funds	Agency Funds
Assets		
Cash	\$ -	\$ 371,831
Equity in pooled cash and investments	7,564,167	124,785
Investments, at fair value:		
Equities	391,679,267	-
Fixed income	203,689,212	-
Other	75,773,253	-
Receivables		
Accrued interest and other	476,434	-
Due from other funds	113,377	-
Capital assets, net	350,826	-
Other assets	300,310	-
Total assets	679,946,846	496,616
Deferred Outflows of Resources		
Deferred amount related to net pension liability	292,866	-
Deferred amount related to net OPEB liability	37	-
Total deferred outflows of resources	292,903	-
Total assets and deferred outflows of resources	680,239,749	\$ 496,616
Liabilities		
Accounts payable	3,330,393	\$ -
Mortgage payable, due in one year	29,887	-
Mortgage payable, due in more than one year	134,225	-
Net pension liability	616,591	-
Net OPEB liability	273,844	-
Due to others	-	23,717
Due to other governments	-	178,625
Deposits	-	294,274
Total liabilities	4,384,940	\$ 496,616
Deferred Inflows of Resources		
Deferred pension amounts	1,101	
Total liabilities and deferred inflows of resources	4,386,041	
Net Position		
Restricted for pensions and other post employment benefits	\$ 675,853,708	

See Accompanying Notes to the Financial Statements

**City of Ann Arbor
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2018**

	Pension and Other Employee Benefit Trust Funds
Additions	
Investment income:	
From investing activities:	
Appreciation in fair value of investments	\$ 39,004,258
Interest and dividends	6,518,236
Total investment income	45,522,494
Investment management fees	(812,636)
Net investment income from investing activities	44,709,858
From securities lending activities:	
Gross earnings	25,116
Borrower rebates received (paid)	(9,727)
Securities lending fees	(4,599)
Net investment income from securities and lending activities	10,790
Total net investment income	44,720,648
Contributions:	
Employer	31,340,350
Plan member	3,291,231
Total contributions	34,631,581
Total additions	79,352,229
Deductions	
Benefits	50,079,974
Refunds of contributions	910,311
Administrative expenses	825,360
Total deductions	51,815,645
Change in net position	27,536,584
Net position - beginning of year	648,612,764
Restatement for net OPEB liability	(295,640)
Net position - beginning of year (as restated)	648,317,124
Net position - end of year	\$ 675,853,708

See Accompanying Notes to the Financial Statements

City of Ann Arbor
Discretely Presented Component Units
Combining Statement of Net Position
June 30, 2018

	Housing Commission	SmartZone Local Development Finance Authority	Downtown Development Authority	Total
Assets				
Cash	\$ 2,686,976	\$ -	\$ 344,998	\$ 3,031,974
Equity in pooled cash and investments	-	3,479,069	-	3,479,069
Investments, at fair value	-	-	18,368,383	18,368,383
Receivables	209,639	511,390	170,387	891,416
Other assets	59,715	-	-	59,715
Capital assets not being depreciated	324,914	-	-	324,914
Capital assets being depreciated, net	340,244	-	-	340,244
Total assets	3,621,488	3,990,459	18,883,768	26,495,715
Deferred Outflows of Resources				
Deferred amount relating to net pension liability	36,218	-	-	36,218
Total assets and deferred outflows of resources	3,657,706	3,990,459	18,883,768	26,531,933
Liabilities				
Accounts payable	269,463	681,723	2,855,841	3,807,027
Accrued and other liabilities	492,774	-	216,152	708,926
Due to other units of government	-	-	62,228	62,228
Unearned revenue	4,570	511,390	-	515,960
Debt due within one year	42,522	-	-	42,522
Debt due in more than one year	20,736	-	202,535	223,271
Net pension liability	111,257	-	-	111,257
Total liabilities	941,322	1,193,113	3,336,756	5,471,191
Deferred Inflows of Resources				
Deferred amount relating to net pension liability	18,800	-	-	18,800
Total liabilities and deferred inflows of resources	960,122	1,193,113	3,336,756	5,489,991
Net Position				
Net investment in capital assets	665,158	-	-	665,158
Restricted	1	-	-	1
Unrestricted	2,032,425	2,797,346	15,547,012	20,376,783
Total net position	\$ 2,697,584	\$ 2,797,346	\$ 15,547,012	\$ 21,041,942

See Accompanying Notes to the Financial Statements

City of Ann Arbor
Discretely Presented Component Units
Combining Statement of Activities
For the Year Ended June 30, 2018

	<u>Housing Commission</u>	<u>SmartZone Local Development Finance Authority</u>	<u>Downtown Development Authority</u>	<u>Total</u>
Expenses				
Housing and economic development	\$ 19,400,992	\$ 3,105,885	\$ 28,600,109	\$ 51,106,986
Program revenues				
Charges for services	166,636	-	21,868,070	22,034,706
Operating grants and contributions	17,867,833	-	-	17,867,833
Capital grants and contributions	153,939	-	-	153,939
Total program revenue	<u>18,188,408</u>	<u>-</u>	<u>21,868,070</u>	<u>40,056,478</u>
Net program expense	<u>(1,212,584)</u>	<u>(3,105,885)</u>	<u>(6,732,039)</u>	<u>(11,050,508)</u>
General revenues				
Property taxes	-	3,566,551	6,458,309	10,024,860
Interest income	2,897	12,431	507,037	522,365
Other income	1,302,461	127,971	-	1,430,432
Total general revenues	<u>1,305,358</u>	<u>3,706,953</u>	<u>6,965,346</u>	<u>11,977,657</u>
Change in net position	92,774	601,068	233,307	927,149
Net position - beginning of year	<u>2,604,810</u>	<u>2,196,278</u>	<u>15,313,705</u>	<u>20,114,793</u>
Net position - end of year	<u>\$ 2,697,584</u>	<u>\$ 2,797,346</u>	<u>\$ 15,547,012</u>	<u>\$ 21,041,942</u>

See Accompanying Notes to the Financial Statements

City of Ann Arbor
Notes to the Financial Statements
June 30, 2018

Note 1 - Summary of Significant Accounting Policies

Reporting entity

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

Blended Component Unit

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

Discretely Presented Component Units

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

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

Downtown Development Authority (the "DDA"). The DDA was created to finance rehabilitation and redevelopment in the downtown area. Commissioners of the DDA are appointed by the Mayor and approved by City Council. Development plans are approved by Council and Council must approve all modifications to the plans. The DDA's budget must be approved by City Council. The DDA's primary source of funding is charges for services (parking) and tax increment financing revenues. Bonds secured by those revenues are issued by the City on behalf of the DDA, which does not have the ability to issue debt. During the fiscal year, the DDA paid \$4.3 million to the City as part of an agreement between the City and DDA, wherein the DDA distributes 17% of the parking revenues to the City. Also, during the fiscal year the DDA transferred \$6.3 million for debt service payments. The DDA paid \$.15 million to the City for insurance and network access. The City transferred \$.6 million to the DDA for construction projects. The DDA issues separate audited financial statements.

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

City of Ann Arbor
Notes to the Financial Statements
June 30, 2018

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 \$43,753 as of June 30, 2018.

Government-wide and fund financial statements

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

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

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

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are

City of Ann Arbor
Notes to the Financial Statements
June 30, 2018

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

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

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

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Street, Bridge, and Sidewalk Repair Millage is to account for the proceeds of a special millage to repair streets, bridges and sidewalks.

The government reports the following major proprietary funds:

The Water Supply System accounts for the provision of treated water to City and certain township residents.

The Sewage Disposal System accounts for the collection and treatment of the sewage for City and certain township residents.

The Parking System accounts for the City's parking structures, depreciation, and debt.

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

The Stormwater Sewer System accounts for the collection and disposal of the City's stormwater.

The Solid Waste Fund accounts for the collection and disposal of the City's solid waste and recycling.

City of Ann Arbor
Notes to the Financial Statements
June 30, 2018

Additionally, the government reports the following:

The nonmajor special revenue funds account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative requirements.

The debt service funds account for the accumulation of resources for, and payment of governmental activities principal, interest and related costs.

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

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

Internal service funds account for goods and services provided by the Central Stores, Fleet Services, Information Technology, Project Management, Insurance and the maintenance facility (the "Wheeler Center") to service areas of the City on a charges for services basis.

The Pension and Other Employee Benefits Trust Funds account for the activities of the employees' retirement system and retiree health insurance plan.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's business-type functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

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

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restricted resources first, then unrestricted resources as they are needed.

Assets, liabilities, and net position or equity

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

The Pension and Other Employee Benefits Trust Funds are authorized by State’s Pension Investment Act, as amended, to invest in common stocks, real estate, and various other investment instruments, subject to certain limitations.

Investments are stated at fair value.

Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of a lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.” Interfund balances at year-end relate to items accrued after year-end related to interfund transfers. These items are repaid immediately in the new year.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts of \$910,635.

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, 2017 as controlled by the Headlee Amendment, Act 415 and City Charter, was 6.0343 mills raising \$33.0 million. Other tax rates and amounts raised were as follows: employee benefits (2.0114) raising \$11.0 million, refuse collection (2.4134) raising \$13.2 million, Ann Arbor Transportation Authority (2.0114) raising \$11.0 million, street & sidewalk repair (2.1250) raising \$11.6 million, parks maintenance and repair (1.0761) raising \$5.9 million, and open space and parkland preservation Millage (0.4674) raising \$2.6 million. Real and personal property located in the City as of December 31, 2016 was assessed and equalized at \$7,134,355,100, 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 2017 taxable value on March 1, 2018, was \$5,480,907,425. Property taxes are due July 31st of each year and any delinquent real property taxes are turned over to Washtenaw County for collection the following March 1st. Delinquent personal property taxes are immaterial.

Property tax revenue of the discretely presented component units is derived pursuant to tax increment financing agreements between those entities (i.e., the DDA and SmartZone LDFA) and the various applicable taxing districts. Real and personal property taxes are levied and attach as an enforceable lien on properties located within the boundaries of the tax increment financing district. The City of Ann Arbor bills and collects the taxes on behalf of the component units. Delinquent taxes on ad valorem real property are purchased by the County of Washtenaw. Property tax revenue is recognized in the year it is levied in both the government-wide financial statements and in the fund financial statements. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

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

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

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

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value.

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

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

Deferred outflows of resources – The City reports deferred outflows of resources as a result of pension and other post employment benefit (OPEB) earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. The City also reported deferred outflows of resources for deferred losses on bond refunding. A deferred loss results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is amortized over the shorter of the life of the refunded or refunding debt.

Compensated absences – The City accrues vacation pay, compensatory time off, severance pay for sick leave, and any salary-related payments for these compensated absences. The current obligations of all funds and the long-term obligations of proprietary funds are recorded in the respective funds. City employees are granted vacation time based on length of service. Most employees have the option of receiving compensatory time off in lieu of pay for overtime worked up to 40 hours. Sick pay is earned at the rate of one day per month, and unused sick days may be accumulated without limitation. An employee is paid, in most cases, a maximum of 960 unused sick hours and the total of any remaining accumulated hours upon retirement or death. City policy provides for payment of unused

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vacation and compensatory time off, but not unused sick hours, should the employee terminate their employment other than via retirement or death. Paid time off that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Paid time off is accrued when incurred in proprietary funds and reported as a liability. For governmental funds, the current portion of the liability for compensated absences reflects only the unpaid balance of reimbursable unused leave for employees that terminated by the fiscal year end. In accordance with GAAP, for the governmental funds, in the fund financial statements, the noncurrent portion of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and government-wide presentations. In addition to the proprietary funds, the General Fund, and several nonmajor special revenue funds have been used to liquidate the liability for compensated absences.

Long-term obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pension – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The City receives actuarial-based calculations to compute the actuarially determined contribution (ADC) necessary to fund the obligations over the remaining amortization periods. In the governmental funds, pension costs are recognized as contributions are made. For government-wide statements and proprietary funds, the City reports the full accrual cost equal to the current year required contributions.

Other post employment benefits – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's Plan and additions to/deductions from the City's Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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Deferred inflows of resources – The City reports deferred inflows of resources as a result of pension and OPEB earnings. This amount is the result of a difference between what the plans expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plan.

Fund Equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – assets that are not available in a spendable form or are legally or contractually required to be maintained intact.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts constrained on use imposed by the government's highest level of decision-making, its City Council. A fund balance commitment may be established, modified, or rescinded by a resolution of the City Council.

Assigned – amounts intended to be used for specific purposes, as determined by the Chief Financial Officer. The City Council has granted the Chief Financial Officer the authority to assign funds. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

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

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the government's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the government's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting (under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation) is utilized in the governmental funds. Outstanding encumbrances at year-end of \$282,205 are included in assigned fund balance of the General Fund, \$5,454,033 in restricted fund balance of the Street, Bridge and Sidewalk Millage Fund, and \$6,374,878 in the restricted or assigned fund balance of the other governmental funds. The encumbrances do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

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Adoption of New Accounting Standards

Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined OPEB plans, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services. It also requires additional note disclosures and required supplementary information.

Statement No. 85, *Omnibus 2017* addresses practice issues that were identified during implementation and application of certain GASB Statements. This statement covers issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

Statement No. 86, *Certain Debt Extinguishment Issues* is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The statement provides uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irremovable trust for the purpose of extinguishing that debt were acquired.

Upcoming Accounting and Reporting Changes

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

Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The

requirements of this Statement are effective for the fiscal year ending June 30, 2019.

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria includes the following: (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

Statement No. 87, *Leases* increases the usefulness of the financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* improves the information that is disclosed in notes to the financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities should be included when disclosing information

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related to debt. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. It will also require that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

The City is evaluating the impact that the above GASBs will have on its financial reporting.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary information

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). The City

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

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

The City uses the "target based" budgeting technique. Under this system, the City Administrator determines funding levels for each department by matching funding needs with available revenues. Targets are established based on anticipated revenues and growth in expenditures.

In late November, each department is given a "bottom line" amount for operations. The department then determines the best way to allocate funds among expenditures to remain within the target while meeting the assigned goals.

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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. The City utilizes an encumbrance system as a management control

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

Excess of expenditures over appropriations

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the City were adopted on a department level basis for the General Fund and the fund level for the special revenue funds. During the year ended June 30, 2018, the City did not incur any expenditures in excess of the amounts appropriated at the legal level of budgetary control.

Note 3 - Deposits and Investments

At year end the government's deposits and investments were reported in the financial statements in the following categories:

	Equity in Pooled			Total
	Cash	Cash and Investments	Investments	
Governmental activities	\$ 234,257	\$ 113,666,658	\$ 2,018,009	\$ 115,918,924
Business-type activities	<u>183,063</u>	<u>104,549,100</u>	<u>13,951,154</u>	<u>118,683,317</u>
Total	417,320	218,215,758	15,969,163	234,602,241
Fiduciary funds	371,831	7,688,952	671,141,732	679,202,515
Component units	<u>3,031,974</u>	<u>3,479,069</u>	<u>18,368,383</u>	<u>24,879,426</u>
Total	<u>\$ 3,821,125</u>	<u>\$ 229,383,779</u>	<u>\$ 705,479,278</u>	<u>\$ 938,684,182</u>

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The breakdown between deposits and investments is as follows:

Deposits and investments	
Bank deposits	\$ 11,575,040
Certificates of deposit due within one year	750,750
Investments in securities, mutual funds, and similar vehicles:	
City investment pool	220,870,159
Nonmajor governmental funds	2,018,009
Enterprise funds	13,951,154
Employees' Retirement System	502,733,070
Retiree Health Care Trust Fund	168,408,662
Downtown Development Authority	18,368,383
Cash on hand	<u>8,955</u>
Total	<u>\$938,684,182</u>

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

Deposits

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

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Insured</u>	<u>Uninsured</u>
City cash pool	\$ 8,053,622	\$ 28,957,208	\$ 309,062	\$ 28,648,146
15th District Court	498,399	493,890	250,000	243,890
Downtown Development Authority	344,998	1,670,949	250,000	1,420,949
Housing Commission	<u>2,686,976</u>	<u>2,901,961</u>	<u>999,999</u>	<u>1,901,962</u>
Totals	<u>\$ 11,583,995</u>	<u>\$ 34,024,008</u>	<u>\$ 1,809,061</u>	<u>\$ 32,214,947</u>

The uninsured bank balance of \$32,214,947 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 \$598,129 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.

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Investments – City Investment Pool

The following is a summary of the City’s investments as of June 30, 2018:

U.S. treasuries	\$ 75,909,099
U.S. agencies	136,083,236
Commercial paper	9,875,215
MI Class	14,030,543
Accrued interest	<u>879,116</u>
Total investments	\$ <u>236,777,209</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, 2018, 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, 2018, 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, 2018, the investment portfolio was concentrated as follows:

<u>Investment Type</u>	<u>Issuer</u>	<u>% of Portfolio</u>
U.S. agencies	Federal National Mortgage Association	20.02%
U.S. agencies	Federal Farm Credit Bank	8.87%
U.S. agencies	Federal Home Loan Mortgage	17.74%
U.S. agencies	Federal Home Loan Bank	14.70%

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

- 65% in federal instrumentality securities
- 30% in money market accounts
- 25% in prime commercial paper
- 10% in certificates of deposits
- 10% in federal agency securities
- 10% in obligations of the State of Michigan or any of its political subdivisions
- 10% in investment pools
- 10% in joint interlocal investment ventures
- 10% in local government investment pools

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There is no limit on the percentage of the portfolio that may be invested in U.S. Treasury Obligations and Repurchase Agreements. However, no more than 30% of the total portfolio shall be invested in any one issuer of Federal instrumentality securities. Tax funds collected on behalf of other taxing authorities and held pending disbursement are not subject to the diversification limits above. No more than 5% of the total portfolio shall be invest in any one issuer of commercial paper, or obligations of the State of Michigan or any of its political subdivisions. Exposure to certificates of deposit is limited to no more than \$300,000 per issuer. No more than 25% of the total portfolio shall be invested in securities with maturities exceeding seven years. No more than 12.5% of the total portfolio shall be invested in securities with maturities exceeding eleven years.

Interest Rate Risk – As of June 30, 2018, maturities of the City's debt securities were as follows:

Investment Type	Fair Value	Investments in Maturities (fair value by years)	
		<1	1-5
U.S. treasuries	\$ 75,909,099	\$ 25,644,075	\$ 50,265,024
U.S. agencies	136,083,236	37,856,026	98,227,210
Commercial paper	9,875,215	4,954,333	4,920,882
	<u>\$ 221,867,550</u>	<u>\$ 68,454,434</u>	<u>\$ 153,413,116</u>

Of the above balances, \$83,514,625 of U.S. agencies securities are callable. The City does not have a formal policy relating to interest rate risk. However, the City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on

the open market prior to maturity. To the extent possible, the Treasurer shall match investments with anticipated cash flow requirements. The City will not invest in securities maturing more than fifteen years from the date of purchase, and the weighted average maturity of the portfolio shall not exceed 6.5 years.

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

The City's only recurring fair value measurements as of June 30, 2018 were related to its investments in U.S. treasuries, U.S agencies and money market cash funds. These investments are valued using quoted market pricing of the underlying securities (Level 1 inputs).

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

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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, 2018 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%
Total equities	52%	34% to 66%
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%
Total fixed income	34%	16% to 47%
Other investments		
Real estate	9%	2% to 12%
Natural resources	3%	0% to 5%
Hedge funds	2%	1% to 5%
Cash	0%	<5%
Total other investments	14%	3% to 27%
Total investments	100%	

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

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Investment holdings – The System’s investments are held by an independent trust company. Following is a summary of the System’s investments as of June 30, 2018: (investments at fair value, as determined by quoted market price).

	Domestic	Foreign	Total	On Loan
Equities				
Common stock	\$ 15,578,502	\$ 218,064	\$ 15,796,566	\$ 703,953
Common stock funds	157,932,565	104,295,198	262,227,763	-
Private equity	<u>10,873,914</u>	<u>-</u>	<u>10,873,914</u>	<u>-</u>
Total equities	<u>184,384,981</u>	<u>104,513,262</u>	<u>288,898,243</u>	<u>703,953</u>
Fixed income				
Government agency funds	82,406,899	-	82,406,899	-
Corporate bonds	-	3,644,995	3,644,995	-
Corporate bond funds	21,104,778	7,044,894	28,149,672	-
Bank loan participation	15,502,674	-	15,502,674	-
Index linked government bonds	20,203,778	-	20,203,778	-
Private credit	<u>5,407,793</u>	<u>-</u>	<u>5,407,793</u>	<u>-</u>
Total fixed income	<u>144,625,922</u>	<u>10,689,889</u>	<u>155,315,811</u>	<u>-</u>
Other investments				
Real estate	37,512,954	-	37,512,954	-
Hedge funds	6,373,540	7,213,361	13,586,901	-
Short-term investment fund	<u>7,419,161</u>	<u>-</u>	<u>7,419,161</u>	<u>-</u>
Total other investments	<u>51,305,655</u>	<u>7,213,361</u>	<u>58,519,016</u>	<u>-</u>
Total investments	<u>\$ 380,316,558</u>	<u>\$ 122,416,512</u>	<u>\$ 502,733,070</u>	<u>\$ 703,953</u>

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

credit risk because their existence is not evidenced by securities that exist in physical or book form.

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

The System's investments in government agency funds, corporate bond funds, bank loan participation, private credit, and index linked government bonds (each of which are essentially funds) are not rated.

The System's fixed income securities consisted of the following at June 30, 2018:

	<u>2018</u>
Government agency funds	\$ 82,406,899
Corporate bonds	3,644,995
Corporate bond funds	28,149,672
Bank loan participation	15,502,674
Index linked government bonds	20,203,778
Private credit	<u>5,407,793</u>
	<u>\$ 155,315,811</u>

The System’s investments in corporate bond funds and hedge funds are not rated; also, the other fixed income securities at June 30, 2018 were essentially in "funds" and therefore not rated, with the exception of corporate bonds.

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

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

Inasmuch as all of the debt or fixed income securities as of June 30, 2018, except for the corporate bonds, are essentially held in funds by the portfolio managers, maturity information is not available. For the year ended June 30, 2018 the System's only corporate bond fund was a partnership hedge fund. As such, the System had no maturities to report.

Rate of Return – For the year ended June 30, 2018, the annual money-weighted rate of return on plan investments, net of investment expenses, was 7.02 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Securities Lending – A contract approved by the System’s Board of Trustees, permits the System to lend its securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The System’s custodial trust company manages the securities lending program and receives securities, cash or irrevocable bank letters of credit as collateral. The collateral securities cannot be pledged or sold by the System unless the borrower defaults. Collateral is initially pledged at 102 percent of the market value of the securities lent, and may not fall below 100

percent during the term of the loan. There are no restrictions on the amount of securities that can be loaned.

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

At June 30, 2018, the total collateral received from borrowers had a fair value of \$722,339, all of which was cash.

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

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The System had the following recurring fair value measurements as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
Equities				
Common stock	\$ 15,796,566	\$ -	\$ -	\$ 15,796,566
Common stock funds	21,785,969	240,441,794	-	262,227,763
Private equity	-	-	10,873,914	10,873,914
Total equities	<u>37,582,535</u>	<u>240,441,794</u>	<u>10,873,914</u>	<u>288,898,243</u>
Fixed income				
Government agency funds	-	82,406,899	-	82,406,899
Corporate bonds	-	-	3,644,995	3,644,995
Corporate bond funds	7,044,894	21,104,778	-	28,149,672
Bank loan participation	-	-	15,502,674	15,502,674
Index linked government bonds	20,203,778	-	-	20,203,778
Private credit	-	-	5,407,793	5,407,793
Total fixed income	<u>27,248,672</u>	<u>103,511,677</u>	<u>24,555,462</u>	<u>155,315,811</u>
Other investments				
Real estate	-	-	37,512,954	37,512,954
Hedge funds	-	-	13,586,901	13,586,901
Short-term investment fund	7,419,161	-	-	7,419,161
Total other investments	<u>7,419,161</u>	<u>-</u>	<u>51,099,855</u>	<u>58,519,016</u>
Total investments	<u>\$ 72,250,368</u>	<u>\$ 343,953,471</u>	<u>\$ 86,529,231</u>	<u>\$ 502,733,070</u>

Investments – Retiree Health Care Trust Fund

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

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

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

The Association's investments are held by an independent trust company. Following is a summary of the Association's investments as of June 30, 2018:

	Domestic	Foreign	Total	On Loan
Equities				
Common stock	\$ 10,322,101	\$ -	\$ 10,322,101	\$ 605,092
Common stock funds	60,094,321	31,815,795	91,910,116	-
Private equity	548,807	-	548,807	-
Total equities	<u>70,965,229</u>	<u>31,815,795</u>	<u>102,781,024</u>	<u>605,092</u>
Fixed income				
Corporate bond funds	31,406,218	3,437,863	34,844,081	-
Bank loan participation	5,516,966	-	5,516,966	-
Index linked government bonds	6,660,408	-	6,660,408	-
Private credit	1,351,946	-	1,351,946	-
Total fixed income	<u>44,935,538</u>	<u>3,437,863</u>	<u>48,373,401</u>	<u>-</u>
Other investments				
Real estate	15,354,445	-	15,354,445	-
Short-term investment fund	1,899,792	-	1,899,792	-
Total other investments	<u>17,254,237</u>	<u>-</u>	<u>17,254,237</u>	<u>-</u>
Total investments	<u>\$ 133,155,004</u>	<u>\$ 35,253,658</u>	<u>\$ 168,408,662</u>	<u>\$ 605,092</u>

Custodial Credit Risk – For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty to a

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

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

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

	2018
Corporate bond funds	\$ 34,844,081
Bank loan participation	5,516,966
Index linked government bonds	6,660,408
Private credit	1,351,946
	\$ 48,373,401

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

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

Inasmuch as all of the debt or fixed income securities as of June 30, 2018, is essentially held in funds by the portfolio managers, maturity information is not available.

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

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

At June 30, 2018, the total collateral received from borrowers had a fair value of \$620,215, all of which was cash.

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

The Association had the following recurring fair value measurements as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
Equities				
Common stock	\$ 3,473,851	\$ 6,848,249	\$ -	\$ 10,322,100
Common stock funds	5,317,294	86,592,823	-	91,910,117
Private equity	-	-	548,807	548,807
Total equities	<u>8,791,145</u>	<u>93,441,072</u>	<u>548,807</u>	<u>102,781,024</u>
Fixed income				
Corporate bond funds	3,437,863	31,406,218	-	34,844,081
Bank loan participation	-	-	5,516,966	5,516,966
Index linked government bonds	6,660,408	-	-	6,660,408
Private credit	-	-	1,351,946	1,351,946
Total fixed income	<u>10,098,271</u>	<u>31,406,218</u>	<u>6,868,912</u>	<u>48,373,401</u>
Other investments				
Real estate	5,700,868	-	9,653,577	15,354,445
Short-term investment fund	1,899,792	-	-	1,899,792
Total other investments	<u>7,600,660</u>	<u>-</u>	<u>9,653,577</u>	<u>17,254,237</u>
Total investments	<u>\$ 26,490,076</u>	<u>\$ 124,847,290</u>	<u>\$ 17,071,296</u>	<u>\$ 168,408,662</u>

Investments – DDA Component Unit

Custodial Credit Risk – Deposits – As of June 30, 2018, the carrying amounts of the DDA's deposits and cash on hand were \$344,998 and the bank balance was \$1,670,949 of which \$1,420,949 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 – Investments – Following is a summary of the DDA's investments as of June 30, 2018:

U.S. government agencies	\$ 14,276,193
Money market accounts	2,504,741
Certificates of deposit	<u>1,587,449</u>
Total investments	<u>\$ 18,368,383</u>

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

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

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of June 30, 2018, all of the investments in U.S. agencies were rated AA+ by Standard & Poor's Global Investor Services.

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

As of June 30, 2018, the maturities of the DDA's investments in U.S. agencies were as follows:

Investment Type	Fair Value	Investments in Maturities (fair value by years)
		1-5
U.S. securities	<u>\$ 14,276,193</u>	<u>\$ 14,276,193</u>

Fair Value – The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Authority's only recurring fair value measurements as of June 30, 2018 were related to its investments in government agency funds. These investments are valued using quoted market pricing of the underlying securities (Level 1 inputs).

Concentration of Credit Risk – State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The DDA does not have an investment

policy that limits concentration of credit risk. All investments held at year-end are reported above.

Note 4 - Receivables

Receivables as of year-end for the governmental and business-type activities, of which \$477,156 and \$3,852,809 respectively, are not expected to be collected within one year, are as follows:

	Governmental Activities	Business-type Activities
Taxes, net	\$ 81,940	\$ 22,621
Accounts, net	3,303,172	13,869,180
Special assessments	481,449	67,973
Improvement charges	1,169	222,385
Accrued interest and other	8,241	-
Loans	7,880	-
Due from other governments	4,186,447	3,955,510
	<u>\$ 8,070,298</u>	<u>\$ 18,137,669</u>

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Note 5 - Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 60,154,573	\$ 5,463,658	\$ -	\$ 65,618,231
Construction-in-progress	<u>7,027,752</u>	<u>4,650,329</u>	<u>254,779</u>	<u>11,423,302</u>
Total capital assets not being depreciated	<u>67,182,325</u>	<u>10,113,987</u>	<u>254,779</u>	<u>77,041,533</u>
Capital assets being depreciated				
Land improvements	23,951,889	254,778	-	24,206,667
Intangible assets	1,173,590	-	-	1,173,590
Infrastructure	821,161,513	26,768,770	1,714,755	846,215,528
Buildings, additions and improvements	166,400,455	-	-	166,400,455
Machinery and equipment	12,808,296	889,463	472,056	13,225,703
Vehicles	<u>21,897,692</u>	<u>3,288,651</u>	<u>1,418,024</u>	<u>23,768,319</u>
Total capital assets being depreciated	<u>1,047,393,435</u>	<u>31,201,662</u>	<u>3,604,835</u>	<u>1,074,990,262</u>
Less accumulated depreciation for				
Land improvements	9,780,857	898,167	-	10,679,024
Intangible assets	1,173,590	-	-	1,173,590
Infrastructure	244,665,232	36,800,689	1,683,211	279,782,710
Buildings, additions and improvements	29,271,075	4,115,594	-	33,386,669
Machinery and equipment	9,683,174	789,794	471,672	10,001,296
Vehicles	<u>13,810,541</u>	<u>2,427,847</u>	<u>1,394,768</u>	<u>14,843,620</u>
Total accumulated depreciation	<u>308,384,469</u>	<u>45,032,091</u>	<u>3,549,651</u>	<u>349,866,909</u>
Net capital assets being depreciated	<u>739,008,966</u>	<u>(13,830,429)</u>	<u>55,184</u>	<u>725,123,353</u>
Governmental activities capital assets, net	<u>\$ 806,191,291</u>	<u>\$ (3,716,442)</u>	<u>\$ 309,963</u>	<u>\$ 802,164,886</u>

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	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 7,461,349	\$ -	\$ -	\$ 7,461,349
Construction-in-progress	<u>129,199,156</u>	<u>14,400,530</u>	<u>1,303,217</u>	<u>142,296,469</u>
Total capital assets not being depreciated	<u>136,660,505</u>	<u>14,400,530</u>	<u>1,303,217</u>	<u>149,757,818</u>
Capital assets being depreciated				
Land improvements	245,321,099	1,303,217	-	246,624,316
Buildings, additions and improvements	190,563,827	-	-	190,563,827
Machinery and equipment	27,873,709	140,875	692,679	27,321,905
Vehicles	<u>2,075,059</u>	<u>-</u>	<u>289,153</u>	<u>1,785,906</u>
Total capital assets being depreciated	<u>465,833,694</u>	<u>1,444,092</u>	<u>981,832</u>	<u>466,295,954</u>
Less accumulated depreciation for				
Land improvements	88,969,120	5,812,657	-	94,781,777
Buildings, additions and improvements	75,816,436	4,819,586	-	80,636,022
Machinery and equipment	23,327,101	750,562	572,814	23,504,849
Vehicles	<u>1,600,239</u>	<u>195,021</u>	<u>289,153</u>	<u>1,506,107</u>
Total accumulated depreciation	<u>189,712,896</u>	<u>11,577,826</u>	<u>861,967</u>	<u>200,428,755</u>
Net capital assets being depreciated	<u>276,120,798</u>	<u>(10,133,734)</u>	<u>119,865</u>	<u>265,867,199</u>
Business-type capital assets, net	<u>\$ 412,781,303</u>	<u>\$ 4,266,796</u>	<u>\$ 1,423,082</u>	<u>\$ 415,625,017</u>

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Capital assets activity of the component units for the current year is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Component Units				
Capital assets not being depreciated				
Land	\$ 343,627	\$ -	\$ 18,713	\$ 324,914
Capital assets being depreciated				
Buildings, additions and improvements	3,106,691	10,193	171,849	2,945,035
Machinery and equipment	<u>358,174</u>	<u>10,756</u>	<u>90,929</u>	<u>278,001</u>
Total capital assets being depreciated	<u>3,464,865</u>	<u>20,949</u>	<u>262,778</u>	<u>3,223,036</u>
Less accumulated depreciation for				
Buildings, additions and improvements	2,739,529	76,541	165,513	2,650,557
Machinery and equipment	<u>278,655</u>	<u>46,231</u>	<u>92,651</u>	<u>232,235</u>
Total accumulated depreciation	<u>3,018,184</u>	<u>122,772</u>	<u>258,164</u>	<u>2,882,792</u>
Net capital assets being depreciated	<u>446,681</u>	<u>(101,823)</u>	<u>4,614</u>	<u>340,244</u>
Component unit capital assets, net	<u>\$ 790,308</u>	<u>\$ (101,823)</u>	<u>\$ 23,327</u>	<u>\$ 665,158</u>

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

Governmental activities

General government	\$ 1,799,274
Public safety	130,460
Public works	39,155,751
Recreation and culture	1,146,968
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>2,799,638</u>
 Total governmental activities	 <u>45,032,091</u>

Business-type activities

Water	4,154,463
Sewer	4,040,560
Parking	1,687,836
Airport	81,699
Stormwater	724,760
Solid waste	<u>888,508</u>
 Total business-type activities	 <u>11,577,826</u>

Total primary government	<u>\$ 56,609,917</u>
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Component Units

Housing Commission	<u>\$ 122,772</u>
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Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due from/to other funds		
General Fund	Airport Fund	<u>\$ 83,549</u>
Advances due to/from other funds		
General Fund	Airport Fund	<u>\$ 420,803</u>

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

City of Ann Arbor
Notes to the Financial Statements
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The details for interfund transfers are as follows:

	Transfer In						Total
	General Fund	Street, Bridge, and Sidewalk Repair Millage Fund	Water Supply System Fund	Stormwater System Fund	Nonmajor Funds	Internal Service Funds	
Transfer Out							
General Fund	\$ -	\$ 105,363	\$ 99,876	\$ -	\$ 2,614,859	\$ -	\$ 2,820,098
Street, Bridge, and Sidewalk Repair Millage Fund	-	-	476,133	-	779,845	-	1,255,978
Water Supply System Fund	958,512	956,507	-	-	176,200	-	2,091,219
Sewer Disposal System Fund	-	4,057	954,653	-	-	-	958,710
Airport Fund	-	-	6,888	-	-	-	6,888
Stormwater System Fund	84,996	475,150	257,369	284,627	113,020	-	1,215,162
Solid Waste Fund	30,000	-	165,540	-	219,318	-	414,858
Nonmajor Funds	976,632	59,110	251,341	-	2,977,915	205,314	4,470,312
Internal Service Funds	-	-	96,600	-	666,586	-	763,186
Total	\$ 2,050,140	\$ 1,600,187	\$ 2,308,400	\$ 284,627	\$ 7,547,743	\$ 205,314	\$ 13,996,411

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

City of Ann Arbor
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Note 7 - Leases

Operating Leases 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 2024. The expenses and related revenues in connection with the leases are recorded in the General Fund, special revenue funds and pension trust funds. The total rent expense for fiscal year 2018 was \$247,853. The following is a table of future minimum noncancellable lease payments by the City:

<u>Year ending June 30,</u>	
2019	\$ 187,908
2020	120,318
2021	122,728
2022	125,182
2023	127,682
2024	<u>21,350</u>
	<u>\$ 705,168</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 2036. Revenues and the related expenses for these leases are recorded in various funds. The total rent revenue for fiscal year 2018 was \$1,183,337. The total revenue includes \$613,447 for cell towers, \$31,723 for office space, \$353,111 for airport hangers, and \$185,056 for other rentals. All related City assets are fully depreciated. The following is a table of future minimum noncancellable lease payments to the City:

<u>Year ending June 30,</u>	
2019	\$ 978,082
2020	866,174
2021	624,292
2022	653,393
2023	572,222
2024-2028	1,732,635
2029-2033	851,255
2034-2036	<u>227,951</u>
	<u>\$ 6,506,004</u>

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

Note 8 - Contingent Liabilities

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

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Landfill – The City owns and maintains a closed landfill in full compliance with Michigan Department of Environmental Quality (MDEQ) requirements. The City had received approval for an onsite and (interim) offsite Remedial Action Plan (RAP) that has been implemented. This implementation included a slurry wall almost two miles in length enclosing most of the landfill. As part of these requirements, the City has posted a \$1,000,000 letter of credit to ensure compliance with the landfill cleanup regulations. The City is working on a final RAP and evaluating the feasibility of treating the collected landfill groundwater prior to discharge to the sanitary sewer. Treating the water onsite with discharge to surface or groundwater may reduce annual operating costs because of reduced payments for discharge to the sanitary system. Capital costs associated with the landfill cleanup were funded by a series of voter-approved bonds totaling \$28,000,000. Operating and maintenance costs for the closed landfill are funded out of the annual solid waste budget. A liability has been accrued in the solid waste fund for offsite remediation in the amount of \$6,376,350. These costs will be funded through the City's earmarked solid waste (refuse collection) property tax levy. The projects to be accomplished are subject to major changes (both in the nature of the work to be accomplished and in the cost thereof) due to inflation, changes in technology or changes in regulatory requirements.

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

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

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

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Note 9 - Long-Term Debt

The City issues general obligation bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the City and have been issued by both governmental and business-type activities. The City issues revenue bonds where the income derived from the acquired or constructed assets is pledged to pay debt service. In addition, the City borrows from the State of Michigan revolving loan funds and holds notes for the City's share of debt for drainage district projects. Other long-term obligations include compensated absences and claims and judgement. Compensated absences are liquidated with various funds from of the City. Claims and judgements are typically liquidated with funds from the Insurance Fund.

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities									
Bonds and notes payable									
General obligation bonds									
2008 court and police facilities	\$ 27,660,000	2038	4.0 - 5.0%	\$0	\$ 700,000	\$ -	\$ 700,000	\$ -	\$ -
2009 capital improvements (BAB)	49,420,000	2035	3.5 - 6.5%	\$1,615,000 - \$3,350,000	41,770,000	-	1,555,000	40,215,000	1,615,000
2012 transportation fund	2,670,000	2023	2.0 - 2.4%	\$245,000 - \$270,000	1,530,000	-	245,000	1,285,000	245,000
2013 1st and Washington (series A)	4,480,000	2032	1.75 - 3.0%	\$205,000 - \$305,000	3,730,000	-	200,000	3,530,000	205,000
2013 1st and Washington (series B)	4,045,000	2032	2.0 - 3.75%	\$185,000 - \$280,000	3,330,000	-	185,000	3,145,000	185,000
2013 clean energy	560,000	2024	4.25 - 4.34%	\$53,000 - \$54,000	374,000	-	54,000	320,000	53,000
2015 open space preservation refunding	16,235,000	2034	2.0 - 3.375%	\$755,000 - \$1,140,000	15,510,000	-	740,000	14,770,000	755,000
2015 maintenance facility refunding	17,710,000	2029	2.0 - 3.0%	\$1,245,000 - \$1,575,000	16,515,000	-	1,220,000	15,295,000	1,245,000
2017 court and police refunding	24,030,000	2035	3 - 3.25%	\$1,090,000 - \$1,760,000	24,030,000	-	290,000	23,740,000	1,090,000
Total general obligation bonds					<u>107,489,000</u>	<u>-</u>	<u>5,189,000</u>	<u>102,300,000</u>	<u>5,393,000</u>
Less deferred amounts									
For issuance premiums					1,003,706	-	43,853	959,853	60,518
For issuance discounts					(208,770)	-	(9,132)	(199,638)	(9,369)
Total bonds payable					<u>108,283,936</u>	<u>-</u>	<u>5,223,721</u>	<u>103,060,215</u>	<u>5,444,149</u>
Compensated absences					<u>12,653,731</u>	<u>4,744,246</u>	<u>4,888,863</u>	<u>12,509,114</u>	<u>4,888,863</u>
Total governmental activities					<u>\$ 120,937,667</u>	<u>\$ 4,744,246</u>	<u>\$ 10,112,584</u>	<u>\$ 115,569,329</u>	<u>\$ 10,333,012</u>

City of Ann Arbor
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	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities									
Bonds and notes payable									
General obligation bonds									
2012 parking - refunding	\$ 2,230,000	2022	2.0%	\$230,000 - \$250,000	\$ 1,180,000	\$ -	\$ 225,000	\$ 955,000	\$ 230,000
2015 parking - refunding	6,335,000	2020	2.0 - 3.0%	\$1,385,000 - \$1,400,000	3,485,000	-	1,400,000	2,085,000	1,385,000
2016 parking - refunding	2,790,000	2027	2.0%	\$250,000 - \$305,000	2,740,000	-	245,000	2,495,000	250,000
Total general obligation bonds					<u>7,405,000</u>	<u>-</u>	<u>1,870,000</u>	<u>5,535,000</u>	<u>1,865,000</u>
Revenue bonds									
2008 water	23,375,000	2018	4.0%	\$0	1,225,000	-	1,225,000	-	-
2012 water - refunding	10,450,000	2024	2.0 - 2.5%	\$670,000 - \$680,000	4,725,000	-	660,000	4,065,000	670,000
2016 water - refunding	16,285,000	2027	2.0 - 2.5%	\$1,585,000 - \$1,830,000	15,860,000	-	305,000	15,555,000	1,585,000
2008 sewer	24,550,000	2019	3.5 - 4.0%	\$900,000	1,750,000	-	850,000	900,000	900,000
2013 sewer - refunding	17,985,000	2025	3.25 - 4.75%	\$1,675,000 - \$1,890,000	14,340,000	-	1,865,000	12,475,000	1,890,000
2016 sewer - refunding	19,280,000	2031	2.0 - 2.5%	\$405,000 - \$1,725,000	19,280,000	-	390,000	18,890,000	405,000
Total revenue bonds					<u>57,180,000</u>	<u>-</u>	<u>5,295,000</u>	<u>51,885,000</u>	<u>5,450,000</u>
Revolving loans									
DWRF 7319-01	4,575,000	2031	2.50%	\$215,000 - \$285,000	3,430,000	-	205,000	3,225,000	215,000
DWRF 7146-01	557,950	2024	2.125%	\$30,000 - \$32,950	212,950	-	30,000	182,950	30,000
DWRF 7325-01	624,750	2030	2.50%	\$30,000 - \$38,271	428,271	-	30,000	398,271	30,000
DWRF 7333-01	5,614,250	2032	2.50%	\$220,000 - \$305,602	3,845,604	-	215,002	3,630,602	220,000
DWRF 7362-01	8,864,396	2034	2.50%	\$375,000 - \$542,720	7,627,719	-	364,999	7,262,720	375,000
DWRF 7375-01	3,025,000	2035	2.00%	\$125,000 - \$168,099	2,591,521	-	119,999	2,471,522	125,000
2004 SWQIF 3002-01	874,672	2024	1.625%	\$45,000 - \$50,000	339,672	-	45,000	294,672	45,000
2005 SWQIF 3002-02	879,382	2025	1.625%	\$45,000 - \$50,000	384,382	-	45,000	339,382	45,000
2006 SWQIF 3002-03	889,903	2026	1.625%	\$45,000 - \$50,000	434,903	-	45,000	389,903	45,000
2007 SWQIF 3002-04	964,976	2027	1.625%	\$50,000 - \$55,000	519,976	-	50,000	469,976	50,000
2008 SWQIF 3002-05	900,000	2028	2.50%	\$45,000 - \$55,000	550,000	-	45,000	505,000	45,000
2009 SWQIF 3010-01	1,310,000	2029	2.50%	\$65,000 - \$80,000	860,000	-	65,000	795,000	65,000
2010 SWQIF 3010-02	1,320,000	2030	2.50%	\$65,000 - \$80,000	930,000	-	60,000	870,000	65,000
2012 SWQIF 3010-03	1,365,000	2032	2.50%	\$60,000 - \$84,760	1,079,760	-	60,000	1,019,760	60,000
2013 SWQIF 3010-04	891,703	2033	2.50%	\$35,000 - \$56,703	711,703	-	35,000	676,703	35,000
2012 CWRP 5441-01	34,407,832	2036	2.50%	\$1,415,000 - \$2,150,000	33,060,000	-	1,380,000	31,680,000	1,415,000
2013 CWRP 5441-02	73,305,000	2038	2.00%	\$3,010,000 - \$4,405,000	66,493,517	8,234,528	1,423,045	73,305,000	3,010,000
Total revolving loans					<u>123,499,978</u>	<u>8,234,528</u>	<u>4,218,045</u>	<u>127,516,461</u>	<u>5,875,000</u>

City of Ann Arbor
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	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities continued									
Drain notes									
2006 Mallets Creek project	\$ 1,613,905	2028	1.625%	\$79,076 - \$95,652	\$ 945,715	\$ -	\$ 79,076	\$ 866,639	\$ 79,076
2009 Allen Creek Pioneer High School project	2,522,126	2031	2.5%	\$115,000 - \$156,126	1,881,126	-	115,000	1,766,126	115,000
2010 Stadium Blvd phase I 5337-01	165,000	2029	2.5%	\$10,000	120,000	-	10,000	110,000	10,000
2010 Stadium Blvd phase II 5337-02	916,204	2032	2.5%	\$38,440 - \$57,660	725,555	-	43,245	682,310	43,245
2010 Allen Creek West Park project 5434-01	994,635	2031	2.5%	\$43,245 - \$62,465	744,775	-	43,245	701,530	48,050
2010 Allen Creek Sylvan Ave project 5435-01	405,000	2030	2.5%	\$20,000 - \$25,000	290,000	-	20,000	270,000	20,000
2011 Swift Run cistem 5471-01	26,362	2032	2.5%	\$1,000 - \$2,862	21,862	-	1,000	20,862	1,000
2011 County Farm streambank 5469-01	349,699	2032	2.5%	\$15,000 - \$27,199	272,199	-	15,000	257,199	15,000
2011 Mallets Creek E Stadium Bridge project 5505-01	162,209	2033	2.5%	\$5,000 - \$12,209	132,209	-	5,000	127,209	5,000
2011 Mallets Creek Burns Park project 5464-01	1,052,556	2032	2.5%	\$46,885 - \$65,622	820,473	-	46,887	773,586	51,574
2011 Traver Creek cistem 5472-01	182,434	2032	2.5%	\$8,822 - \$17,019	144,940	-	8,824	136,116	8,822
2011 Allen Creek cistem I 5470-01	140,746	2032	2.5%	\$5,000 - \$10,746	115,746	-	5,000	110,746	5,000
2011 Allen Creek cistem II 5470-02	31,261	2032	2.5%	\$1,000 - \$2,761	26,761	-	1,000	25,761	1,000
2012 Leslie Park project 5516-01	648,479	2033	2.5%	\$27,129 - \$44,855	542,223	-	27,130	515,093	27,129
2012 Allen Creek Willard Street project 5511-01	123,819	2032	2.5%	\$5,000 - \$11,319	96,319	-	5,000	91,319	5,000
2012 SRF tree planting 5504-01	167,467	2033	2.5%	\$5,000 - \$14,967	144,967	-	5,000	139,967	5,000
2013 Huron River infrastructure I 5504-03	215,795	2034	2.5%	\$10,000 - \$18,295	188,295	-	10,000	178,295	10,000
2013 Huron River infrastructure II 5504-02	278,379	2035	2.0%	\$10,000 - \$18,379	258,379	-	10,000	248,379	10,000
2013 Allen Creek Miller Ave 5436-01	805,723	2034	2.0%	\$35,000 - \$51,373	701,373	-	35,000	666,373	35,000
2013 Allen Creek Madison Ave 5437-01	890,130	2034	2.0%	\$40,000 - \$50,466	760,466	-	40,000	720,466	40,000
2013 Allen Creek Fourth Ave I 5510-01	175,163	2033	2.0%	\$5,000 - \$10,163	150,163	-	5,000	145,163	5,000
2013 Allen Creek Forest Ave 5512-01	211,099	2034	2.0%	\$10,000 - \$16,099	181,099	-	10,000	171,099	10,000
2014 Allen Creek West Park Fairgrounds	2,430,000	2034	2.0 - 3.5%	\$100,000 - \$170,000	2,170,000	-	100,000	2,070,000	100,000
2014 Mallets Creek Stone School 5475-01	2,025,000	2035	2.5%	\$83,859 - \$123,322	1,839,963	4,460	85,000	1,759,423	85,000
2014 Mallets Creek Springwater 5508-01	332,447	2035	2.5%	\$15,000 - \$22,602	302,602	-	15,000	287,602	15,000
2014 SRF (Washtenaw County)	94,600	2018	2.0%	\$94,600	94,600	-	94,600	-	-
2015 Huron River Green Infrastructure (HRGI) - Tree Planting 5504-04	188,503	2036	2.5%	\$5,000 - \$13,503	178,503	-	5,000	173,503	5,000
2015 HRGI Geddes 5594-01	1,015,000	2037	2.5%	\$37,232 - \$60,502	944,757	70,243	40,000	975,000	40,000
2016 Allen Creek 5509-01	867,872	2037	2.5%	\$22,470 - \$35,310	574,594	293,278	35,000	832,872	33,896
2016 Mallets Creek Drain 5508-02	689,553	2037	2.5%	\$24,421 - \$43,957	688,666	887	25,000	664,553	30,000
2016 HRGI Tree Planting 5504-05	205,801	2037	2.5%	\$5,604 - \$8,406	128,892	76,909	10,000	195,801	10,000
2017 HRGI 5504-06	94,631	2037	0%	\$3,103 - \$6,205	-	94,631	-	94,631	3,102
Total drain notes					<u>16,187,222</u>	<u>540,408</u>	<u>950,007</u>	<u>15,777,623</u>	<u>871,894</u>
Total bonds and notes payable					<u>204,272,200</u>	<u>8,774,936</u>	<u>12,333,052</u>	<u>200,714,084</u>	<u>14,061,894</u>

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	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities continued									
Less deferred amounts									
For issuance premiums					\$ 1,087,821	\$ -	\$ 128,567	\$ 959,254	\$ 140,405
For issuance discounts					(3,777)	-	(1,835)	(1,942)	(1,942)
Total bonds payable					205,356,244	8,774,936	12,459,784	201,671,396	14,200,357
Capital leases					21,154	-	21,154	-	-
Compensated absences					2,194,492	986,815	886,281	2,295,026	886,281
Total business-type activities					<u>\$ 207,571,890</u>	<u>\$ 9,761,751</u>	<u>\$ 13,367,219</u>	<u>\$ 203,966,422</u>	<u>\$ 15,086,638</u>
Component units									
Downtown Development Authority									
Installment purchase agreement	\$ 1,278,765	2018	6%	\$0	\$ 24,600	\$ -	\$ 24,600	\$ -	\$ -
Compensated absences					188,108	14,427	-	202,535	-
Total Downtown Development Authority					212,708	14,427	24,600	202,535	-
Ann Arbor Housing Commission									
Compensated absences					73,213	78,609	88,564	63,258	42,522
Total component units					<u>\$ 285,921</u>	<u>\$ 93,036</u>	<u>\$ 113,164</u>	<u>\$ 265,793</u>	<u>\$ 42,522</u>
					Beginning Balance	Additions	Reductions	Ending Balance	
Deferred amount on refunding - governmental activities					\$ (2,258,369)	\$ -	\$ (55,403)	\$ (2,202,966)	
Deferred amount on refunding - business-type activities					(2,957,804)	-	(106,147)	(2,851,657)	
Total					<u>\$ (5,216,173)</u>	<u>\$ -</u>	<u>\$ (161,550)</u>	<u>\$ (5,054,623)</u>	

City of Ann Arbor
Notes to the Financial Statements
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Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 5,393,000	\$ 3,289,451	\$ 14,061,894	\$ 4,306,813
2020	5,563,000	3,149,565	13,381,894	4,007,764
2021	5,719,000	3,005,069	12,985,211	3,704,336
2022	5,883,000	2,853,150	13,267,763	3,406,515
2023	6,073,000	2,694,361	13,287,568	3,102,021
2024-2028	31,884,000	10,690,973	59,380,753	11,238,546
2029-2033	30,635,000	5,314,651	44,661,583	5,364,448
2034-2038	11,150,000	607,114	29,687,418	1,292,310
	<u>\$ 102,300,000</u>	<u>\$ 31,604,334</u>	<u>\$ 200,714,084</u>	<u>\$ 36,422,753</u>

Note 10 - Risk Management

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

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 \$1,900,487 at June 30, 2018 and is included in

estimated claims payable. The total estimated claims payable of \$2,653,179 is reflected in the insurance fund at June 30, 2018. A liability for claims must be reported if information prior to the issuance of the financial statements indicates it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claim liability amount for the last two years are summarized below:

	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Year End
2017	\$ 2,852,550	\$ 21,097,456	\$ 20,386,434	\$ 3,563,572
2018	3,563,572	20,421,222	21,331,615	2,653,179
		Landfill claims payable		<u>6,376,350</u>
		Total claims		<u>\$ 9,029,529</u>

Note 11 - Employee Retirement and Benefit Systems

General Information about the Defined Benefit Pension Plan

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

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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, 2017, the date of the latest actuarial valuation, System membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	1,040
Inactive employees entitled to, but not yet receiving benefits	150
Active employees	<u>696</u>
	<u><u>1,886</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 salary depending on hire date, times the member's years of service. Effective January 1, 2017, the Retirement System was amended and restated to add to the existing defined benefit plan (to be called the "Traditional Retirement Plan"), a defined contribution money purchase pension plan (the "Dual Retirement Plan") which will only apply to non-union, AFSCME, and Teamsters Civilian Supervisor employees first hired or rehired on or after January 1, 2017. Employees who are members of the Dual Retirement Plan will also participate in and accrue benefits under the Traditional Retirement Plan, but at a rate of accruals that is 50% of the rate of accruals for members of the Traditional Retirement Plan who were hired or rehired prior to January 1, 2017. Certain

collective bargaining units may agree that newly hired or rehired members of that union will be covered by the Dual Retirement Plan on dates after January 1, 2017. The Traditional Retirement Plan and the Dual Retirement Plan are together called the City of Ann Arbor Employees Retirement System (CAAERS).

General plan members with 20 years of service are eligible to retire at age 50 with an early retirement reduction of .333 percent for each month that retirement precedes the normal retirement date. Public safety plan members with 20 years of service are eligible to retire at age 50 with an early retirement reduction of .333 percent for each month that retirement precedes the normal retirement date.

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

The System offers a minimum benefit of \$9,800 adjusted by a cost of living factor each year and prorated for less than 20 years of service. In addition, annually, the Board of Trustees, in consultation with its actuary and upon receipt of the actuarial report for each fiscal year, determines whether to grant a permanent pension benefit adjustment or pay a one-time supplemental benefit based upon the amount, if any, of funds in the pension adjustment account which may be distributed to eligible retirees and beneficiaries. The aggregate cost of

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such benefit adjustment or supplemental benefit distribution is funded by a transfer from the pension adjustment account to the pension reserve. No pension benefit adjustment or supplemental benefit can be paid unless the amount available in the pension adjustment account is equal to or greater than 1% of the total pension payroll. The term "total pension payroll" means the total amount of pension benefits paid to retirees and beneficiaries in the prior fiscal year as reflected in the annual actuarial report.

Contributions – All plan members are required to contribute 6% of annual compensation. The City is required to contribute at an actuarially determined rate; the rate for 2018 was 23.1% to 29.71% of annual covered payroll, respectively, depending on employee group. Plan provisions and contribution requirements are established and can be amended by the City Council. System administrative costs are financed through investment earnings.

Net pension liability – The total pension liability was determined by an actuarial valuation as of June 30, 2017 (and rolled forward to June 30, 2018), using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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, 2018 (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%	25% - 37%	5.7%
Developed foreign equities	12%	9% - 15%	6.3%
Emerging markets equities	6%	0% - 9%	9.6%
Private equities	3%	0% - 5%	9.3%
	<u>52%</u>	<u>34% - 66%</u>	
Fixed income			
Investment grade bonds	19%	15% - 24%	2.5%
TIPS*	8%	0% - 10%	3.0%
High yield bonds	3%	1% - 5%	5.0%
Bank loans	2%	0% - 4%	5.1%
Emerging market debts	2%	0% - 4%	5.4%
	<u>34%</u>	<u>16% - 47%</u>	
Other investments			
Real estate	9%	2% - 12%	5.7%
Natural resources	3%	0% - 5%	4.8%
Hedge funds	2%	1% - 5%	3.8%
Cash	0%	<5%	1.5%
	<u>14%</u>	<u>3% - 27%</u>	
	<u>100%</u>		

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

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

Total Pension Liability	
Service cost	\$ 9,403,000
Interest on the total pension liability	38,552,000
Experience differences	15,517,000
Other changes	4,342
Benefit payments and refunds	<u>(36,715,000)</u>
Net change in total pension liability	26,761,342
Total pension liability - beginning	<u>559,385,658</u>
Total pension liability - ending (a)	<u>\$ 586,147,000</u>
Plan Fiduciary Net Position	
Employer contributions	\$ 13,446,000
Employee contributions	3,185,000
Pension plan net investment income	33,235,000
Benefit payments and refunds	(36,715,000)
Pension plan administrative expense	(694,000)
Other	<u>299,982</u>
Net change in plan fiduciary net position	12,756,982
Plan fiduciary net position - beginning	491,273,658
Restatement for net OPEB liability	<u>(295,640)</u>
Plan fiduciary net position - ending (b)	<u>503,735,000</u>
Net pension liability (a-b)	<u>\$ 82,412,000</u>
Plan fiduciary net position as a percentage of total pension liability	85.94%
Covered employee payroll	\$ 55,459,000
Net pension liability as a percentage of covered employee payroll	148.60%
Primary government	\$ 81,795,409
Fiduciary funds	<u>616,591</u>
	<u>\$ 82,412,000</u>

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Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the employer, calculated using the discount rate of 7.0%, as well as what the employer’s net pension liability would be using a discount rate that is 1% point lower (6%) or 1% higher (8%) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total pension liability	\$ 650,486,000	\$ 586,147,000	\$ 531,929,000
Fiduciary net position	<u>503,735,000</u>	<u>503,735,000</u>	<u>503,735,000</u>
Net pension liability	<u>\$ 146,751,000</u>	<u>\$ 82,412,000</u>	<u>\$ 28,194,000</u>

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

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions – For the year ended June 30, 2018 the employer recognized pension expense of \$20,322,728. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total</u>
Differences in experience	\$ 12,066,269	\$ (147,154)	\$ 11,919,115
Deficit investment returns	<u>983,184</u>	<u>-</u>	<u>983,184</u>
Total	<u>\$ 13,049,453</u>	<u>\$ (147,154)</u>	<u>\$ 12,902,299</u>
Statement of Net Position	\$ 12,756,587	\$ (146,053)	\$ 12,610,534
Statement of Fiduciary Net Position	<u>292,866</u>	<u>(1,101)</u>	<u>291,765</u>
	<u>\$ 13,049,453</u>	<u>\$ (147,154)</u>	<u>\$ 12,902,299</u>

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

<u>Year ended,</u>	
2019	\$ 9,589,355
2020	6,239,437
2021	(3,011,939)
2022	<u>85,446</u>
	<u>\$ 12,902,299</u>

General Information about the Hybrid Pension Plan

All plan members hired after January 1, 2017, except for Ann Arbor Police Officers’ Association, Command Officers’ Association of Michigan, and Fire union employees, are required to participate in a hybrid pension plan administered by the City of Ann Arbor Employees’ Retirement System. The hybrid pension plan is comprised of two components: a defined benefit plan and a defined contribution plan. Under the defined benefit plan, the City contributes 6% of the employee’s wages with a 3% contribution from the employee. Retirement benefits under the defined benefit plan within the hybrid are calculated as 1.25% of the employee’s final five-year average compensation multiplied by the years of service for General members (non-Safety personnel). Employees vest 100% in the defined benefit plan after 10 years of service.

Under the defined contribution plan, the employees contribute 3% of their wages and the employer contributes 5.2% for General members. Employees vest 100% in the defined contribution plan after five years of service. In accordance with these requirements, the City employees contributed \$103,879 towards the defined benefit component, and for the defined contributed plan, the City contributed \$167,827 and the employees contributed \$104,101 for the year ended June 30, 2018. The total pension liability, net plan position, and net pension liability of the defined benefit component are included in above.

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Note 12 - Other Postemployment Benefits

Plan description

The City of Ann Arbor Retiree Health Care Benefits Plan and Trust, a voluntary employees beneficiary association (VEBA) (hereinafter referred to as the "Plan" or "VEBA") is a single-employer defined benefit postemployment healthcare plan established and administered by the City of Ann Arbor (the "City") through a board of trustees to provide health and life benefits to eligible retirees and their beneficiaries.

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

The plan issues a publicly available financial report that may be obtained by writing to City of Ann Arbor Employees' Retirement System, 532 South Maple Road, Ann Arbor, Michigan, 48103 or by calling 734-794-6710.

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

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

with the assistance of a valuation service; and (d) cash deposits are reported at carrying amounts which reasonably approximates fair value.

Plan membership – At June 30, 2017, the plan membership consisted of the following:

	2017
Retirees and surviving spouses currently covered	1,043
Vested active participants	696
Total membership	1,739

Benefits provided – The Plan provides certain healthcare and life insurance benefits for eligible retired employees and their dependents in accordance with the Ann Arbor City Code Chapter 21. Substantially all the City's employees may become eligible for these benefits if they retire directly from City employment. These and similar benefits for active employees are provided by various insurance companies. Health insurance benefits are provided through an administrative service contract under which the City reimburses the administrator for claims paid plus an administration fee. Plan benefit provisions are established and may be amended by the City, subject to the City's various collective bargaining agreements.

Contributions – The Plan is funded by actuarially determined contributions from the City, under a trust agreement established pursuant to Section 501(c)(9) of the Internal Revenue Code, which allows for the formation of such a plan. The VEBA is included as a pension and other employee benefits trust fund in the City's comprehensive annual financial report. For the year ended June 30, 2018, the City's average contribution rate was 31.96 percent of covered-employee payroll. Plan members are not required to contribute to the plan.

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The contribution requirements of plan members and the City are established and may be amended by the City Council. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the actuary. For fiscal year ended June 30, 2018, the City contributed approximately \$17,720,000 to the plan, including \$14,270,000 for current premiums and an additional \$3,450,000 to prefund benefits.

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best-estimate of arithmetic real rates of return for each major class included in the target asset allocation as of June 30, 2018 are summarized below along with the Boards adopted asset allocation policy:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equities		
Domestic equities	33.0%	7.3%
Developed foreign equities	12.0%	7.1%
Emerging markets equities	7.0%	9.4%
Private equities	3.0%	8.9%
Fixed income		
Investment grade bonds	12.0%	3.6%
TIPS	7.0%	3.3%
High yield bonds	6.0%	5.4%
Bank loans	4.0%	5.0%
Emerging market debts	3.0%	5.4%
Other investments		
Real estate	10.0%	6.2%
Natural resources	3.0%	7.2%
Cash	0.0%	1.5%

Rate of return – For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 7.21%. The money-weighted rate of return expresses

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investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

Net OPEB liability – the components of the net OPEB liability as of June 30, 2018 were as follows:

Total OPEB liability	\$ 261,367,000
Plan fiduciary net position	<u>171,807,000</u>
Net OPEB liability	<u>\$ 89,560,000</u>

Plan fiduciary net position as a percentage of the total OPEB liability is 65.73%.

Actuarial assumptions – The total OPEB liability was determined by an actuarial valuation as of June 30, 2017 (and rolled forward to June 30, 2018), using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	3.00%
Salary increases	3.5%, average, including inflation
Investment rate of return	7%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Medical Pre-65: 8.25% for 2017, decreasing .25% per year to an ultimate rate of 4.5%; Medical Post-65: 6.25% for 2017, decreasing .25% per year to an ultimate rate of 4.5% for 2031.

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

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

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

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

Total OPEB Liability	
Service cost	\$ 3,331,000
Interest on the total OPEB liability	17,099,000
Other changes	1,181,000
Benefit payments and refunds	<u>(14,273,000)</u>
Net change in total OPEB liability	7,338,000
Total OPEB liability - beginning	<u>254,029,000</u>
Total OPEB liability - ending (a)	<u><u>\$ 261,367,000</u></u>
Plan Fiduciary Net Position	
Employer contributions	\$ 17,724,000
OPEB plan net investment income	11,114,000
Benefit payments and refunds	(14,273,000)
OPEB plan administrative expense	<u>(97,000)</u>
Net change in plan fiduciary net position	14,468,000
Plan fiduciary net position - beginning	<u>157,339,000</u>
Plan fiduciary net position - ending (b)	<u><u>171,807,000</u></u>
Net OPEB liability (a-b)	<u><u>\$ 89,560,000</u></u>
Plan fiduciary net position as a percentage of total OPEB liability	65.73%
Covered employee payroll	\$ 55,458,000
Net OPEB liability as a percentage of covered employee payroll	161.49%
Primary government	\$ 89,286,156
Fiduciary funds	<u>273,844</u>
	<u><u>\$ 89,560,000</u></u>

Sensitivity of the net OPEB liability to changes in the discount rate – The following presents the net OPEB liability of the City, as well as what the City’s net OPEB liability would be if it were calculated using a discount rate that is 1% lower (6.0%) or 1% higher (8.0%) than the current discount rate.

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	6.00%	7.00%	8.00%
Net OPEB liability	\$ 123,851,000	\$ 89,560,000	\$ 61,261,000

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates – The following presents the net OPEB liability of the City, as well as what the City’s net OPEB liability would be if were calculated using healthcare cost trend rates that are 1% lower (7.0%) or 1% higher (9.0%) than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Cost</u>	<u>1% Increase</u>
		<u>Trend Rates</u>	
Net OPEB liability	\$ 57,780,000	\$ 89,560,000	\$ 128,080,000

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OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB – For the year ended June 30, 2018 the City recognized OPEB expense of \$10,582,000. The City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Deficit investment returns	\$ 12,000
Statement of Net Position	\$ 11,963
Statement of Fiduciary Net Position	37
	\$ 12,000

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

Year ended,		
2019	\$	3,000
2020		3,000
2021		3,000
2022		3,000
	\$	12,000

Note 13 - Permanent Fund

In 1964, the City became the recipient of an endowment from Elizabeth Dean which is recorded as a permanent fund. The corpus of the trust is to remain invested and may not be liquidated in order to generate investment income. This investment income is to be used for the purchase and maintenance of trees in the City of Ann Arbor. Net appreciation on investments is not considered investment income until realized. The amount in the Elizabeth Dean fund is shown as

restricted for endowment on the statement of net position. The corpus of the trust is and shall remain \$1,984,000. Fund balance at June 30, 2018 was \$2,121,645, representing the corpus of the trust and appreciation of investments from prior years. This amount is reflected in cash, equity in pooled cash, investments and accrued interest. The corpus of the trust is restricted to the limitations established by the trust and is considered nonspendable. The entire amount exceeding the corpus, \$1,984,000, is also restricted to the limitations established by the trust, but is available for expenditure and is restricted as to use.

Note 14 - Significant Commitments

As of June 30, 2018, the City had \$15,134,492 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.

Note 15 - Advances from Pooled Investments

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

The second advance was made to the Airport Fund for the renovation of the airport hangars at the Ann Arbor Airport. It was determined that the City could provide the funds to the Airport at a lower interest rate than any financial institution. An agreement was reached between the

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

FY	2009 Retirement System \$400,000 07/01/08 Due 3-1 & 9-1		2009 Airport - Hangars \$1,150,000 07/03/08 Due 6-1 & 12-1	
	Principal	Interest	Principal	Interest
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	36,250	1,194	98,237	5,094
2024	-	-	50,630	1,035
	<u>\$ 164,112</u>	<u>\$ 20,668</u>	<u>\$ 504,352</u>	<u>\$ 63,970</u>
Interest Rate	4.45%		4.09%	
	Total		Requirements	
	Principal	Interest		
	\$ 113,436	\$ 26,729	\$ 140,165	
	118,233	21,932	140,165	
	123,233	16,933	140,166	
	128,445	11,721	140,166	
	134,487	6,288	140,775	
	50,630	1,035	51,665	
	<u>\$ 668,464</u>	<u>\$ 84,638</u>	<u>\$ 753,102</u>	

Note 16 - Details of Fund Balance Categories and Classifications

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

	General Fund	Street, Bridge, and Sidewalk Repair Millage Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Long-term advances	\$ 420,803	\$ -	\$ -	\$ 420,803
Inventories and prepaids	41,581	-	-	41,581
Trust corpus	-	-	1,984,000	1,984,000
Total nonspendable	<u>462,384</u>	<u>-</u>	<u>1,984,000</u>	<u>2,446,384</u>
Restricted				
Debt service	-	-	472,109	472,109
Culture and recreation	-	-	15,743,071	15,743,071
Road maintenance and repairs	-	-	21,731,447	21,731,447
Road construction	-	5,454,033	-	5,454,033
Law enforcement	-	-	929,300	929,300
Energy projects	-	-	200,000	200,000
Community television network	-	-	4,183,516	4,183,516
Major grants	-	-	804,482	804,482
Construction code	-	-	5,922,852	5,922,852
Total restricted	<u>-</u>	<u>5,454,033</u>	<u>49,986,777</u>	<u>55,440,810</u>
Committed				
Culture and recreation	-	-	70,884	70,884
Energy projects	-	-	175,485	175,485
Special assistance	-	-	11,886	11,886
Cemetery perpetual care	-	-	103,752	103,752
Alternative transportation	-	-	567,250	567,250
Total committed	<u>-</u>	<u>-</u>	<u>929,257</u>	<u>929,257</u>
Assigned				
Capital projects	-	-	3,709,223	3,709,223
Future market needs	438,940	-	-	438,940
Affordable housing initiatives	750,198	-	-	750,198
Subsequent years expenditures and potential retirement payouts	6,525,535	-	-	6,525,535
Total assigned	<u>7,714,673</u>	<u>-</u>	<u>3,709,223</u>	<u>11,423,896</u>
Unassigned	<u>11,143,139</u>	<u>-</u>	<u>-</u>	<u>11,143,139</u>
Total fund balances	<u>\$ 19,320,196</u>	<u>\$ 5,454,033</u>	<u>\$ 56,609,257</u>	<u>\$ 81,383,486</u>

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Notes to the Financial Statements
June 30, 2018

Note 17 - Net Investment in Capital Assets

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Component</u> <u>Units</u>
Capital assets			
Capital assets not being depreciated	\$ 77,041,533	\$ 149,757,818	\$ 324,914
Capital assets - net of accumulated depreciation	<u>725,123,353</u>	<u>265,867,199</u>	<u>340,244</u>
Total capital assets	802,164,886	415,625,017	665,158
Less:			
Government obligation bonds	(102,300,000)	(5,535,000)	-
Revenue bonds	-	(51,885,000)	-
Revolving loans	-	(127,516,461)	-
Drain notes	-	(15,777,623)	-
Premiums	(959,853)	(959,254)	-
Discounts	199,638	1,942	-
Deferred amount on refunding	<u>2,202,966</u>	<u>2,851,657</u>	<u>-</u>
Net investment in capital assets	<u>\$ 701,307,637</u>	<u>\$ 216,805,278</u>	<u>\$ 665,158</u>

Note 18 - Tax Abatements

Taxes abated by the City of Ann Arbor are done under the authority of Michigan Public Act 198 of 1974 (known as the Industrial Facilities Exemption) and Michigan Public Act 381 of 1996 (Brownfield Redevelopment Abatement).

Industrial Facilities Exemption – City first must establish a district in which exemptions will be granted. Industrial and high tech tax payers in the district may then apply for an abatement for building expansions/improvements and new equipment to be purchased. The application is submitted to the City and approved by Council. The application and local approval is then forwarded to the Michigan State Tax Commission for final approval.

The exemption is a reduction in the millage rate. All current abated properties in the City pay half the millage rate for all taxing authorities

except the 6 mill State Education Tax. Tax abated properties are tracked by statute on a separate assessment roll.

For approval at the local level the City requires the applicants to enter into an Abatement Agreement. The agreement has performance requirements as to the dollar amount of improvement and equipment to be added, the number of jobs to be added, the length of the abatement, and that the business must stay in the City for the length of the abatement.

For the fiscal year ended June 30, 2018, the City abated \$19,833 under this program.

Brownfield Redevelopment Abatement – abatements to encourage the purchase and revitalization of properties in which redevelopment or reuse may be complicated by the presence or perception of contamination. Revitalizing and redeveloping these properties protects the environment, reuses existing infrastructure, minimizes urban sprawl and creates economic opportunities.

For the fiscal year ended June 30, 2018, the City abated \$289,405 under this program.

It is the City's goal that all abatement agreements have a claw back provision. If the taxpayer does not meet the performance goals or moves out of the City, the City can request that all abated taxes be repaid.

City of Ann Arbor
Notes to the Financial Statements
June 30, 2018

Note 19 - Change in Accounting Principle

As indicated in Note 1, Governmental Accounting Standards Board Statement 75 has been adopted. This statement requires the net OPEB liability and OPEB expense to be recorded. The standard requires this change be applied retroactively. The impact of this change is detailed as follows:

	Governmental Activities	Water	Sewer
Fund Balance at July 1, 2017	\$ 754,963,832	\$ 106,633,462	\$ 133,186,190
GASB #75 Implementation	(78,448,696)	(7,048,919)	(6,575,887)
Elimination of OPEB Asset	(4,553,944)	-	-
Restated Net Position at July 1, 2017	<u>\$ 671,961,192</u>	<u>\$ 99,584,543</u>	<u>\$ 126,610,303</u>

	Storm	Solid Waste	Pension and Other Employee Benefit Trust Funds
Fund Balance at July 1, 2017	\$ 14,736,898	\$ 25,017,867	\$ 648,612,764
GASB #75 Implementation	(977,846)	(3,343,007)	(295,640)
Restated Net Position at July 1, 2017	<u>\$ 13,759,052</u>	<u>\$ 21,674,860</u>	<u>\$ 648,317,124</u>

Note 20 - Subsequent Event

On August 29, 2018, the City issued the 2018 Capital Improvement Bonds, Series A for \$5,350,000 to cover the cost of the YMCA lot purchase.

REQUIRED SUPPLEMENTARY INFORMATION

GENERAL FUND

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

SPECIAL REVENUE FUND

Street, Bridge, and Sidewalks Repair Millage – to account for the proceeds of a special millage to repair streets, bridges and sidewalks.

City of Ann Arbor
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 55,771,605	\$ 55,771,605	\$ 56,134,198	\$ 362,593
Licenses and permits	1,664,308	1,664,308	2,032,205	367,897
State-shared revenue and grants	11,499,740	11,499,740	12,147,478	647,738
Contributions and donations	1,000	1,000	32,155	31,155
Charges for services	10,323,865	10,323,865	10,373,983	50,118
Fines and forfeitures	4,365,232	4,365,232	4,052,656	(312,576)
Interest income (loss)	405,752	405,752	243,038	(162,714)
Rental income	656,869	656,869	735,822	78,953
Other revenue	240,034	218,034	240,042	22,008
Sale of capital assets	-	-	26,750	26,750
Transfers in	2,055,656	2,055,656	2,050,140	(5,516)
Total revenues	<u>86,984,061</u>	<u>86,962,061</u>	<u>88,068,467</u>	<u>1,106,406</u>

City of Ann Arbor
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Expenditures				
General government				
Mayor and council	\$ 351,710	\$ 355,638	\$ 353,870	\$ (1,768)
Administration	1,108,938	1,197,513	1,060,701	(136,812)
Human resources	1,977,993	2,033,793	2,019,035	(14,758)
Attorney	2,246,104	2,720,075	2,718,097	(1,978)
Finance	7,815,039	8,053,474	7,726,100	(327,374)
Clerk/elections	1,204,728	1,258,466	1,197,170	(61,296)
District court	4,703,358	4,683,626	4,564,265	(119,361)
Planning	1,271,606	1,366,378	1,241,208	(125,170)
Other unallocated	4,371,216	2,491,395	1,912,299	(579,096)
Municipal service charge	<u>(8,432,021)</u>	<u>(8,432,021)</u>	<u>(8,080,769)</u>	<u>351,252</u>
Total general government	<u>16,618,671</u>	<u>15,728,337</u>	<u>14,711,976</u>	<u>(1,016,361)</u>
Public safety				
Police department	26,220,789	27,349,934	27,342,473	(7,461)
Fire department	15,606,540	16,030,065	15,885,903	(144,162)
Building department	<u>1,709,916</u>	<u>1,853,567</u>	<u>1,799,975</u>	<u>(53,592)</u>
Total public safety	<u>43,537,245</u>	<u>45,233,566</u>	<u>45,028,351</u>	<u>(205,215)</u>
Public works				
Public services	9,899,009	10,207,650	8,268,133	(1,939,517)
Municipal service charge	<u>(5,789,720)</u>	<u>(5,789,720)</u>	<u>(4,076,652)</u>	<u>1,713,068</u>
Total public works	<u>4,109,289</u>	<u>4,417,930</u>	<u>4,191,481</u>	<u>(226,449)</u>

City of Ann Arbor
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Public transportation				
Transportation	\$ 10,500,855	\$ 10,524,855	\$ 10,524,383	\$ (472)
Community development				
Community development	4,628,132	4,649,213	4,439,667	(209,546)
Municipal service charge	<u>(2,498,657)</u>	<u>(2,498,657)</u>	<u>(2,297,915)</u>	<u>200,742</u>
Total community and economic development	<u>2,129,475</u>	<u>2,150,556</u>	<u>2,141,752</u>	<u>(8,804)</u>
Recreation and culture				
Parks and recreation	<u>8,259,856</u>	<u>8,288,948</u>	<u>8,198,311</u>	<u>(90,637)</u>
Capital outlay	<u>-</u>	<u>4,331,800</u>	<u>4,331,066</u>	<u>(734)</u>
Transfers out	<u>2,747,920</u>	<u>2,862,801</u>	<u>2,820,098</u>	<u>(42,703)</u>
Total expenditures	<u>87,903,311</u>	<u>93,538,793</u>	<u>91,947,418</u>	<u>(1,591,375)</u>
Deficiency of revenues over expenditures	(919,250)	(6,576,732)	(3,878,951)	2,697,781
Fund balance - beginning of year	<u>23,199,147</u>	<u>23,199,147</u>	<u>23,199,147</u>	<u>-</u>
Fund balance - end of year	<u>\$ 22,279,897</u>	<u>\$ 16,622,415</u>	<u>\$ 19,320,196</u>	<u>\$ 2,697,781</u>

City of Ann Arbor
Required Supplementary Information
Budgetary Comparison Schedule
Street, Bridge, and Sidewalk Repair Millage
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Revenues				
Taxes	\$ 10,786,559	\$ 10,786,559	\$ 11,152,753	\$ 366,194
Special assessments	-	71,786	15,149	(56,637)
Federal grants	-	-	35,435	35,435
Contributions and donations	2,000,000	5,239,005	3,566,805	(1,672,200)
Charges for services	-	512,791	512,791	-
Interest income	202,133	202,133	44,371	(157,762)
Other revenue	-	-	6,337	6,337
Transfers in	-	1,404,899	1,600,187	195,288
Total revenues	<u>12,988,692</u>	<u>18,217,173</u>	<u>16,933,828</u>	<u>(1,283,345)</u>
Expenditures				
Current				
Public works	12,798,480	6,460,007	5,413,330	(1,046,677)
Capital outlay	-	11,984,167	13,030,486	1,046,319
Transfers out	68,320	1,255,982	1,255,978	(4)
Total expenditures	<u>12,866,800</u>	<u>19,700,156</u>	<u>19,699,794</u>	<u>(362)</u>
Excess (deficiency) of revenues over expenditures	121,892	(1,482,983)	(2,765,966)	(1,282,983)
Fund balance - beginning of year	<u>8,219,999</u>	<u>8,219,999</u>	<u>8,219,999</u>	<u>-</u>
Fund balance - end of year	<u>\$ 8,341,891</u>	<u>\$ 6,737,016</u>	<u>\$ 5,454,033</u>	<u>\$ (1,282,983)</u>

City of Ann Arbor
Required Supplementary Information
City of Ann Arbor Employees' Retirement System
Schedule of Changes in Net Pension Liability and Related Ratios
June 30, 2018

Fiscal year ended June 30,	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	\$ 9,403,000	\$ 8,869,000	\$ 8,729,000	\$ 9,760,000	\$ 9,802,000
Interest on the total pension liability	38,552,000	37,755,000	36,925,458	35,978,096	34,400,755
Experience differences	15,517,000	3,488,000	(3,826,000)	279,000	3,834,000
Other changes	4,342	30,337	-	-	-
Benefit payments and refunds	<u>(36,715,000)</u>	<u>(35,436,000)</u>	<u>(33,960,032)</u>	<u>(32,667,512)</u>	<u>(32,011,444)</u>
Net change in total pension liability	26,761,342	14,706,337	7,868,426	13,349,584	16,025,311
Total pension liability - beginning	<u>559,385,658</u>	<u>544,679,321</u>	<u>536,810,895</u>	<u>523,461,311</u>	<u>507,436,000</u>
Total pension liability - ending (a)	<u>\$ 586,147,000</u>	<u>\$ 559,385,658</u>	<u>\$ 544,679,321</u>	<u>\$ 536,810,895</u>	<u>\$ 523,461,311</u>
Plan Fiduciary Net Position					
Employer contributions	\$ 13,446,000	\$ 13,253,000	\$ 13,352,412	\$ 13,091,474	\$ 11,227,290
Employee contributions	3,185,000	3,325,000	3,139,266	3,013,353	2,948,177
Pension plan net investment income	33,235,000	54,243,000	2,434,339	20,144,251	60,253,683
Benefit payments and refunds	(36,715,000)	(35,436,000)	(33,960,032)	(32,667,512)	(32,011,444)
Pension plan administrative expense	(694,000)	(762,000)	(719,561)	(683,980)	(644,051)
Other	<u>299,982</u>	<u>30,337</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	12,756,982	34,653,337	(15,753,576)	2,897,586	41,773,655
Plan fiduciary net position - beginning	491,273,658	456,620,321	472,373,897	469,685,311	427,911,656
Restatement for pension liability	-	-	-	(209,000)	-
Restatement for net OPEB liability	<u>(295,640)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - ending (b)	<u>\$ 503,735,000</u>	<u>\$ 491,273,658</u>	<u>\$ 456,620,321</u>	<u>\$ 472,373,897</u>	<u>\$ 469,685,311</u>
Net pension liability (a-b)	<u>\$ 82,412,000</u>	<u>\$ 68,112,000</u>	<u>\$ 88,059,000</u>	<u>\$ 64,436,998</u>	<u>\$ 53,776,000</u>
Plan fiduciary net position as a percentage of total pension liability	85.94%	87.82%	83.83%	88.00%	89.73%
Covered employee payroll	\$ 55,459,000	\$ 51,059,000	\$ 46,887,000	\$ 49,638,000	\$ 47,956,745
Net pension liability as a percentage of covered employee payroll	148.60%	133.40%	187.81%	129.81%	112.13%

Note: GASB Statement No. 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Data will be added as information is available until 10 years of such data is available.

City of Ann Arbor
Required Supplementary Information
City of Ann Arbor Employees' Retirement System
Schedule of Employer's Net Pension Liability
June 30, 2018

Fiscal Year Ending June 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Payroll	Net Pension Liability as a % of Covered Payroll
2014	\$ 523,461,311	\$ 469,685,311	\$ 53,776,000	89.73%	\$ 47,956,745	112.13%
2015	536,810,895	472,373,897	64,436,998	88.00%	49,638,000	129.81%
2016	544,679,321	456,620,321	88,059,000	83.83%	46,887,000	187.81%
2017	559,385,658	491,273,658	68,112,000	87.82%	51,059,000	133.40%
2018	586,147,000	503,735,000	82,412,000	85.94%	55,459,000	148.60%

Note: GASB Statement No. 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Data will be added as information is available until 10 years of such data is available.

City of Ann Arbor
Required Supplementary Information
City of Ann Arbor Employees' Retirement System
Schedule of Employer Contributions
June 30, 2018

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 11,217,000	\$ 11,227,290	\$ (10,290)	\$ 47,956,745	23.41%
2015	12,327,000	13,091,474	(764,474)	49,638,000	26.37%
2016	12,233,000	13,352,412	(1,119,412)	46,887,000	28.48%
2017	11,348,853	13,253,118	(1,904,265)	51,059,000	25.96%
2018	11,757,000	13,446,000	(1,689,000)	55,459,000	24.24%

Note: GASB Statement No. 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Data will be added as information is available until 10 years of such data is available.

Notes to Schedule of Employer Contributions

Valuation date Actuarially determined contribution rates are calculated as of June 30 that is 12 months prior to the beginning of the fiscal year for which the contributions are reported.

Other information There were no benefit changes during the year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	23
Asset valuation method	5-year smoothed market
Inflation	3.5%
Salary increases	3.5% including inflation
Investment rate of return	7% net of pension plan investment expense, including inflation
Retirement age	50 to 60 dependent on years of service
Mortality	RP-2000 combined table

City of Ann Arbor
Required Supplementary Information
City of Ann Arbor Employees' Retirement System
Schedule of Investment Returns
June 30, 2018

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

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

Note: GASB Statement No. 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Data will be added as information is available until 10 years of such data is available.

City of Ann Arbor
Required Supplementary Information
Other Post Employment Benefits
Schedule of Changes in Net OPEB Liability and Related Ratios
June 30, 2018

Fiscal year ended June 30,	2018	2017
Total OPEB Liability		
Service cost	\$ 3,331,000	\$ 3,071,000
Interest	17,099,000	17,058,000
Other	1,181,354	-
Benefit payments	<u>(14,273,000)</u>	<u>(13,207,000)</u>
Net change in total OPEB liability	7,338,354	6,922,000
Total OPEB liability - beginning	<u>254,029,000</u>	<u>247,107,000</u>
Total OPEB liability - ending (a)	<u>\$ 261,367,354</u>	<u>\$ 254,029,000</u>
Plan Fiduciary Net Position		
Employer contributions	\$ 17,724,000	\$ 16,820,000
Net investment income	11,114,000	17,225,000
Benefit payments and refunds	(14,273,000)	(13,207,000)
Administrative expense	(97,000)	(130,000)
Other	<u>354</u>	<u>(153,000)</u>
Net change in plan fiduciary net position	14,468,354	20,555,000
Plan fiduciary net position - beginning	<u>157,339,000</u>	<u>136,784,000</u>
Plan fiduciary net position - ending (b)	<u>\$ 171,807,354</u>	<u>\$ 157,339,000</u>
Net OPEB liability (a-b)	<u>\$ 89,560,000</u>	<u>\$ 96,690,000</u>
Plan fiduciary net position as a percentage of total OPEB liability	65.73%	61.94%
Covered employee payroll	\$ 55,458,000	\$ 53,583,000
Net OPEB liability as a percentage of covered employee payroll	161.49%	180.45%

Note: GASB Statement No. 74 was implemented for the fiscal year ended June 30, 2017 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.

City of Ann Arbor
Required Supplementary Information
Other Post Employment Benefits
Schedule of Employer Contributions
June 30, 2018

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

Note: GASB Statement No. 74 was implemented for the fiscal year ended June 30, 2017 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of projected pay (amortization of the unfunded AAL)
Remaining amortization period	28 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.0%
Projected salary increase	3.5%
Healthcare cost trend rate	8.25% initial, 4.5% ultimate
Inflation rate	3.5%
Post-retirement benefits increases	None
Inflation rate	3.0%
Salary increases	3.5%, average, including inflation
Investment rate of return	7%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Medical Pre-65: 8.25% for 2017, decreasing .25% per year to an ultimate rate of 4.5%; Medical Post-65: 6.25% for 2017, decreasing .25% per year to an ultimate rate of 4.5% for 2031.

City of Ann Arbor
Required Supplementary Information
Other Post Employment Benefits
Schedule of Investment Returns
June 30, 2018

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

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

Note: GASB Statement No. 74 was implemented for the fiscal year ended June 30, 2017 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.

NONMAJOR SPECIAL REVENUE FUNDS

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

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

Homeland Security Fund – to account for federal Office of Homeland Security grant money.

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

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

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

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

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

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

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

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

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

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

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

NONMAJOR SPECIAL REVENUE FUNDS (continued)

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

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

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

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

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

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

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

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

NONMAJOR DEBT SERVICE FUNDS

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

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

NONMAJOR CAPITAL PROJECTS FUNDS

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

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

NONMAJOR PERMANENT FUND

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

City of Ann Arbor
Other Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

	Special Revenue Funds						
	Energy Projects	Community Television Network	Homeland Security Fund	Major Streets	Local Streets	Court Facilities	Open Space & Parkland Preservation
Assets							
Cash and cash equivalents	\$ 32,022	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equity in pooled cash and investments	273,878	3,698,560	302	14,133,794	5,910,149	8,918	10,786,158
Investments	-	-	-	-	-	-	-
Receivables							
Taxes, net	-	-	-	-	-	-	603
Accounts, net	-	516,333	-	64,933	-	-	-
Special assessments	340,340	-	-	-	-	-	-
Accrued interest and other	-	-	-	-	-	-	-
Loans	7,880	-	-	-	-	-	-
Due from other units of government	-	-	-	1,494,201	417,462	-	-
Total assets	<u>\$ 654,120</u>	<u>\$ 4,214,893</u>	<u>\$ 302</u>	<u>\$ 15,692,928</u>	<u>\$ 6,327,611</u>	<u>\$ 8,918</u>	<u>\$ 10,786,761</u>
Liabilities							
Accounts payable	\$ -	\$ 12,645	\$ -	\$ 2,574,941	\$ 53,795	\$ -	\$ 24,152
Accrued and other liabilities	-	18,732	-	75,786	7,857	-	683
Due to other units of government	-	-	-	22,297	-	-	-
Total liabilities	<u>-</u>	<u>31,377</u>	<u>-</u>	<u>2,673,024</u>	<u>61,652</u>	<u>-</u>	<u>24,835</u>
Deferred Inflows of Resources							
Unavailable revenue	<u>278,635</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances							
Non-spendable	-	-	-	-	-	-	-
Restricted for							
Culture and recreation	-	-	-	-	-	-	10,761,926
Law enforcement	-	-	302	-	-	8,918	-
Road maintenance and repairs	-	-	-	13,019,904	6,265,959	-	-
Debt service	-	-	-	-	-	-	-
Other purposes	200,000	4,183,516	-	-	-	-	-
Committed for							
Culture and recreation	-	-	-	-	-	-	-
Other purposes	175,485	-	-	-	-	-	-
Assigned to capital projects	-	-	-	-	-	-	-
Total fund balances	<u>375,485</u>	<u>4,183,516</u>	<u>302</u>	<u>13,019,904</u>	<u>6,265,959</u>	<u>8,918</u>	<u>10,761,926</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 654,120</u>	<u>\$ 4,214,893</u>	<u>\$ 302</u>	<u>\$ 15,692,928</u>	<u>\$ 6,327,611</u>	<u>\$ 8,918</u>	<u>\$ 10,786,761</u>

City of Ann Arbor
Other Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

	Special Revenue Funds							
	Bandemer	Construction Code	Drug Enforcement	Federal Equitable Sharing Forfeiture	Parks Memorial & Contribution	Metro Expansion	Special Assistance	
Assets								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equity in pooled cash and investments	70,134	6,458,163	43,584	124,351	760,429	2,453,985	11,720	766,217
Investments	-	-	-	-	-	-	-	-
Receivables								
Taxes, net	-	-	-	-	-	-	-	-
Accounts, net	750	13,345	-	-	-	-	166	-
Special assessments	-	-	-	-	-	-	-	-
Accrued interest and other	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-
Due from other units of government	-	-	-	-	-	-	-	-
Total assets	<u>\$ 70,884</u>	<u>\$ 6,471,508</u>	<u>\$ 43,584</u>	<u>\$ 124,351</u>	<u>\$ 760,429</u>	<u>\$ 2,453,985</u>	<u>\$ 11,886</u>	<u>\$ 766,217</u>
Liabilities								
Accounts payable	\$ -	\$ 46,080	\$ 2,465	\$ 17,598	\$ 955	\$ 8,401	\$ -	\$ -
Accrued and other liabilities	-	43,345	-	-	-	-	-	-
Due to other units of government	-	-	-	4,838	-	-	-	-
Total liabilities	<u>-</u>	<u>89,425</u>	<u>2,465</u>	<u>22,436</u>	<u>955</u>	<u>8,401</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources								
Unavailable revenue	-	459,231	-	-	-	-	-	-
Fund Balances								
Non-spendable	-	-	-	-	-	-	-	-
Restricted for								
Culture and recreation	-	-	-	-	759,474	-	-	766,217
Law enforcement	-	-	41,119	101,915	-	-	-	-
Road maintenance and repairs	-	-	-	-	-	2,445,584	-	-
Debt service	-	-	-	-	-	-	-	-
Other purposes	-	5,922,852	-	-	-	-	-	-
Committed for								
Culture and recreation	70,884	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	11,886	-
Assigned to capital projects	-	-	-	-	-	-	-	-
Total fund balances	<u>70,884</u>	<u>5,922,852</u>	<u>41,119</u>	<u>101,915</u>	<u>759,474</u>	<u>2,445,584</u>	<u>11,886</u>	<u>766,217</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 70,884</u>	<u>\$ 6,471,508</u>	<u>\$ 43,584</u>	<u>\$ 124,351</u>	<u>\$ 760,429</u>	<u>\$ 2,453,985</u>	<u>\$ 11,886</u>	<u>\$ 766,217</u>

City of Ann Arbor
Other Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

Special Revenue Funds

	Police and Fire Relief	Cemetery Perpetual Care	Art in Public Places	Alternative Transportation	Michigan Justice Training	Parks Maint. & Capital Imp. Millage	Major Grants
Assets							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equity in pooled cash and investments	698,136	103,752	161,211	660,537	16,794	3,437,706	678,219
Investments	62,116	-	-	-	-	-	-
Receivables							
Taxes, net	-	-	-	-	-	1,393	-
Accounts, net	-	-	-	-	-	336	-
Special assessments	-	-	-	14,168	-	-	-
Accrued interest and other	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-
Due from other units of government	-	-	-	-	-	-	400,471
Total assets	<u>\$ 760,252</u>	<u>\$ 103,752</u>	<u>\$ 161,211</u>	<u>\$ 674,705</u>	<u>\$ 16,794</u>	<u>\$ 3,439,435</u>	<u>\$ 1,078,690</u>
Liabilities							
Accounts payable	\$ -	\$ -	\$ -	\$ 90,675	\$ -	\$ 237,131	\$ 259,005
Accrued and other liabilities	-	-	-	2,612	-	45,706	2,328
Due to other units of government	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,287</u>	<u>-</u>	<u>282,837</u>	<u>261,333</u>
Deferred Inflows of Resources							
Unavailable revenue	-	-	-	14,168	-	-	12,875
Fund Balances							
Non-spendable	-	-	-	-	-	-	-
Restricted for							
Culture and recreation	-	-	161,211	-	-	3,156,598	-
Law enforcement	760,252	-	-	-	16,794	-	-
Road maintenance and repairs	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	804,482
Committed for							
Culture and recreation	-	-	-	-	-	-	-
Other purposes	-	103,752	-	567,250	-	-	-
Assigned to capital projects	-	-	-	-	-	-	-
Total fund balances	<u>760,252</u>	<u>103,752</u>	<u>161,211</u>	<u>567,250</u>	<u>16,794</u>	<u>3,156,598</u>	<u>804,482</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 760,252</u>	<u>\$ 103,752</u>	<u>\$ 161,211</u>	<u>\$ 674,705</u>	<u>\$ 16,794</u>	<u>\$ 3,439,435</u>	<u>\$ 1,078,690</u>

City of Ann Arbor
Other Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

	Debt Service Fund		Capital Projects Funds		Permanent Fund	Total Nonmajor Governmental Funds
	General Debt Service	Special Assessment Bonds	Maintenance Facility	General Capital Improvements	Elizabeth R. Dean Trust	
Assets						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,022
Equity in pooled cash and investments	470,908	-	1,667,323	2,390,644	157,915	55,943,487
Investments	-	-	-	-	1,955,893	2,018,009
Receivables						
Taxes, net	1	-	-	-	-	1,997
Accounts, net	-	-	-	99,013	-	694,876
Special assessments	-	-	-	-	-	354,508
Accrued interest and other	-	-	-	-	8,241	8,241
Loans	-	-	-	-	-	7,880
Due from other units of government	1,200	-	-	-	-	2,313,334
Total assets	<u>\$ 472,109</u>	<u>\$ -</u>	<u>\$ 1,667,323</u>	<u>\$ 2,489,657</u>	<u>\$ 2,122,049</u>	<u>\$ 61,374,354</u>
Liabilities						
Accounts payable	\$ -	\$ -	\$ 2,500	\$ 444,477	\$ 73	\$ 3,774,893
Accrued and other liabilities	-	-	-	780	331	198,160
Due to other units of government	-	-	-	-	-	27,135
Total liabilities	<u>-</u>	<u>-</u>	<u>2,500</u>	<u>445,257</u>	<u>404</u>	<u>4,000,188</u>
Deferred Inflows of Resources						
Unavailable revenue	-	-	-	-	-	764,909
Fund Balances						
Non-spendable	-	-	-	-	1,984,000	1,984,000
Restricted for						
Culture and recreation	-	-	-	-	137,645	15,743,071
Law enforcement	-	-	-	-	-	929,300
Road maintenance and repairs	-	-	-	-	-	21,731,447
Debt service	472,109	-	-	-	-	472,109
Other purposes	-	-	-	-	-	11,110,850
Committed for						
Culture and recreation	-	-	-	-	-	70,884
Other purposes	-	-	-	-	-	858,373
Assigned to capital projects	-	-	1,664,823	2,044,400	-	3,709,223
Total fund balances	<u>472,109</u>	<u>-</u>	<u>1,664,823</u>	<u>2,044,400</u>	<u>2,121,645</u>	<u>56,609,257</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 472,109</u>	<u>\$ -</u>	<u>\$ 1,667,323</u>	<u>\$ 2,489,657</u>	<u>\$ 2,122,049</u>	<u>\$ 61,374,354</u>

City of Ann Arbor
Other Supplementary Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue Funds						Open Space & Parkland Preservation
	Energy Projects	Community Television Grant	Homeland Security Grant	Major Streets	Local Streets	Court Facilities	
Revenues							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,446,842
Licenses, permits and registration	-	2,083,886	-	-	-	-	-
Federal grants	-	-	42,156	25,130	-	-	381,220
State-shared revenues and grants	-	-	-	8,769,044	3,257,270	-	-
Local contributions and donations	-	-	-	-	-	-	5,000
Charges for services	42,223	-	-	797,500	188,262	-	-
Fines and forfeitures	-	-	-	-	-	78,089	-
Investment income	16,442	13,598	85	51,519	19,278	429	41,622
Other revenue	19,041	868	-	406,281	1,637	-	1,624
Total revenues	77,706	2,098,352	42,241	10,049,474	3,466,447	78,518	2,876,308
Expenditures							
Current							
General government	4,586	2,002,261	-	-	-	-	-
Public safety	-	-	42,157	-	-	-	-
Public works	-	-	-	11,670,021	2,051,969	-	-
Community and economic development	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-	569,156
Capital outlay	-	48,994	-	132,914	-	-	1,154,209
Debt service							
Principal retirement	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	4,586	2,051,255	42,157	11,802,935	2,051,969	-	1,723,365
Excess (deficiency) of revenues over expenditures	73,120	47,097	84	(1,753,461)	1,414,478	78,518	1,152,943
Other financing sources (uses)							
Transfers in	5,916	-	-	1,094,845	-	145,000	-
Transfers out	(69,060)	-	-	(1,144,407)	(489,970)	(225,000)	(1,211,347)
Total other financing sources and uses	(63,144)	-	-	(49,562)	(489,970)	(80,000)	(1,211,347)
Net change in fund balance	9,976	47,097	84	(1,803,023)	924,508	(1,482)	(58,404)
Fund balance - beginning of year	365,509	4,136,419	218	14,822,927	5,341,451	10,400	10,820,330
Fund balance - end of year	\$ 375,485	\$ 4,183,516	\$ 302	\$ 13,019,904	\$ 6,265,959	\$ 8,918	\$ 10,761,926

City of Ann Arbor
Other Supplementary Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue Funds							
	Bandemer	Construction Code	Drug Enforcement	Federal Equitable Sharing Forfeiture	Parks Memorial & Contributions	Metro Expansion	Special Assistance	
Revenues								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits and registration	-	4,786,161	-	-	-	-	-	-
Federal grants	-	-	-	-	-	-	-	-
State-shared revenues and grants	-	-	-	-	-	397,506	-	-
Local contributions and donations	-	-	-	-	48,062	-	5,888	-
Charges for services	945	-	-	-	16,776	-	-	-
Fines and forfeitures	-	-	40,827	112,368	-	-	-	-
Investment income	247	20,674	306	412	2,834	7,960	35	2,819
Other revenue	7,400	1,524	-	-	-	-	-	-
Total revenues	<u>8,592</u>	<u>4,808,359</u>	<u>41,133</u>	<u>112,780</u>	<u>67,672</u>	<u>405,466</u>	<u>5,923</u>	<u>2,819</u>
Expenditures								
Current								
General government	-	-	-	-	-	-	-	-
Public safety	-	3,509,910	70,579	70,463	-	-	-	-
Public works	-	-	-	-	-	209,670	-	-
Community and economic development	-	-	-	-	-	-	5,000	-
Recreation and culture	1,776	-	-	-	5,866	-	-	4,591
Capital outlay	-	-	-	10,239	105,551	-	-	-
Debt service								
Principal retirement	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	<u>1,776</u>	<u>3,509,910</u>	<u>70,579</u>	<u>80,702</u>	<u>111,417</u>	<u>209,670</u>	<u>5,000</u>	<u>4,591</u>
Excess (deficiency) of revenues over expenditures	<u>6,816</u>	<u>1,298,449</u>	<u>(29,446)</u>	<u>32,078</u>	<u>(43,745)</u>	<u>195,796</u>	<u>923</u>	<u>(1,772)</u>
Other financing sources (uses)								
Transfers in	-	-	-	-	-	-	-	47,734
Transfers out	-	-	-	-	(10,650)	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,650)</u>	<u>-</u>	<u>-</u>	<u>47,734</u>
Net change in fund balance	<u>6,816</u>	<u>1,298,449</u>	<u>(29,446)</u>	<u>32,078</u>	<u>(54,395)</u>	<u>195,796</u>	<u>923</u>	<u>45,962</u>
Fund balance - beginning of year	64,068	4,624,403	70,565	69,837	813,869	2,249,788	10,963	720,255
Fund balance - end of year	<u>\$ 70,884</u>	<u>\$ 5,922,852</u>	<u>\$ 41,119</u>	<u>\$ 101,915</u>	<u>\$ 759,474</u>	<u>\$ 2,445,584</u>	<u>\$ 11,886</u>	<u>\$ 766,217</u>

City of Ann Arbor
Other Supplementary Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue Funds						
	Police and Fire Relief	Cemetery Perpetual Care	Art in Public Places	Alternative Transportation	Michigan Justice Training	Parks Maint. & Capital Impro. Millage	Major Grants
Revenues							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,633,620	\$ -
Licenses, permits and registration	-	-	-	-	-	-	-
Federal grants	-	-	-	-	-	-	643,964
State-shared revenues and grants	-	-	-	-	21,048	183,272	248,597
Local contributions and donations	-	-	-	-	-	-	-
Charges for services	-	2,300	-	5,375	-	223	-
Fines and forfeitures	-	-	-	-	-	-	-
Investment income	2,985	1,266	590	3,121	164	20,853	8,508
Other revenue	-	-	-	-	-	6,778	42,383
Total revenues	<u>2,985</u>	<u>3,566</u>	<u>590</u>	<u>8,496</u>	<u>21,212</u>	<u>5,844,746</u>	<u>943,452</u>
Expenditures							
Current							
General government	-	-	-	11,363	-	-	370,027
Public safety	-	-	-	-	21,001	-	142,943
Public works	-	-	-	417,020	-	-	366,509
Community and economic development	-	-	-	-	-	-	-
Recreation and culture	-	-	181	-	-	4,334,983	42,383
Capital outlay	-	-	-	-	-	1,655,294	430,675
Debt service							
Principal retirement	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>181</u>	<u>428,383</u>	<u>21,001</u>	<u>5,990,277</u>	<u>1,352,537</u>
Excess (deficiency) of revenues over expenditures	<u>2,985</u>	<u>3,566</u>	<u>409</u>	<u>(419,887)</u>	<u>211</u>	<u>(145,531)</u>	<u>(409,085)</u>
Other financing sources (uses)							
Transfers in	-	-	-	505,152	-	-	143,704
Transfers out	-	-	-	52,124	-	(37,037)	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>557,276</u>	<u>-</u>	<u>(37,037)</u>	<u>143,704</u>
Net change in fund balance	<u>2,985</u>	<u>3,566</u>	<u>409</u>	<u>137,389</u>	<u>211</u>	<u>(182,568)</u>	<u>(265,381)</u>
Fund balance - beginning of year	<u>757,267</u>	<u>100,186</u>	<u>160,802</u>	<u>429,861</u>	<u>16,583</u>	<u>3,339,166</u>	<u>1,069,863</u>
Fund balance - end of year	<u>\$ 760,252</u>	<u>\$ 103,752</u>	<u>\$ 161,211</u>	<u>\$ 567,250</u>	<u>\$ 16,794</u>	<u>\$ 3,156,598</u>	<u>\$ 804,482</u>

City of Ann Arbor
Other Supplementary Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Debt Service Funds		Capital Projects Funds		Permanent Fund	Total Nonmajor Governmental Funds
	General Debt Service	Special Assessment Bonds	Maintenance Facility	General Capital Improvements	Elizabeth R. Dean Trust	
Revenues						
Taxes	\$ 2,091	\$ -	\$ -	\$ -	\$ -	\$ 8,082,553
Licenses, permits and registration	-	-	-	-	-	6,870,047
Federal grants	-	-	-	-	-	1,092,470
State-shared revenues and grants	-	-	-	-	-	12,876,737
Local contributions and donations	-	-	-	117,046	50	176,046
Charges for services	4,305,049	999	-	240,107	-	5,599,759
Fines and forfeitures	-	-	-	-	-	231,284
Investment income	1,739	7,009	6,186	13,597	3,612	247,890
Other revenue	50	-	-	(348)	-	487,238
Total revenues	<u>4,308,929</u>	<u>8,008</u>	<u>6,186</u>	<u>370,402</u>	<u>3,662</u>	<u>35,664,024</u>
Expenditures						
Current						
General government	-	-	-	40,411	-	2,428,648
Public safety	-	-	-	61,900	-	3,918,953
Public works	-	-	-	212,861	-	14,928,050
Community and economic development	-	-	-	-	-	5,000
Recreation and culture	-	-	-	-	14,803	4,973,739
Capital outlay	-	-	20,906	3,096,194	-	6,654,976
Debt service						
Principal retirement	5,189,000	-	-	-	-	5,189,000
Interest and fiscal charges	3,558,567	300	-	-	-	3,558,867
Total expenditures	<u>8,747,567</u>	<u>300</u>	<u>20,906</u>	<u>3,411,366</u>	<u>14,803</u>	<u>41,657,233</u>
Excess (deficiency) of revenues over expenditures	<u>(4,438,638)</u>	<u>7,708</u>	<u>(14,720)</u>	<u>(3,040,964)</u>	<u>(11,141)</u>	<u>(5,993,209)</u>
Other financing sources (uses)						
Transfers in	4,445,755	-	-	1,159,637	-	7,547,743
Transfers out	-	(613,233)	-	(721,732)	-	(4,470,312)
Total other financing sources and uses	<u>4,445,755</u>	<u>(613,233)</u>	<u>-</u>	<u>437,905</u>	<u>-</u>	<u>3,077,431</u>
Net change in fund balance	<u>7,117</u>	<u>(605,525)</u>	<u>(14,720)</u>	<u>(2,603,059)</u>	<u>(11,141)</u>	<u>(2,915,778)</u>
Fund balance - beginning of year	464,992	605,525	1,679,543	4,647,459	2,132,786	59,525,035
Fund balance - end of year	<u>\$ 472,109</u>	<u>\$ -</u>	<u>\$ 1,664,823</u>	<u>\$ 2,044,400</u>	<u>\$ 2,121,645</u>	<u>\$ 56,609,257</u>

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Energy Projects
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Charges for services	\$ 69,560	\$ 69,560	\$ 42,223	\$ (27,337)
Investment income	2,412	2,412	16,442	14,030
Other revenue	-	-	19,041	19,041
Transfers in	5,913	5,913	5,916	3
Total revenues	<u>77,885</u>	<u>77,885</u>	<u>83,622</u>	<u>5,737</u>
Expenditures				
Current				
General government	171,894	171,894	4,586	(167,308)
Transfers out	69,560	69,560	69,060	(500)
Total expenditures	<u>241,454</u>	<u>241,454</u>	<u>73,646</u>	<u>(167,808)</u>
Excess (deficiency) of revenues over expenditures	(163,569)	(163,569)	9,976	173,545
Fund balance - beginning of year	<u>365,509</u>	<u>365,509</u>	<u>365,509</u>	<u>-</u>
Fund balance - end of year	<u>\$ 201,940</u>	<u>\$ 201,940</u>	<u>\$ 375,485</u>	<u>\$ 173,545</u>

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Community Television Network
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Licenses and permits	\$ 2,229,000	\$ 2,229,000	\$ 2,083,886	\$ (145,114)
Investment income	37,171	37,171	13,598	(23,573)
Other revenue	450	450	868	418
 Total revenues	 <u>2,266,621</u>	 <u>2,266,621</u>	 <u>2,098,352</u>	 <u>(168,269)</u>
Expenditures				
Current				
General government	2,046,099	2,046,099	2,002,261	(43,838)
Capital outlay	200,000	200,000	48,994	(151,006)
 Total expenditures	 <u>2,246,099</u>	 <u>2,246,099</u>	 <u>2,051,255</u>	 <u>(194,844)</u>
 Excess of revenues over expenditures	 20,522	 20,522	 47,097	 26,575
 Fund balance - beginning of year	 <u>4,136,419</u>	 <u>4,136,419</u>	 <u>4,136,419</u>	 <u>-</u>
 Fund balance - end of year	 <u>\$ 4,156,941</u>	 <u>\$ 4,156,941</u>	 <u>\$ 4,183,516</u>	 <u>\$ 26,575</u>

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Homeland Security Grant
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Federal grants	\$ -	\$ 42,156	\$ 42,156	\$ -
Investment income	-	-	85	85
Total revenues	-	42,156	42,241	85
Expenditures				
Current				
Public safety	-	42,157	42,157	-
Excess of revenues over expenditures	-	(1)	84	85
Fund balance - beginning of year	218	218	218	-
Fund balance - end of year	\$ 218	\$ 217	\$ 302	\$ 85

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Major Streets
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Revenues				
Federal grants	\$ -	\$ -	\$ 25,130	\$ 25,130
State-shared revenue	8,030,402	8,030,402	8,769,044	738,642
Local contributions	-	241,517	-	(241,517)
Charges for services	800,700	800,700	797,500	(3,200)
Interest income	123,703	123,703	51,519	(72,184)
Other revenue	265,000	265,000	406,281	141,281
Transfers in	39,002	678,744	1,094,845	416,101
	<u>9,258,807</u>	<u>10,140,066</u>	<u>11,144,319</u>	<u>1,004,253</u>
Expenditures				
Current				
Public works	9,113,971	12,438,506	11,670,021	(768,485)
Capital outlay	100,000	178,263	132,914	(45,349)
Transfers out	1,144,836	1,144,836	1,144,407	(429)
	<u>10,358,807</u>	<u>13,761,605</u>	<u>12,947,342</u>	<u>(814,263)</u>
Deficiency of revenues over expenditures	(1,100,000)	(3,621,539)	(1,803,023)	1,818,516
Fund balance - beginning of year	<u>14,822,927</u>	<u>14,822,927</u>	<u>14,822,927</u>	<u>-</u>
Fund balance - end of year	<u>\$ 13,722,927</u>	<u>\$ 11,201,388</u>	<u>\$ 13,019,904</u>	<u>\$ 1,818,516</u>

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Local Streets
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
State-shared revenues and grants	\$ 2,222,677	\$ 2,222,677	\$ 3,257,270	\$ 1,034,593
Charges for services	189,240	189,240	188,262	(978)
Interest income	44,121	44,121	19,278	(24,843)
Other revenue	1,000	1,000	1,637	637
	<u>2,457,038</u>	<u>2,457,038</u>	<u>3,466,447</u>	<u>1,009,409</u>
Total revenues				
Expenditures				
Current				
Public works	2,243,044	2,570,044	2,051,969	(518,075)
Capital outlay	-	180,166	-	(180,166)
Transfers out	213,994	489,994	489,970	(24)
	<u>2,457,038</u>	<u>3,240,204</u>	<u>2,541,939</u>	<u>(698,265)</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	-	(783,166)	924,508	1,707,674
Fund balance - beginning of year	<u>5,341,451</u>	<u>5,341,451</u>	<u>5,341,451</u>	<u>-</u>
Fund balance - end of year	<u>\$ 5,341,451</u>	<u>\$ 4,558,285</u>	<u>\$ 6,265,959</u>	<u>\$ 1,707,674</u>

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Court Facilities
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Fines and forfeitures	\$ 90,000	\$ 90,000	\$ 78,089	\$ (11,911)
Investment income	-	-	429	429
Transfers in	<u>135,000</u>	<u>155,000</u>	<u>145,000</u>	<u>(10,000)</u>
Total revenues	<u>225,000</u>	<u>245,000</u>	<u>223,518</u>	<u>(21,482)</u>
Expenditures				
Transfers out	<u>225,000</u>	<u>225,000</u>	<u>225,000</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	20,000	(1,482)	(21,482)
Fund balance - beginning of year	<u>10,400</u>	<u>10,400</u>	<u>10,400</u>	<u>-</u>
Fund balance - end of year	<u>\$ 10,400</u>	<u>\$ 30,400</u>	<u>\$ 8,918</u>	<u>\$ (21,482)</u>

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Open Space & Parkland Preservation
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes	\$ 2,440,687	\$ 2,440,687	\$ 2,446,842	\$ 6,155
Federal grants	-	381,220	381,220	-
Local contributions and donations	-	-	5,000	5,000
Investment income	112,602	112,602	41,622	(70,980)
Other revenue	-	-	1,624	1,624
	<u>2,553,289</u>	<u>2,934,509</u>	<u>2,876,308</u>	<u>(58,201)</u>
Expenditures				
Current				
Recreation and culture	171,519	568,019	569,156	1,137
Capital outlay	-	1,199,500	1,154,209	(45,291)
Transfers out	1,163,613	1,211,347	1,211,347	-
	<u>1,335,132</u>	<u>2,978,866</u>	<u>2,934,712</u>	<u>(44,154)</u>
Excess (deficiency) of revenues over expenditures	1,218,157	(44,357)	(58,404)	(14,047)
Fund balance - beginning of year	<u>10,820,330</u>	<u>10,820,330</u>	<u>10,820,330</u>	<u>-</u>
Fund balance - end of year	<u>\$ 12,038,487</u>	<u>\$ 10,775,973</u>	<u>\$ 10,761,926</u>	<u>\$ (14,047)</u>

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Bandemer
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Charges for services	\$ -	\$ -	\$ 945	\$ 945
Investment income	600	600	247	(353)
Other revenue	<u>6,900</u>	<u>6,900</u>	<u>7,400</u>	<u>500</u>
Total revenues	<u>7,500</u>	<u>7,500</u>	<u>8,592</u>	<u>1,092</u>
Expenditures				
Current				
Recreation and culture	1,781	1,781	1,776	(5)
Capital outlay	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
Total expenditures	<u>11,781</u>	<u>11,781</u>	<u>1,776</u>	<u>(10,005)</u>
Excess (deficiency) of revenues over expenditures	(4,281)	(4,281)	6,816	11,097
Fund balance - beginning of year	<u>64,068</u>	<u>64,068</u>	<u>64,068</u>	<u>-</u>
Fund balance - end of year	<u>\$ 59,787</u>	<u>\$ 59,787</u>	<u>\$ 70,884</u>	<u>\$ 11,097</u>

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Construction Code
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Licenses and permits	\$ 3,091,100	\$ 3,291,100	\$ 4,786,161	\$ 1,495,061
Investment income	39,362	39,362	20,674	(18,688)
Other revenue	300	300	1,524	1,224
	<u>3,130,762</u>	<u>3,330,762</u>	<u>4,808,359</u>	<u>1,477,597</u>
Expenditures				
Current				
Public safety	<u>3,354,472</u>	<u>3,795,411</u>	<u>3,509,910</u>	<u>(285,501)</u>
Excess (deficiency) of revenues over expenditures	(223,710)	(464,649)	1,298,449	1,763,098
Fund balance - beginning of year	<u>4,624,403</u>	<u>4,624,403</u>	<u>4,624,403</u>	<u>-</u>
Fund balance - end of year	<u><u>\$ 4,400,693</u></u>	<u><u>\$ 4,159,754</u></u>	<u><u>\$ 5,922,852</u></u>	<u><u>\$ 1,763,098</u></u>

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Drug Enforcement
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Fines and forfeitures	\$ 450	\$ 40,827	\$ 40,827	\$ -
Investment income	1,154	1,154	306	(848)
Total revenues	1,604	41,981	41,133	(848)
Expenditures				
Current				
Public safety	53,171	93,548	70,579	(22,969)
Deficiency of revenues over expenditures	(51,567)	(51,567)	(29,446)	22,121
Fund balance - beginning of year	70,565	70,565	70,565	-
Fund balance - end of year	\$ 18,998	\$ 18,998	\$ 41,119	\$ 22,121

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Federal Equitable Sharing Forfeiture
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Fines and forfeitures	\$ 10,000	\$ 77,781	\$ 112,368	\$ 34,587
Investment income	1,021	1,021	412	(609)
Total revenues	<u>11,021</u>	<u>78,802</u>	<u>112,780</u>	<u>33,978</u>
Expenditures				
Current				
Public safety	32,925	92,706	70,463	(22,243)
Capital outlay	-	8,000	10,239	2,239
Total expenditures	<u>32,925</u>	<u>100,706</u>	<u>80,702</u>	<u>(20,004)</u>
Excess (deficiency) of revenues over expenditures	(21,904)	(21,904)	32,078	53,982
Fund balance - beginning of year	<u>69,837</u>	<u>69,837</u>	<u>69,837</u>	<u>-</u>
Fund balance - end of year	<u>\$ 47,933</u>	<u>\$ 47,933</u>	<u>\$ 101,915</u>	<u>\$ 53,982</u>

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Parks & Memorial Contributions
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Local contributions and donations	\$ 30,000	\$ 51,700	\$ 48,062	\$ (3,638)
Charges for services	-	-	16,776	16,776
Investment income	9,973	9,973	2,834	(7,139)
 Total revenues	<u>39,973</u>	<u>61,673</u>	<u>67,672</u>	<u>5,999</u>
 Expenditures				
Current				
Recreation and culture	24,973	108,159	5,866	(102,293)
Capital outlay	-	22,365	105,551	83,186
Transfers out	15,000	15,000	10,650	(4,350)
 Total expenditures	<u>39,973</u>	<u>145,524</u>	<u>122,067</u>	<u>(23,457)</u>
 Deficiency of revenues over expenditures	-	(83,851)	(54,395)	29,456
 Fund balance - beginning of year	<u>813,869</u>	<u>813,869</u>	<u>813,869</u>	<u>-</u>
 Fund balance - end of year	<u>\$ 813,869</u>	<u>\$ 730,018</u>	<u>\$ 759,474</u>	<u>\$ 29,456</u>

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Metro Expansion
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
State-shared revenue and grants	\$ 350,850	\$ 350,850	\$ 397,506	\$ 46,656
Investment income	16,910	16,910	7,960	(8,950)
Total revenues	<u>367,760</u>	<u>367,760</u>	<u>405,466</u>	<u>37,706</u>
Expenditures				
Current				
Public works	<u>367,760</u>	<u>367,760</u>	<u>209,670</u>	<u>(158,090)</u>
Excess of revenues over expenditures	-	-	195,796	195,796
Fund balance - beginning of year	<u>2,249,788</u>	<u>2,249,788</u>	<u>2,249,788</u>	<u>-</u>
Fund balance - end of year	<u>\$ 2,249,788</u>	<u>\$ 2,249,788</u>	<u>\$ 2,445,584</u>	<u>\$ 195,796</u>

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Special Assistance
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Local contributions	\$ 5,000	\$ 5,000	\$ 5,888	\$ 888
Investment income	<u>62</u>	<u>62</u>	<u>35</u>	<u>(27)</u>
Total revenues	<u>5,062</u>	<u>5,062</u>	<u>5,923</u>	<u>861</u>
Expenditures				
Current				
Community and economic development	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Excess of revenues over expenditures	62	62	923	861
Fund balance - beginning of year	<u>10,963</u>	<u>10,963</u>	<u>10,963</u>	<u>-</u>
Fund balance - end of year	<u>\$ 11,025</u>	<u>\$ 11,025</u>	<u>\$ 11,886</u>	<u>\$ 861</u>

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Open Space Endowment
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Interest income	\$ 7,350	\$ 7,350	\$ 2,819	\$ (4,531)
Transfers in	-	-	47,734	47,734
Total revenues	<u>7,350</u>	<u>7,350</u>	<u>50,553</u>	<u>43,203</u>
Expenditures				
Current				
Recreation and culture	<u>20,000</u>	<u>20,000</u>	<u>4,591</u>	<u>(15,409)</u>
Excess (deficiency) of revenues over expenditures	(12,650)	(12,650)	45,962	58,612
Fund balance - beginning of year	<u>720,255</u>	<u>720,255</u>	<u>720,255</u>	<u>-</u>
Fund balance - end of year	<u>\$ 707,605</u>	<u>\$ 707,605</u>	<u>\$ 766,217</u>	<u>\$ 58,612</u>

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Police and Fire Relief
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Investment income	\$ 7,059	\$ 7,059	\$ 2,985	\$ (4,074)
Fund balance - beginning of year	757,267	757,267	757,267	-
Fund balance - end of year	\$ 764,326	\$ 764,326	\$ 760,252	\$ (4,074)

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Cemetery Perpetual Care
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Charges for services	\$ -	\$ -	\$ 2,300	\$ 2,300
Investment income	980	980	1,266	286
Total revenues	<u>980</u>	<u>980</u>	<u>3,566</u>	<u>2,586</u>
Fund balance - beginning of year	<u>100,186</u>	<u>100,186</u>	<u>100,186</u>	<u>-</u>
Fund balance - end of year	<u>\$ 101,166</u>	<u>\$ 101,166</u>	<u>\$ 103,752</u>	<u>\$ 2,586</u>

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Art in Public Places
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Investment income	\$ -	\$ -	\$ 590	\$ 590
Expenditures				
Current				
Public services	-	181	181	-
Excess (deficiency) of revenues over expenditures	-	(181)	409	590
Fund balance - beginning of year	160,802	160,802	160,802	-
Fund balance - end of year	\$ 160,802	\$ 160,621	\$ 161,211	\$ 590

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Alternative Transportation
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Charges for services	\$ -	\$ -	\$ 5,375	\$ 5,375
Investment income	3,058	3,058	3,121	63
Transfers in	505,154	505,154	505,152	(2)
Total revenues	<u>508,212</u>	<u>508,212</u>	<u>513,648</u>	<u>5,436</u>
Expenditures				
Current				
General government	20,108	20,108	11,363	(8,745)
Public works	247,939	443,493	417,020	(26,473)
Transfers out	-	25,681	(52,124)	(77,805)
Total expenditures	<u>268,047</u>	<u>489,282</u>	<u>376,259</u>	<u>(113,023)</u>
Excess of revenues over expenditures	240,165	18,930	137,389	118,459
Fund balance - beginning of year	<u>429,861</u>	<u>429,861</u>	<u>429,861</u>	<u>-</u>
Fund balance - end of year	<u>\$ 670,026</u>	<u>\$ 448,791</u>	<u>\$ 567,250</u>	<u>\$ 118,459</u>

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Michigan Justice Training
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
State-shared revenue	\$ 21,000	\$ 21,000	\$ 21,048	\$ 48
Investment income	<u>73</u>	<u>73</u>	<u>164</u>	<u>91</u>
Total revenues	<u>21,073</u>	<u>21,073</u>	<u>21,212</u>	<u>139</u>
Expenditures				
Current				
Public safety	<u>21,000</u>	<u>21,001</u>	<u>21,001</u>	<u>-</u>
Excess of revenues over expenditures	73	72	211	139
Fund balance - beginning of year	<u>16,583</u>	<u>16,583</u>	<u>16,583</u>	<u>-</u>
Fund balance - end of year	<u>\$ 16,656</u>	<u>\$ 16,655</u>	<u>\$ 16,794</u>	<u>\$ 139</u>

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Parks Maintenance & Capital Improvement Millage
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Revenues				
Taxes	\$ 5,665,460	\$ 5,665,460	\$ 5,633,620	\$ (31,840)
State shared revenue and grants	-	183,272	183,272	-
Charges for services	-	-	223	223
Investment income	54,070	54,070	20,853	(33,217)
Other revenue	1,100	1,100	6,778	5,678
	<u>5,720,630</u>	<u>5,903,902</u>	<u>5,844,746</u>	<u>(59,156)</u>
Total revenues				
Expenditures				
Current				
Recreation and culture	5,982,695	5,137,600	4,334,983	(802,617)
Capital outlay	-	1,210,727	1,655,294	444,567
Transfers out	-	37,037	37,037	-
	<u>5,982,695</u>	<u>6,385,364</u>	<u>6,027,314</u>	<u>(358,050)</u>
Total expenditures				
Deficiency of revenues over expenditures	(262,065)	(481,462)	(182,568)	298,894
Fund balance - beginning of year	<u>3,339,166</u>	<u>3,339,166</u>	<u>3,339,166</u>	<u>-</u>
Fund balance - end of year	<u>\$ 3,077,101</u>	<u>\$ 2,857,704</u>	<u>\$ 3,156,598</u>	<u>\$ 298,894</u>

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Major Grants
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Final Budget
Revenues				
Federal grants	\$ -	\$ 623,618	\$ 643,964	\$ 20,346
State-shared revenue and grants	-	349,820	248,597	(101,223)
Investment income	-	-	8,508	8,508
Other revenue	-	55,258	42,383	(12,875)
Transfers in	-	11,202	143,704	132,502
	<u>-</u>	<u>1,039,898</u>	<u>1,087,156</u>	<u>47,258</u>
Total revenues	-	1,039,898	1,087,156	47,258
Expenditures				
Current				
General government	-	471,248	370,027	(101,221)
Public safety	-	142,944	142,943	(1)
Public works	-	693,514	366,509	(327,005)
Recreation and culture	-	62,723	42,383	(20,340)
Capital outlay	-	86,165	430,675	344,510
	<u>-</u>	<u>1,456,594</u>	<u>1,352,537</u>	<u>(104,057)</u>
Total expenditures	-	1,456,594	1,352,537	(104,057)
Deficiency of revenues over expenditures	-	(416,696)	(265,381)	151,315
Fund balance - beginning of year	<u>1,069,863</u>	<u>1,069,863</u>	<u>1,069,863</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1,069,863</u>	<u>\$ 653,167</u>	<u>\$ 804,482</u>	<u>\$ 151,315</u>

INTERNAL SERVICE FUNDS

Central Stores – to account for various inventories of road repair materials, repair parts, and other miscellaneous items, which are inventoried by the City.

Fleet Services – to account for the operation and maintenance of the City's motor vehicle fleet and other equipment.

Information Technology – to account for the operation and maintenance of the City's Information Technology equipment and software.

Project Management – to account for the centralized project management and engineering services provided for the City's various capital improvement projects.

Risk Fund – to account for the City's self-insurance program along with all other coverage necessary.

Wheeler Center – to account for internal operation and maintenance costs by the occupants of the Wheeler Center.

City of Ann Arbor
Other Supplementary Information
Combining Statement of Net Position
Internal Service Funds
June 30, 2018

	<u>Central Store</u>	<u>Fleet Services</u>	<u>Information Technology</u>	<u>Project Management</u>	<u>Risk</u>	<u>Wheeler Center</u>	<u>Total</u>
Assets							
Current assets							
Cash	\$ -	\$ -	\$ -	\$ 200	\$ 25,398	\$ -	\$ 25,598
Equity in pooled cash and investments	2,167,983	10,727,597	4,032,719	2,719,462	10,007,828	198,993	29,854,582
Accounts receivable, net	-	-	65,445	57,923	-	469	123,837
Inventories	328,720	471,051	-	-	-	-	799,771
Prepaid items	-	-	119,677	-	2,971,434	-	3,091,111
Total current assets	<u>2,496,703</u>	<u>11,198,648</u>	<u>4,217,841</u>	<u>2,777,585</u>	<u>13,004,660</u>	<u>199,462</u>	<u>33,894,899</u>
Noncurrent assets							
Capital assets, net of accumulated depreciation	-	90,005	-	-	-	-	90,005
Capital assets not being depreciated	11,455	10,075,701	588,403	34,768	-	-	10,710,327
Total noncurrent assets	<u>11,455</u>	<u>10,165,706</u>	<u>588,403</u>	<u>34,768</u>	<u>-</u>	<u>-</u>	<u>10,800,332</u>
Total assets	<u>2,508,158</u>	<u>21,364,354</u>	<u>4,806,244</u>	<u>2,812,353</u>	<u>13,004,660</u>	<u>199,462</u>	<u>44,695,231</u>
Liabilities							
Current liabilities							
Accounts payable	39,960	78,589	498,392	139,110	826,757	5,187	1,587,995
Accrued and other liabilities	-	-	315	-	-	-	315
Deposits	-	-	-	354,259	-	-	354,259
Estimated claims payable, current	-	-	-	-	373,187	-	373,187
Total current liabilities	<u>39,960</u>	<u>78,589</u>	<u>498,707</u>	<u>493,369</u>	<u>1,199,944</u>	<u>5,187</u>	<u>2,315,756</u>
Noncurrent liabilities							
Estimated claims payable, net	-	-	-	-	2,279,992	-	2,279,992
Total liabilities	<u>39,960</u>	<u>78,589</u>	<u>498,707</u>	<u>493,369</u>	<u>3,479,936</u>	<u>5,187</u>	<u>4,595,748</u>
Net Position							
Net investment in capital assets	11,455	10,165,706	588,403	34,768	-	-	10,800,332
Unrestricted	2,456,743	11,120,059	3,719,134	2,284,216	9,524,724	194,275	29,299,151
Total net position	<u>\$ 2,468,198</u>	<u>\$ 21,285,765</u>	<u>\$ 4,307,537</u>	<u>\$ 2,318,984</u>	<u>\$ 9,524,724</u>	<u>\$ 194,275</u>	<u>\$ 40,099,483</u>

City of Ann Arbor
Other Supplementary Information
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2018

	Central Stores	Fleet Services	Information Technology	Project Management	Risk	Wheeler Center	Total
Operating revenue							
Charges for services	\$ 1,123,227	\$ 8,282,004	\$ 7,764,485	\$ 3,303,163	\$ 30,787,112	\$ 425,243	\$ 51,685,234
Operating expenses							
Personnel services	325,318	1,560,892	3,727,527	2,285,008	924,522	41,781	8,865,048
Municipal service charge	26,472	181,056	542,244	116,796	402,336	24,696	1,293,600
Information technology charges	3,756	69,936	406,127	413,670	40,211	-	933,700
Other expenses	797,996	2,091,094	2,530,151	371,860	27,804,877	320,388	33,916,366
Depreciation	2,254	2,603,904	182,891	10,589	-	-	2,799,638
Total operating expenses	<u>1,155,796</u>	<u>6,506,882</u>	<u>7,388,940</u>	<u>3,197,923</u>	<u>29,171,946</u>	<u>386,865</u>	<u>47,808,352</u>
Operating income (loss)	<u>(32,569)</u>	<u>1,775,122</u>	<u>375,545</u>	<u>105,240</u>	<u>1,615,166</u>	<u>38,378</u>	<u>3,876,882</u>
Nonoperating revenue (expenses)							
Investment income	7,731	37,428	14,164	7,737	52,301	772	120,133
Gain on sale of assets	-	135,995	-	-	-	-	135,995
Total nonoperating revenues (expenses)	<u>7,731</u>	<u>173,423</u>	<u>14,164</u>	<u>7,737</u>	<u>52,301</u>	<u>772</u>	<u>256,128</u>
Income (loss) before contributions and transfers out	(24,838)	1,948,545	389,709	112,977	1,667,467	39,150	4,133,010
Capital contributions	-	1,051,583	-	-	-	-	1,051,583
Transfers in	-	-	205,314	-	-	-	205,314
Transfers out	(44,928)	(678,850)	-	(39,408)	-	-	(763,186)
Change in net position	(69,766)	2,321,278	595,023	73,569	1,667,467	39,150	4,626,721
Net position - beginning of year	<u>2,537,964</u>	<u>18,964,487</u>	<u>3,712,514</u>	<u>2,245,415</u>	<u>7,857,257</u>	<u>155,125</u>	<u>35,472,762</u>
Net position - end of year	<u>\$ 2,468,198</u>	<u>\$ 21,285,765</u>	<u>\$ 4,307,537</u>	<u>\$ 2,318,984</u>	<u>\$ 9,524,724</u>	<u>\$ 194,275</u>	<u>\$ 40,099,483</u>

City of Ann Arbor
Other Supplementary Information
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2018

	Central Stores	Fleet Services	Information Technology	Project Management	Risk	Wheeler Center	Total
Cash flows from operating activities							
Payments to suppliers	\$ (697,891)	\$ (2,391,932)	\$ (3,680,223)	\$ (449,276)	\$ (29,814,470)	\$ (346,780)	\$ (37,380,572)
Payments to employees	(325,318)	(1,560,892)	(3,728,703)	(2,285,008)	(924,522)	(41,781)	(8,866,224)
Payments received for interfund services	<u>1,123,227</u>	<u>8,282,436</u>	<u>7,756,597</u>	<u>3,333,414</u>	<u>30,787,112</u>	<u>429,609</u>	<u>51,712,395</u>
Net cash provided by operating activities	<u>100,018</u>	<u>4,329,612</u>	<u>347,671</u>	<u>599,130</u>	<u>48,120</u>	<u>41,048</u>	<u>5,465,599</u>
Cash flows from noncapital financing activities							
Transfer from other funds	-	-	205,314	-	-	-	205,314
Transfers to other funds	<u>(44,928)</u>	<u>(678,850)</u>	<u>-</u>	<u>(39,408)</u>	<u>-</u>	<u>-</u>	<u>(763,186)</u>
Net cash provided (used) by noncapital financing activities	<u>(44,928)</u>	<u>(678,850)</u>	<u>205,314</u>	<u>(39,408)</u>	<u>-</u>	<u>-</u>	<u>(557,872)</u>
Cash flows from capital and related financing activities							
Contributions received to be used for capital purchases	-	1,051,583	-	-	-	-	1,051,583
Purchases/construction of capital assets	-	(3,648,654)	(125,582)	(21,414)	-	-	(3,795,650)
Proceeds from sale of capital assets	<u>-</u>	<u>159,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>159,250</u>
Net cash used by capital and related financing activities	<u>-</u>	<u>(2,437,821)</u>	<u>(125,582)</u>	<u>(21,414)</u>	<u>-</u>	<u>-</u>	<u>(2,584,817)</u>
Cash flows from investing activities							
Interest received	<u>7,731</u>	<u>37,428</u>	<u>14,164</u>	<u>7,737</u>	<u>52,301</u>	<u>772</u>	<u>120,133</u>
Net change in cash and cash equivalents	62,821	1,250,369	441,567	546,045	100,421	41,820	2,443,043
Cash and cash equivalents - beginning of year	<u>2,105,162</u>	<u>9,477,228</u>	<u>3,591,152</u>	<u>2,173,617</u>	<u>9,932,805</u>	<u>157,173</u>	<u>27,437,137</u>
Cash and cash equivalents - end of year	<u>\$ 2,167,983</u>	<u>\$ 10,727,597</u>	<u>\$ 4,032,719</u>	<u>\$ 2,719,662</u>	<u>\$ 10,033,226</u>	<u>\$ 198,993</u>	<u>\$ 29,880,180</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities							
Operating income (loss)	\$ (32,569)	\$ 1,775,122	\$ 375,545	\$ 105,240	\$ 1,615,166	\$ 38,378	\$ 3,876,882
Adjustments to reconcile operating income to net cash from operating activities							
Depreciation and amortization expense	2,254	2,603,904	182,891	10,589	-	-	2,799,638
Changes in assets and liabilities							
Receivables (net)	-	432	(7,888)	30,251	-	4,366	27,161
Inventories	132,766	(11,035)	-	-	-	-	121,731
Prepaid items	-	-	(13,729)	-	(611,389)	-	(625,118)
Accounts payable	23,167	(38,811)	(187,984)	98,791	(45,264)	(1,696)	(151,797)
Accrued and other liabilities	-	-	(1,164)	-	-	-	(1,164)
Due to other units of government	(25,600)	-	-	-	-	-	(25,600)
Deposits	-	-	-	354,259	-	-	354,259
Estimated claims payable	-	-	-	-	(910,393)	-	(910,393)
Net cash provided by operating activities	<u>\$ 100,018</u>	<u>\$ 4,329,612</u>	<u>\$ 347,671</u>	<u>\$ 599,130</u>	<u>\$ 48,120</u>	<u>\$ 41,048</u>	<u>\$ 5,465,599</u>

FIDUCIARY FUNDS

Employee Retirement System – a pension trust fund to account for the accumulation of resources to be used for retirement pension and annuity payments. Resources are contributed by employees at rates fixed by law and by the City at amounts determined by an annual actuarial study.

Retiree Health Care Trust Fund – an other employee benefits trust fund, which provides funds for post retirement medical and life insurance for the retirees of the City.

City of Ann Arbor
Other Supplementary Information
Combining Statement of Fiduciary Net Position
Pension and Other Employee Benefits Trust Funds
June 30, 2018

	Employee Retirement System	Retiree Health Care Trust Fund	Total
Assets			
Equity in pooled cash and investments	\$ 4,228,465	\$ 3,335,702	\$ 7,564,167
Investments, at fair value:			
Equities	288,898,243	102,781,024	391,679,267
Fixed income	155,315,811	48,373,401	203,689,212
Other	58,519,016	17,254,237	75,773,253
Receivables			
Accrued interest and other	270,506	205,928	476,434
Due from other funds	113,377	-	113,377
Capital assets, net	350,826	-	350,826
Other assets	300,310	-	300,310
Total assets	<u>507,996,554</u>	<u>171,950,292</u>	<u>679,946,846</u>
Deferred Outflows of Resources			
Deferred amount of pension expense related to net pension liability	292,866	-	292,866
Deferred amount of OPEB expense related to net OPEB liability	37	-	37
Total deferred outflows of resources	<u>292,903</u>	<u>-</u>	<u>292,903</u>
Total assets and deferred outflows of resources	<u>508,289,457</u>	<u>171,950,292</u>	<u>680,239,749</u>
Liabilities			
Accounts payable and accrued liabilities	3,187,455	142,938	3,330,393
Mortgage payable, due in one year	29,887	-	29,887
Mortgage payable, due in more than one year	134,225	-	134,225
Net pension liability	616,591	-	616,591
Net OPEB liability	273,844	-	273,844
Total liabilities	<u>4,242,002</u>	<u>142,938</u>	<u>4,384,940</u>
Deferred Inflows of Resources			
Deferred amount on net pension liability	1,101	-	1,101
Total liabilities and deferred inflows of resources	<u>4,243,103</u>	<u>142,938</u>	<u>4,386,041</u>
Net Position			
Restricted for pensions	504,046,354	-	504,046,354
Restricted for other employee benefits	-	171,807,354	171,807,354
Total net position	<u>\$ 504,046,354</u>	<u>\$ 171,807,354</u>	<u>\$ 675,853,708</u>

City of Ann Arbor
Other Supplementary Information
Combining Statement of Changes in Fiduciary Net Position
Pension and Other Employee Benefits Trust Funds
For the Year Ended June 30, 2018

	Employee Retirement System	Retiree Health Care Trust Fund	Total
Additions			
Investment income:			
From investing activities:			
Appreciation in fair value of investments	\$ 30,609,989	\$ 8,394,269	\$ 39,004,258
Interest and dividends	3,585,416	2,932,820	6,518,236
Total investment income	34,195,405	11,327,089	45,522,494
Investment management fees	(596,024)	(216,612)	(812,636)
Net investment income from investing activities	33,599,381	11,110,477	44,709,858
From securities lending activities:			
Gross earnings	13,552	11,564	25,116
Borrower rebates received (paid)	(3,717)	(6,010)	(9,727)
Securities lending fees	(2,945)	(1,654)	(4,599)
Net investment income from securities and lending activities	6,890	3,900	10,790
Total net investment income	33,606,271	11,114,377	44,720,648
Contributions:			
Employer	13,616,365	17,723,985	31,340,350
Plan member	3,291,231	-	3,291,231
Total contributions:	16,907,596	17,723,985	34,631,581
Total additions	50,513,867	28,838,362	79,352,229
Deductions			
Benefits	35,807,321	14,272,653	50,079,974
Refunds of contributions	910,311	-	910,311
Administrative expenses	727,899	97,461	825,360
Total deductions	37,445,531	14,370,114	51,815,645
Change in net position	13,068,336	14,468,248	27,536,584
Net position - beginning of year	491,273,658	157,339,106	648,612,764
Restatement for net OPEB liability	(295,640)	-	(295,640)
Net position - beginning of year (as restated)	490,978,018	157,339,106	648,317,124
Net position - end of year	\$ 504,046,354	\$ 171,807,354	\$ 675,853,708

City of Ann Arbor
Other Supplementary Information
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2018

	Treasurer's Delinquent Tax	Treasurer's Current Tax	15th District Court	Payroll	Total
Assets					
Cash	\$ -	\$ 5,176	\$ 366,655	\$ -	\$ 371,831
Equity in pooled cash and investments	<u>116,193</u>	<u>-</u>	<u>-</u>	<u>8,592</u>	<u>124,785</u>
Total assets	<u>\$ 116,193</u>	<u>\$ 5,176</u>	<u>\$ 366,655</u>	<u>\$ 8,592</u>	<u>\$ 496,616</u>
Liabilities					
Due to others	\$ 9,949	\$ 5,176	\$ -	\$ 8,592	\$ 23,717
Due to other units of government	106,244	-	72,381	-	178,625
Deposits	<u>-</u>	<u>-</u>	<u>294,274</u>	<u>-</u>	<u>294,274</u>
Total liabilities	<u>\$ 116,193</u>	<u>\$ 5,176</u>	<u>\$ 366,655</u>	<u>\$ 8,592</u>	<u>\$ 496,616</u>

City of Ann Arbor
Other Supplementary Information
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2018

	Beginning Balance	Additions	Deductions	Ending Balance
Treasurer's Delinquent Tax Fund				
Assets				
Equity in pooled cash and investments	\$ 37,343	\$ 430,209	\$ 351,359	\$ 116,193
Due from other governments	-	747	747	-
Total assets	\$ 37,343	\$ 430,956	\$ 352,106	\$ 116,193
Liabilities				
Due to others	\$ -	\$ 958,672	\$ 948,723	\$ 9,949
Due to other governments	37,343	232,797	163,896	106,244
Total liabilities	\$ 37,343	\$ 1,191,469	\$ 1,112,619	\$ 116,193
Treasurer's Current Tax Fund				
Assets				
Cash	\$ 27,005	\$ 588,179,817	\$ 588,201,646	\$ 5,176
Equity in pooled cash and investments	97,604	5,217,739	5,315,343	-
Investments	-	264,764,389	264,764,389	-
Total assets	\$ 124,609	\$ 858,161,945	\$ 858,281,378	\$ 5,176
Liabilities				
Due to others	\$ 124,609	\$ 308,210,532	\$ 308,329,965	\$ 5,176
Due to other governments	-	533,138	533,138	-
Total liabilities	\$ 124,609	\$ 308,743,670	\$ 308,863,103	\$ 5,176

City of Ann Arbor
Other Supplementary Information
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2018

	Beginning Balance	Additions	Deductions	Ending Balance
15th District Court Fund				
Assets				
Cash	\$ 107,917	\$ 258,738	\$ -	\$ 366,655
Liabilities				
Due to other governments	\$ 65,976	\$ 6,405	\$ -	\$ 72,381
Deposits	41,941	252,333	-	294,274
Total liabilities	\$ 107,917	\$ 258,738	\$ -	\$ 366,655
Payroll Fund				
Assets				
Cash	\$ -	\$ 20	\$ 20	\$ -
Equity in pooled cash and investments	12,525	74,514,113	74,518,046	8,592
Total assets	\$ 12,525	\$ 74,514,133	\$ 74,518,066	\$ 8,592
Liabilities				
Due to others	\$ 12,525	\$ 133,976,110	\$ 133,980,043	\$ 8,592
Total - All Agency Funds				
Assets				
Cash	\$ 134,922	\$ 588,438,575	\$ 588,201,666	\$ 371,831
Equity in pooled cash and investments	147,472	80,162,061	80,184,748	124,785
Investments	-	264,764,389	264,764,389	-
Due from other governments	-	747	747	-
Total assets	\$ 282,394	\$ 933,365,772	\$ 933,151,550	\$ 496,616
Liabilities				
Due to others	\$ 137,134	\$ 443,145,314	\$ 443,258,731	\$ 23,717
Due to other governments	103,319	772,340	697,034	178,625
Deposits	41,941	252,333	-	294,274
Total liabilities	\$ 282,394	\$ 444,169,987	\$ 443,955,765	\$ 496,616

City of Ann Arbor
Other Supplementary Information
Balance Sheet
Component Unit - SmartZone Local Development Finance Authority
June 30, 2018

	<u>SmartZone Local Development Finance Authority</u>
Assets	
Equity in pooled cash and investments	\$ 3,479,069
Loans receivable	<u>511,390</u>
Total assets	<u>\$ 3,990,459</u>
Liabilities	
Accounts payable	\$ 681,723
Unearned revenue	<u>511,390</u>
Total liabilities	1,193,113
Fund Balance	
Committed for community and economic development	<u>2,797,346</u>
Total liabilities and fund balance	<u>\$ 3,990,459</u>

City of Ann Arbor
Other Supplementary Information
Statement of Revenues, Expenditures and Changes in Fund Balance
Component Unit - SmartZone Local Development Finance Authority
For the Year Ended June 30, 2018

	<u>SmartZone Local Development Finance Authority</u>
Revenues	
Taxes	\$ 3,566,551
Investment income	12,431
Other revenue	<u>127,971</u>
Total revenues	<u>3,706,953</u>
Expenditures	
Current	
Community and economic development	<u>3,105,885</u>
Excess of revenues over expenditures	601,068
Fund balance - beginning of year	<u>2,196,278</u>
Fund balance - end of year	<u><u>\$ 2,797,346</u></u>

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets	\$ 612,949,811	\$ 579,020,698	\$ 672,899,397	\$ 684,183,914	\$ 698,805,464	\$ 701,333,045	\$ 697,791,106	\$ 696,101,749	\$ 700,165,724	\$ 701,307,637
Restricted	101,462,605	118,723,718	66,772,308	66,605,173	59,433,488	56,297,832	56,287,227	57,396,259	55,228,918	57,546,687
Unrestricted	10,198,885	43,955,179	15,649,176	23,913,683	32,017,583	41,320,644	1,632,309	526,827	(430,810)	(92,031,983)
Total governmental activities net position	\$ 724,611,301	\$ 741,699,595	\$ 755,320,881	\$ 774,702,770	\$ 790,256,535	\$ 798,951,521	\$ 755,710,642	\$ 754,024,835	\$ 754,963,832	\$ 666,822,341
Business-type activities										
Net investment in capital assets	\$ 122,234,225	\$ 145,084,736	\$ 164,731,782	\$ 183,625,625	\$ 189,069,070	\$ 190,241,413	\$ 193,410,202	\$ 198,917,535	\$ 210,361,709	\$ 216,805,278
Restricted	18,391,715	17,245,077	17,374,027	21,926,274	28,947,807	30,332,684	32,368,111	33,715,282	32,956,794	33,448,566
Unrestricted	69,899,328	59,771,622	56,356,293	49,549,547	49,841,922	61,803,420	61,336,547	66,341,759	70,350,912	66,043,566
Total business-type activities net position	\$ 210,525,268	\$ 222,101,435	\$ 238,462,102	\$ 255,101,446	\$ 267,858,799	\$ 282,377,517	\$ 287,114,860	\$ 298,974,576	\$ 313,669,415	\$ 316,297,410
Primary government										
Net investment in capital assets	\$ 735,184,036	\$ 724,105,434	\$ 837,631,179	\$ 867,809,539	\$ 887,874,534	\$ 891,574,458	\$ 891,201,308	\$ 895,019,284	\$ 910,527,433	\$ 918,112,915
Restricted	119,854,320	135,968,795	84,146,335	88,531,447	88,381,295	86,630,516	88,655,338	91,111,541	88,185,712	90,995,253
Unrestricted	80,098,213	103,726,801	72,005,469	73,463,230	81,859,505	103,124,064	62,968,856	66,868,586	69,920,102	(25,988,417)
Total primary government net position	\$ 935,136,569	\$ 963,801,030	\$ 993,782,983	\$ 1,029,804,216	\$ 1,058,115,334	\$ 1,081,329,038	\$ 1,042,825,502	\$ 1,052,999,411	\$ 1,068,633,247	\$ 983,119,751

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

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes, levied for general purposes	\$ 60,468,022	\$ 60,655,729	\$ 58,050,469	\$ 48,856,539	\$ 49,380,189	\$ 50,671,753	\$ 51,977,008	\$ 53,396,465	\$ 54,617,165	\$ 56,134,197
Property taxes, levied for designated purpose	-	7,454,130	7,131,115	15,958,495	16,753,667	17,236,996	17,626,382	18,145,558	18,501,675	19,233,238
Property taxes, levied for debt services	9,526,085	2,274,782	2,265,030	668,745	569,490	2,129	2,129	2,340	2,129	2,091
State-shared revenues and grants (unrestricted)	11,102,183	9,456,109	9,582,165	9,748,477	9,771,731	10,050,793	10,317,088	10,215,633	10,712,412	11,034,159
Investment income	7,890,239	4,308,095	2,523,944	2,567,568	(410,361)	1,621,594	1,262,302	1,558,594	10,347	655,430
Transfers	1,162,611	4,140,628	241,009	3,410,739	3,690,616	3,574,088	4,831,153	460,882	5,173,955	2,093,810
Other	375,390	215,199	835,982	2,428,146	145,399	5,235,131	150,905	320,426	500,138	162,745
Total governmental activities	<u>90,524,530</u>	<u>88,504,672</u>	<u>80,629,714</u>	<u>83,638,709</u>	<u>79,900,731</u>	<u>88,392,484</u>	<u>86,166,967</u>	<u>84,099,898</u>	<u>89,517,821</u>	<u>89,315,670</u>
Business-type activities:										
Taxes										
Property taxes, levied for general purposes	11,529,057	11,677,513	11,171,676	11,030,550	11,154,045	11,470,474	11,728,679	12,072,979	12,306,559	12,638,680
Investment income	5,443,148	1,545,547	515,730	1,188,581	(245,003)	1,241,705	1,293,959	1,774,739	(11,349)	472,977
Transfers	(1,162,611)	(4,140,628)	(241,009)	(2,428,146)	(3,690,616)	(3,574,088)	(4,831,153)	(460,884)	(5,173,955)	(2,093,810)
Other	-	-	-	484,311	(504,477)	(673,069)	67,250	59,648	98,767	35,500
Total business-type activities	<u>15,809,594</u>	<u>9,082,432</u>	<u>11,446,397</u>	<u>10,275,296</u>	<u>6,713,949</u>	<u>8,465,022</u>	<u>8,258,735</u>	<u>13,446,482</u>	<u>7,220,022</u>	<u>11,053,347</u>
Total primary government	<u>\$ 106,334,124</u>	<u>\$ 97,587,104</u>	<u>\$ 92,076,111</u>	<u>\$ 93,914,005</u>	<u>\$ 86,614,680</u>	<u>\$ 96,857,506</u>	<u>\$ 94,425,702</u>	<u>\$ 97,546,380</u>	<u>\$ 96,737,843</u>	<u>\$ 100,369,017</u>
Change in Net Position										
Governmental activities	\$ (7,653,652)	\$ 17,829,251	\$ 13,621,286	\$ 20,151,589	\$ 14,467,864	\$ 8,934,992	\$ 2,651,367	\$ (1,685,817)	\$ 939,007	\$ (5,138,851)
Business-type activities	13,086,643	11,732,274	16,360,667	16,639,344	13,607,633	16,506,064	13,466,712	11,859,714	14,694,838	20,573,654
Total primary government	<u>\$ 5,432,991</u>	<u>\$ 29,561,525</u>	<u>\$ 29,981,953</u>	<u>\$ 36,790,933</u>	<u>\$ 28,075,497</u>	<u>\$ 25,441,056</u>	<u>\$ 16,118,079</u>	<u>\$ 10,173,897</u>	<u>\$ 15,633,845</u>	<u>\$ 15,434,803</u>

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

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$ 444,744	\$ 199,238	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	10,910,841	12,288,378	-	-	-	-	-	-	-	-
Nonspendable (1)	-	-	1,032,509	960,336	915,645	853,157	765,634	619,311	540,869	462,384
Assigned (1)	-	-	2,024,490	243,308	810,595	7,446,598	4,482,510	9,185,273	6,414,602	7,714,673
Unassigned (1)	-	-	10,525,445	14,093,650	14,392,859	14,279,454	17,235,156	15,330,765	16,243,676	11,143,139
Total General Fund	\$ 11,355,585	\$ 12,487,616	\$ 13,582,444	\$ 15,297,294	\$ 16,119,099	\$ 22,579,209	\$ 22,483,300	\$ 25,135,349	\$ 23,199,147	\$ 19,320,196
All Other Governmental Funds										
Reserved	\$ 43,160,630	\$ 19,102,850	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	64,524,470	67,567,542	-	-	-	-	-	-	-	-
Capital projects funds	2,401,119	38,031,543	-	-	-	-	-	-	-	-
Undesignated	-	320,340	-	-	-	-	-	-	-	-
Nonspendable (1)	-	-	1,984,000	1,985,800	1,984,000	1,984,000	1,984,000	1,984,000	1,984,000	1,984,000
Restricted (1)	-	-	85,121,367	63,432,711	56,701,167	55,346,230	55,120,246	56,176,316	53,939,042	55,440,810
Committed (1)	-	-	-	4,617,556	6,088,188	3,203,628	3,984,155	4,584,590	5,494,990	929,257
Assigned (1)	-	-	2,251,551	2,285,397	2,346,846	2,699,330	2,642,775	5,832,928	6,327,002	3,709,223
Total all other governmental funds	\$ 110,086,219	\$ 125,022,275	\$ 89,356,918	\$ 72,321,464	\$ 67,120,201	\$ 63,233,188	\$ 63,731,176	\$ 68,577,834	\$ 67,745,034	\$ 62,063,290

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

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

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Taxes	\$ 69,994,107	\$ 70,384,641	\$ 67,446,614	\$ 65,483,779	\$ 66,692,158	\$67,910,079	\$69,605,308	\$71,544,363	\$73,118,985	\$75,369,504
Special Assessments/improvement charges	77,748	54,713	103,790	48,843	43,102	44,636	52,373	-	93,373	63,746
Licenses, fees & permits	1,133,847	5,108,409	6,125,839	6,279,934	6,537,092	6,683,485	7,619,826	7,371,840	7,710,797	8,927,341
Federal grants	3,434,753	2,583,511	4,950,416	1,567,185	3,366,834	1,953,212	1,033,789	890,919	1,166,724	1,127,905
State shared revenues and grants	18,469,118	17,277,839	18,156,777	21,367,804	19,916,609	20,428,435	20,792,519	21,858,259	22,633,985	25,024,215
Charges for services	13,350,572	10,393,128	12,642,161	13,721,017	12,050,841	13,732,847	14,034,309	15,515,836	14,770,842	16,437,936
Fines & penalties	4,963,134	4,138,282	4,863,239	4,606,580	4,483,090	4,483,484	4,601,589	4,596,544	4,704,380	4,283,940
Interest and penalties	28,963	515,190	516,159	828	11,189	800	211	-	2,604	-
Investment income	6,807,477	3,071,842	1,851,927	2,057,540	(305,700)	1,162,205	928,186	1,190,815	3,926	535,299
Rental	310,520	404,147	421,742	463,191	653,879	587,361	637,366	634,819	661,086	735,822
Contributions and donations	228,208	260,470	280,971	369,920	295,289	521,305	981,965	334,247	3,343,936	3,775,006
Intra-governmental sales	188,958	318,696	361,245	208,243	157,956	266,970	213,511	2,627,905	297,201	306,526
Miscellaneous	375,390	316,652	1,181,503	719,712	1,529,283	1,182,138	678,652	594,470	432,973	402,002
Total Revenues	119,362,795	114,827,520	118,902,383	116,894,576	115,431,622	118,956,957	121,179,604	127,160,017	128,940,812	136,989,242
Expenditures										
General government	22,475,026	16,323,784	14,058,718	15,034,085	14,659,352	14,372,873	14,501,593	14,257,197	15,153,388	17,140,624
Public Safety	47,151,174	43,654,317	43,678,573	43,139,586	42,347,919	43,123,100	45,217,288	47,189,457	48,503,006	48,947,304
Public Works	15,037,630	16,353,447	17,617,067	18,969,637	19,015,177	17,789,296	17,869,057	18,863,228	19,366,244	24,532,861
Community and economic development	5,243,807	4,014,989	3,863,957	3,677,716	1,918,460	2,118,053	2,808,976	3,007,207	2,169,450	2,146,752
Culture and recreation	8,462,253	7,498,717	9,653,540	9,996,650	10,142,639	11,360,700	12,567,890	12,072,443	13,197,781	13,172,050
Public transportation	9,592,129	9,682,798	10,106,607	8,913,232	9,233,757	9,494,422	9,735,605	10,038,406	10,269,099	10,524,383
Capital outlay	18,102,248	49,765,312	46,974,519	29,176,152	26,764,896	14,971,769	14,237,971	18,043,661	21,162,097	24,016,528
Debt service:										
Principal	3,270,000	3,345,000	3,410,000	3,320,000	4,055,000	7,550,000	4,150,000	4,148,000	4,793,000	5,189,000
Interest	2,934,523	2,773,143	5,302,317	5,117,493	5,045,229	5,072,356	4,920,544	4,080,504	3,448,031	3,558,867
Payment to Refunding Bond Escrow Agent	-	-	-	-	-	-	-	-	555,599	-
Total expenditures	132,268,790	153,411,507	154,665,298	137,344,551	133,182,429	125,852,569	126,008,924	131,700,103	138,617,695	149,228,369
Excess of revenues over (under) expenditures	(12,905,995)	(38,583,987)	(35,762,915)	(20,449,975)	(17,750,807)	(6,895,612)	(4,829,320)	(4,540,086)	(9,676,883)	(12,239,127)
Other Financing Sources (Uses):										
Transfers in	13,104,036	11,227,633	7,170,739	9,620,472	10,917,731	15,619,817	13,294,382	21,803,130	15,062,028	11,198,070
Transfers out	(10,513,218)	(5,914,937)	(6,023,714)	(6,519,432)	(6,803,026)	(11,131,060)	(7,679,086)	(9,467,278)	(8,186,997)	(8,546,388)
Sale of property, plant and equipment	312,501	13,855	45,361	2,809,085	30,563	4,979,951	3,598	16,350	32,850	26,750
Payment to refunded bond escrow agent	-	-	-	(2,714,429)	-	-	(16,486,836)	(18,439,571)	(24,509,365)	-
Issuance of debt	27,472,080	49,420,000	-	2,670,000	9,085,000	-	16,235,000	17,710,000	24,030,000	-
Bond Discount	-	(93,674)	-	33,375	141,075	-	(135,652)	416,162	479,365	-
Total other financing sources (uses)	30,375,399	54,652,877	1,192,386	5,899,071	13,371,343	9,468,708	5,231,406	12,038,793	6,907,881	2,678,432
Net change in fund balances	\$ 17,469,404	\$ 16,068,890	\$ (34,570,529)	\$ (14,550,904)	\$ (4,379,464)	\$ 2,573,096	\$ 402,086	\$ 7,498,707	\$ (2,769,002)	\$ (9,560,695)
Debt service as a percentage of noncapital expenditures	5.7%	6.4%	8.8%	8.7%	9.4%	12.0%	8.5%	8.0%	8.2%	7.8%

**City of Ann Arbor
Taxable Value of Property
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year Ended June 30,	Real Property	Personal Property	Less: Tax-exempt Property (4)	Total Taxable Value	Total Direct Tax Rate
2009	\$ 4,577,802,604	\$ 309,165,535		\$ 4,886,968,139	16.7807
2010	4,595,490,848	263,449,000		4,858,939,848	16.7970
2011	4,447,791,127	220,760,700		4,668,551,827	16.8164
2012	4,422,577,957	212,313,200		4,634,891,157	16.4660
2013	4,473,471,542	209,747,000		4,683,218,542	16.5720
2014	4,614,295,892	225,575,000		4,839,870,892	16.4501
2015	4,739,348,866	230,309,300		4,969,658,166	16.4501
2016	4,870,231,067	240,179,600		5,110,410,667	16.4436
2017	5,035,021,720	258,429,800		5,293,451,520	16.3003
2018	5,242,521,458	253,065,300		5,495,586,758	16.1390

Notes:

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

Source: City of Ann Arbor Financial Services, Assessing Unit

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

	Fiscal Year	City of Ann Arbor Direct Rate							Overlapping Rates						Total
		General Operating	Refuse Collection	Transportation*	Employee Benefits	Debt Service	Parks	Major Street Repair	Total Direct Tax Rate	Ann Arbor Area Transportation Authority	Ann Arbor Public Schools**	Ann Arbor District Library	Washtenaw County	Washtenaw Community College	
Principal Residence Exemption (PRE)	2009	6.1682	2.4670	2.0560	2.0560	0.4643	1.5748	1.9944	16.7807	-	17.5203	1.9214	5.7018	3.6856	45.6098
Non-PRE	2009	6.1682	2.4670	2.0560	2.0560	0.4643	1.5748	1.9944	16.7807	-	31.2040	1.9214	5.7018	3.6856	59.2935
Principal Residence Exemption (PRE)	2010	6.1682	2.4670	2.0560	2.0560	0.4806	1.5748	1.9944	16.7970	-	17.4132	1.5500	5.7418	3.6856	45.1876
Non-PRE	2010	6.1682	2.4670	2.0560	2.0560	0.4806	1.5748	1.9944	16.7970	-	30.9625	1.5500	5.7418	3.6856	58.7369
Principal Residence Exemption (PRE)	2011	6.1682	2.4670	2.0560	2.0560	0.5000	1.5748	1.9944	16.8164	-	17.6315	1.5500	5.7448	3.6856	45.4283
Non-PRE	2011	6.1682	2.4670	2.0560	2.0560	0.5000	1.5748	1.9944	16.8164	-	31.0971	1.5500	5.7448	3.6856	58.8939
Principal Residence Exemption (PRE)	2012	6.1682	2.4670	2.0560	2.0560	0.1496	1.5748	1.9944	16.4660	-	18.1329	1.5500	5.7518	3.6376	45.5383
Non-PRE	2012	6.1682	2.4670	2.0560	2.0560	0.1496	1.5748	1.9944	16.4660	-	31.4245	1.5500	5.7518	3.6376	58.8299
Principal Residence Exemption (PRE)	2013	6.1682	2.4670	2.0560	2.0560	0.1250	1.5748	2.1250	16.5720	-	18.1329	1.5500	5.7654	3.6376	45.6579
Non-PRE	2013	6.1682	2.4670	2.0560	2.0560	0.1250	1.5748	2.1250	16.5720	-	31.4245	1.5500	5.7654	3.6376	58.9495
Principal Residence Exemption (PRE)	2014	6.1682	2.4670	2.0560	2.0560	0.0000	1.5779	2.1250	16.4501	-	17.7937	1.5500	5.7801	3.4576	45.0315
Non-PRE	2014	6.1682	2.4670	2.0560	2.0560	0.0000	1.5779	2.1250	16.4501	-	31.4245	1.5500	5.7801	3.4576	58.6623
Principal Residence Exemption (PRE)	2015	6.1682	2.4670	2.0560	2.0560	0.0000	1.5779	2.1250	16.4501	0.7000	17.9172	1.5500	6.2838	3.4576	46.3587
Non-PRE	2015	6.1682	2.4670	2.0560	2.0560	0.0000	1.5779	2.1250	16.4501	0.7000	31.4245	1.5500	6.2838	3.4576	59.8660
Principal Residence Exemption (PRE)	2016	6.1657	2.4660	2.0552	2.0552	0.0000	1.5773	2.1242	16.4436	0.7000	17.7692	1.6500	6.3058	3.4576	46.3262
Non-PRE	2016	6.1657	2.4660	2.0552	2.0552	0.0000	1.5773	2.1242	16.4436	0.7000	31.3913	1.6500	6.3058	3.4576	59.9483
Principal Residence Exemption (PRE)	2017	6.1120	2.4445	2.0373	2.0373	0.0000	1.5635	2.1057	16.3003	0.6943	17.4740	1.9000	6.2432	3.4360	46.0478
Non-PRE	2017	6.1120	2.4445	2.0373	2.0373	0.0000	1.5635	2.1057	16.3003	0.6943	30.9674	1.9000	6.2432	3.4360	59.5412
Principal Residence Exemption (PRE)	2018	6.0343	2.4134	2.0114	2.0114	0.0000	1.5435	2.1250	16.1390	0.6860	20.7173	1.8913	6.2122	3.4267	49.0725
Non-PRE	2018	6.0343	2.4134	2.0114	2.0114	0.0000	1.5435	2.1250	16.1390	0.6860	33.9566	1.8913	6.2122	3.4267	62.3118

* Represents millage collected for Ann Arbor Transportation Authority.

** Includes Washtenaw Intermediate School Ann Arbor District millage of 5.4109 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 17.5957 mills is included for School Operating Tax. On Principal Residence properties, 4.3564 mills are levied for Hold Harmless mills in lieu of School Operating Tax.

Source: City of Ann Arbor Financial Services, Assessing Unit

**City of Ann Arbor
Principal Property Tax Payers
Current Year and Nine Years ago
(Unaudited)**

Taxpayer	Type of Business	2018			2009		
		Taxable Value	Rank	Percentage of Total City Taxable Value	Taxable Value	Rank	Percentage of Total City Taxable Value
Briarwood Shopping Complex	Shopping Center	40,590,681	1	0.74%	\$ 41,777,744	2	0.85%
CPI Foundry, LLC	Apartments	38,623,200	2	0.70%			
Campus Investors 601 Forest	Apartments	31,865,387	3	0.58%			
Brixmor Arborland LLC	Shopping Center	30,677,483	4	0.56%	32,787,489	4	0.67%
Ann Arbor Campus Housing, LLC	Apartments	28,919,003	5	0.53%	22,314,864	6	0.46%
DTE Electric Company	Utility	28,359,600	6	0.52%			
HUB Eisenhower Property (Transwestern)	Office Building	25,350,900	7	0.46%	26,248,352	5	0.54%
Orion North Star, LLC (Winwood)	Apartments	19,375,720	8	0.35%	18,217,500	10	0.37%
Varsity at Ann Arbor, LLC	Apartments	19,283,199	9	0.35%			
DTE Gas Company	Utility	17,270,700	10	0.31%			
Pfizer-Park Davis	Pharmaceuticals				194,548,534	1	3.98%
Detroit Edison	Utility				34,839,825	3	0.71%
McMullen Properties LLC	Office Building				21,151,644	7	0.43%
Maple Village Shopping	Shopping Center				19,086,682	8	0.39%
McKinley Associates	Apartments & Office				18,383,896	9	0.38%
Total		\$ 280,315,873		5.10%	\$ 429,356,530		8.80%

Source: City of Ann Arbor Financial Services, Assessing Unit

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

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year *	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years (Real)	Collections in Subsequent Years (Personal)	Total Collections to Date	
		Amount	Percentage of Levy			Amount	Percentage of Levy
2009	\$ 81,928,011	\$ 79,444,679	96.97%	\$ 2,377,225	\$ 103,252	\$ 81,925,156	100.00%
2010	81,663,316	79,228,933	97.02%	2,317,119	111,951.38	81,658,003	99.99%
2011	78,565,863	76,336,483	97.16%	2,121,932	95,005.51	78,553,420	99.98%
2012	75,840,849	74,102,021	97.71%	1,651,831	55,121.07	75,808,973	99.96%
2013	77,169,289	76,009,075	98.50%	1,055,355	63,350.28	77,127,780	99.95%
2014	79,385,502	78,341,354	98.68%	925,652	61,101.41	79,328,107	99.93%
2015	81,742,181	80,666,319	98.68%	819,344	206,945.85	81,692,609	99.94%
2016	83,995,895	83,115,705	98.95%	733,314	72,909.86	83,921,929	99.91%
2017	86,216,588	85,305,863	98.94%	753,004	43,685.32	86,102,553	99.87%
2018	88,485,078	87,698,238	99.11%	670,466	23,304.75	88,392,008	99.89%

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

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

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

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

Fiscal Year	Governmental Activities			Business-Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Special Assessment Bonds	Installment Purchase Agreement	General Obligation Bonds	Lease Contract Payable	[1] Revenue Bonds	Other Long-term Debt			
2009	\$ 78,655	\$ 555	\$ 3,500	\$ 25,295	0	\$ 99,855	\$ 6,360	\$ 214,220	1.63%	\$ 1,869
2010	124,855	430	3,500	23,365	0	94,215	9,445	255,810	1.90%	2,267
2011	121,565	310	3,500	21,315	0	98,412	12,317	257,419	1.81%	2,259
2012	118,053	220	3,500	19,190	0	102,180	1,470	244,613	1.61%	2,147
2013	122,752	140	4,060	16,965	86	106,572	35,981	286,556	1.84%	2,515
2014	119,725	60	0	14,550	192	128,643	9,932	273,102	1.58%	2,397
2015	115,624	35	0	12,140	106	159,195	13,827	300,927	1.63%	2,641
2016	111,919	15	0	9,855	63	177,852	14,721	314,425	1.63%	2,760
2017	108,284	0	0	7,623	21	181,546	16,187	313,661	1.63%	2,753
2018	103,060	0	0	5,689	0	180,204	15,778	304,731	1.58%	2,675

Note: For fiscal years 2017 & 2018 percent of personal income, the divisor used was for 2016 since 2017 & 2018 Personal income is not available at this time.

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

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

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

Fiscal Year	General Bonded Debt Outstanding				Net General Bonded Debt	Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Less: Restricted Resources	Less: Self-supported Portion				
2009	\$ 103,950	\$ 1,248	\$ 555	\$ 102,147	2.13%	\$ 891.32	
2010	148,220	1,324	430	146,466	3.05%	1,297.86	
2011	142,880	1,516	310	141,054	3.06%	1,238.05	
2012	137,243	1,318	230	135,695	2.96%	1,191.00	
2013	139,717	1,243	150	138,324	2.98%	1,214.07	
2014	134,275	1,142	60	133,073	2.77%	1,167.98	
2015	127,764	1,123	35	126,606	2.57%	1,111.22	
2016	121,774	1,087	15	120,672	2.38%	1,059.14	
2017	115,907	1,071	-	114,836	2.19%	1,007.92	
2018	108,749	477	-	108,272	1.98%	950.30	

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

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

City of Ann Arbor
Direct and Overlapping Governmental Activities Debt
As of June 30, 2018
(dollars in thousands)
(Unaudited)

Government Unit	Net Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
DIRECT DEBT			
General obligation bonds	\$ 103,060	100.00%	\$ 103,060
Special assessment bonds	-	100.00%	-
City direct debt	<u>\$ 103,060</u>		<u>\$ 103,060</u>
OVERLAPPING DEBT			
Ann Arbor School District	\$ 160,050	63.58%	\$ 101,760
Washtenaw Community College	10,760	35.54%	3,824
Washtenaw County at Large	35,626	34.69%	12,359
Overlapping debt	<u>\$ 206,436</u>		<u>\$ 117,943</u>
Total direct & overlapping debt			<u>\$ 221,003</u>

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

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

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

**City of Ann Arbor
Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)**

Legal Debt Margin Calculation for Fiscal Year 2018

Assessed value of real and personal property	\$ 7,134,355,100
Debt limit (10% of assessed value)	713,435,510
Debt applicable to limit:	
Net direct debt	103,060,000
Less: Special Assessment bonds (general obligation portion)	-
Total net debt applicable to limit	103,060,000
Legal debt margin	\$ 610,375,510

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt limit	\$ 607,716,850	\$ 587,631,660	\$ 549,528,970	\$ 526,820,590	\$ 529,497,464	548,205,147	544,734,050	611,857,370	664,362,240	713,435,510
Total net debt applicable to limit	80,146,618	125,415,000	120,935,000	121,015,000	127,272,000	119,588,000	115,624,000	111,919,000	108,284,000	103,060,000
Legal debt margin	\$ 527,570,232	\$ 462,216,660	\$ 428,593,970	\$ 405,805,590	\$ 402,225,464	\$ 428,617,147	\$ 429,110,050	\$ 499,938,370	\$ 556,078,240	\$ 610,375,510
Total net debt applicable to the limit as a percentage of debt limit	13.19%	21.34%	22.01%	22.97%	24.04%	21.81%	21.23%	18.29%	16.30%	14.45%

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

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

Fiscal Year	Operating Revenue (1)	Operating Expenses (2)	Net Revenue Available For Debt Service	Debt Service			Coverage
				Principal	Interest	Total	
Water Supply System:							
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	23,688,291	12,850,445	10,837,846	3,123,721	1,106,529	4,230,250	2.6
2014	23,018,750	12,839,911	10,178,839	2,695,000	1,137,321	3,832,321	2.7
2015	22,948,029	13,933,617	9,014,412	2,410,000	1,262,901	3,672,901	2.5
2016	24,338,898	14,787,495	9,551,403	3,400,000	1,257,924	4,657,924	2.1
2017	26,610,731	14,584,734	12,025,997	3,905,001	764,316	4,669,317	2.6
2018	27,138,806	15,164,072	11,974,734	3,155,000	770,420	3,925,420	3.1
Sewage Disposal System:							
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	23,200,088	10,713,654	12,486,434	2,305,000	1,416,666	3,721,666	3.4
2015	22,878,298	11,484,606	11,393,692	2,225,000	2,658,665	4,883,665	2.3
2016	25,025,055	12,431,395	12,593,660	2,995,000	3,145,865	6,140,865	2.1
2017	27,336,885	12,213,885	15,123,000	4,427,831	2,779,118	7,206,949	2.1
2018	28,515,463	12,512,815	16,002,648	6,358,045	3,105,990	9,464,035	1.7
Stormwater Sewer System (3):							
2009	5,517,486	2,501,139	3,016,347	145,000	7,643	152,643	19.8

Notes:

- (1) Includes interest income. Revenue pledged is covered by Charges for services.
- (2) Excludes depreciation expense.
- (3) 2009 was the final year of debt service for Stormwater bonds.

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

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

<u>Year</u>	<u>Population (1)</u>	<u>Personal income (2)</u>	<u>Per Capita Personal Income (2)</u>	<u>Median Age (1)</u>	<u>Education Level in Years of Schooling (1)</u>	<u>School Enrollment (3)</u>	<u>Unemployment Rate % (4)</u>
2009	114,602	\$ 13,159,000	\$ 38,082	27.3	16.5	16,539	8.3
2010	112,852	13,496,000	39,085	27.8	16.5	16,536	8.1
2011	113,932	14,204,286	40,821	27.8	16.5	16,440	6.5
2012	113,934	15,161,590	43,202	27.8	16.5	16,544	8.6
2013	113,934	15,560,767	43,927	27.8	16.5	16,545	6.8
2014	113,934	17,260,080	48,365	27.8	16.5	16,588	5.7
2015	113,934	18,446,608	51,400	27.8	16.5	16,901	4.2
2016	113,934	19,261,779	52,814	27.8	16.5	16,815	3.5
2017	113,934	N/A	N/A	27.8	16.5	17,435	2.9
2018	113,934	N/A	N/A	27.8	16.5	17,669	3.6

Sources:

- (1) U. S. Census Bureau
- (2) Bureau of Economic Analysis, Ann Arbor Metropolitan Statistical Area, CA04 Personal Income and Employment Summary
<http://www.bea.gov/>
*Note: 2017 & 2018 data has not been released at this time.
- (3) Ann Arbor Public School's Enrollment Office, MI School Data, Our Schools -At A Glance
<http://www.a2schools.org/site/Default.aspx?PageID=6908>
- (4) Michigan Employment Security Commission statistics for Washtenaw County as of June 2018
http://stats.bls.gov/eag/eag.mi_annarbor_msa.htm

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

Employers	2018			2009		
	Employees	Rank	Percentage of Total Top City Employers	Employees	Rank	Percentage of Total Top City Employers
University of Michigan	31,920	1	64.02%	25,364	1	42.75%
Trinity Health System (formerly St. Joseph's Health System)	6,883	2	13.80%	5,679	3	9.57%
U.S. Government	3,147	3	6.31%			
Ann Arbor Public Schools	1,929	4	3.87%	3,000	4	5.06%
Integrated Health Associates, Inc.	1,389	5	2.79%			
Washtenaw County	1,252	6	2.51%	1,382	6	2.33%
Thompson-Reuters	1,155	7	2.32%			
Domino's Pizza	812	8	1.63%			
City of Ann Arbor	729	9	1.46%	801	9	1.35%
NSF International	647	10	1.30%			
Univ. of Mich Hospitals & Health System				18,298	2	30.84%
Washtenaw Community College				1,559	5	2.63%
Veterans Administration Medical Center				1,230	7	2.07%
Borders Group, Inc.				1,220	8	2.06%
Busch's Inc.				800	10	1.35%
Total	49,863		100.00%	59,333		100.00%

Source: **Crain's Detroit Business, Vol. 33, No. 52, 2017 Edition, 2018 Book of Lists** and Business Week (Prime Numbers: Top Employers, January Edition)

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

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government										
Financial Services	49	49	48	45	48	61	61	61	60	61
Community Services	35	35	33	34	32	34	57	59	63	65
Parks & Recreation	17	19	20	20	20	24	24	24	24	23
City Administrator Services	29	31	31	30	31	34	34	34	34	37
Mayor & Council	1	1	1	1	1	1	1	1	1	1
Police										
Officers	152	152	150	118	118	119	122	122	122	122
Civilians	30	30	27	46	28	27	27	27	27	27
Fire										
Firefighters & Officers	94	94	89	81	81	85	86	86	86	86
Civilians				1	1	1	1	1	1	1
Public Services										
Project Management	15	15	15	13	13	12	12	16	16	17
Water	23	26	26	26	26	26	26	26	26	27
Wastewater Treatment	34	35	35	35	35	35	35	35	35	35
Field Operations	125	135	129	126	124	120	120	117	117	117
Other	93	79	75	74	74	61	61	59	62	63
15th District Court	39	39	37	36	34	34	34	34	34	35
Retirement System	4	4	4	4	4	4	4	4	4	4
Downtown Development Authority	3	3	3	4	4	4	4	4	4	6
City Attorney	14	14	13	13	12	12	12	12	13	13
Per Budget Book	800	761	736	706	686	694	721	722	729	740

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

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

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Physical arrests	2,000	1,605	2,630	2,610	2,395	1,462	1,461	1,542	1,289	1,467
Parking violations	157,668	137,271	86,780	95,990	87,898	92,184	108,759	118,041	117,221	102,981
Traffic violations	23,764	NA	16,729	10,638	14,676	14,053	12,205	12,548	11,022	9,515
Fire										
Emergency responses	6,045	4,985	5,808	5,843	6,180	6,646	6,572	6,947	7,234	7,214
Fire extinguished	258	226	281	431	418	283	220	259	205	206
Inspections (1st inspections)	21	508	913	1,962	1,769	1,164	1,218	1,339	1,182	1,257
Refuse Collection										
Refuse collected (tons/day)	NA	NA	NA	71.25	72.30	72.84	72.87	72.52	73.21	151.22
Recyclables collected (tons/day)	34.00	31.00	30.82	37.10	38.13	39.54	40.17	40.31	40.27	36.32
Other Public works										
Street resurfacing and reconstruction	4.92	6.92	4.72	6.20	6.60	5.286	6.13	5.905	3.91	3.71
Capital Preventative Maintenance (miles) (a)						0	2.12	7.696	55.387	42.444
Potholes repaired (tons)	423.70	394.60	500.00	392.78	359.35	636.50	570.92	482.32	397.60	648.43
Parks and Recreation										
Athletic field permits issued	839	893	1,067	1,032	956	929	866	733	692	987
Community center admissions	10,500	11,000	11,500	11,500	11,500	12,000	12,000	12,500	19,750	19,750
Water										
Connections	28,222	28,202	28,266	28,333	28,376	28,387	28,418	28,452	28,496	28,565
Water main breaks	58	85	96	72	102	120	91	65	73	66
Average daily consumption (millions of gallons)	12.675	12.699	13.782	14.600	14.870	14.091	13.576	13.824	13.902	14.080
Peak daily consumption (millions of gallons)	20.775	17.927	21.415	27.115	28.100	23.120	19.174	20.131	21.262	21.717
Wastewater										
Average daily sewage treatment (millions of gallons)	18.347	17.745	17.680	18.100	16.700	17.758	16.999	16.810	17.900	18.300

Source: Various services areas within City of Ann Arbor

(a) This includes crack sealing and thin mill and fill.

City of Ann Arbor
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years
(Unaudited)

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Station	1	1	1	1	1	1	1	1	1	1
Zone Offices	2	2	2	2	2	2	2	2	1	1
Patrol units	36	35	37	36	36	37	35	35	36	35
Fire Stations	5	5	5	5	5	5	5	5	5	5
Refuse Collection										
Collection Trucks	18	28	27	26	27	27	27	26	26	27
Other Public works										
Streets (miles)	295.13	295.13	295.13	295.13	296.7	296.83	296.83	296.83	296.83	297.65
Streetlights	7,134	7,134	7,134	7,139	7,194	7,194	7,497	7,562	7,567	7,572
Traffic signals	158	158	158	158	158	158	159	159	159	159
Parks and Recreation										
Acreage	2,044	2,044	2,045	2,045	2,095	2,074	2,074	2,110	2,110	2,110
Playgrounds	73	73	77	77	77	77	77	79	79	80
Baseball/softball diamonds	34	34	34	34	34	34	34	34	34	34
Soccer/football fields	25	25	24	24	24	24	24	24	24	24
Community centers	2	2	2	2	2	2	2	2	2	2
Water										
Water mains (miles)	484.7	484.7	472.0	464	501	489.5	488	455	456	459
Fire hydrants	3,555	3,555	2,909	2,960	3,711	3,733	3,741	3,178	3,239	3,887
Storage Capacity (thousands of gallons)	19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000
Wastewater										
Sanitary sewers (miles)	404.6	404.6	364.0	363.7	369	362	362	362	362	364
Storm sewers (miles)	412.6	412.6	320.1	322.4	264	264	266	294	294	328
Treatment capacity (thousands of gallons)	50,000	50,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000

Source: Various services areas within City of Ann Arbor