

CITY OF ANN ARBOR, MICHIGAN

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE YEAR ENDED JUNE 30, 2020

City of Ann Arbor

Comprehensive Annual Financial Report

County of Washtenaw

State of Michigan

Fiscal Year Ended June 30, 2020



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

December 2, 2020

**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, 2020, 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 disclosures 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, 2020.

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 enough reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Yeo & Yeo, P.C., have issued an unmodified ("clean") opinion on the City of Ann Arbor financial statements for the year ended June 30, 2020. The independent auditor's report is located at the front of the financial section of this report.

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

Profile of the Government

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

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

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

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

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

The city takes pride in the services provided to our citizens and our community's well-earned reputation. 2020 recognitions include:

- 2020 Top 100 Best Places to Live (No. 2), Livability.
- Best Small Cities in the U.S. (No. 10), Resonance Consultancy.
- Certificate of Achievement for Excellence in Financial Reporting, Government Finance Officers Association.
- Best Places to Be a Teacher (No. 24), Smartasset.
- Most Fitness-friendly Places in the U.S. (No. 4) Smartasset.
- Most Educated Cities in America (No. 1), WalletHub.

Local Economy

The City is endowed with several major corporations located within its boundaries such as Google. In addition, Ann Arbor is home to one of the largest employers in the County, the University of Michigan, which employs approximately 34,000 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 \$63,956.

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. While the local area unemployment rate is 10.75% as of June 2020 (most likely due to the COVID-19 pandemic), receipts from sales taxes have increased modestly, and residential property values are increasing, primarily due to new construction. Offsetting some of this economic improvement are State laws limiting property tax revenues along with legislative uncertainty of funds provided by the State to the City.

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

Long-term Financial Planning

The City Council and City Administrator are committed to strategies designed to ensure the long-term financial health of the City. The City's financial policies now include a funding policy for a sinking fund for capital needs which was approved by Council in May of 2018 and funded for the fiscal year 2021 budget. In addition, the City funded multiple priorities with new funding from Washtenaw County as a result of a new millage.

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

Relevant Financial Policies

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

Major Initiatives

Water Meter Replacement Program

This program will replace 26,650 water meters and meter transmission units (“MTUs”) throughout the City and make network upgrades to improve communication of water and sewer usage data. The program is appropriate due to the battery life (approximately 15 years) of existing MTUs which were installed in 2004-2005. Contemporaneously installed water meters are also nearing the end of their useful life. Failure of either would result in a loss of, or inaccurate water/sewer use data. The project’s budget is \$7.6 million.

WTP Interim UV Disinfection

In June 2017, the Michigan Department of Environment, Great Lakes and Energy (EGLE), formerly MDEQ, notified the City of Ann Arbor (City) that their drinking water supply would require additional protection to comply with the EPA Long-term 2 Enhanced Surface Water Treatment Rule (LT2) drinking-water regulations. A study was performed to evaluate alternatives for compliance with the LT2 drinking water regulations, which resulted in the recommendation for implementation of ultraviolet (UV) light disinfection. The goal of this project is to comply with the EGLE June 2020 deadline for additional Cryptosporidium protection. With the addition of UV disinfection, the City must demonstrate removal, or inactivation, of Cryptosporidium to comply with the LT2 drinking water regulations. The budget for this project is \$3.1 million.

SCADA Modernization

The Project will replace over 20-year old legacy programmable logic controllers (PLC’s) and SCADA computer systems with new, modern components capable of additional functionality and integration with other water plant software packages and equipment. Production of critical components of the PLCs is discontinued and they are not supported any more. The Project will improve the overall reliability of plant control functions, add more data logging and aggregation, integrate the SCADA system with other plant software applications, and comply with industry standard security protocols. The budget for this project is \$4.1 million.

Geddes Recreational Dam

Geddes Dam was constructed in 1920 on the Huron River and is operated and maintained by the City’s Water Treatment Services Unit. The Geddes Dam provides the Gallup impoundment and the layout of Gallup Park is predicated on the dam. Each year, approximately 30% of Livery business, or roughly \$300,000 is recognized through “pond paddles” – boating activity in an impoundment area. The scope of the project includes replacement of the spillway gates in their entirety to result in a long service life.

The cost of construction was funded by Parks Maintenance and Capital Improvements Millage Fund in the amount of \$1,234,165.90 and Parks Memorial and Contributions Fund in the amount of \$66,751 for a total construction fund budget of \$1,300,916.90. The project meets multiple sustainability goals, including safe community and active living and learning.

Station #6 Gender Neutral Facilities

Fire Station #6 was constructed at a time when the fire service was made up of predominantly male fire fighters. As more women have joined the fire service, it is important to ensure that the City’s fire station facilities reflect these changes in the gender make-up of the fire services. The project involves the renovation of the existing restroom and shower facilities into two unisex restrooms with individual shower facilities in each restroom and conversion of an open dorm-style sleeping area into three individual sleeping areas. The project also includes renovation of a half restroom for ADA compliance, renovations to the locker room facilities and the upgrade of interior and exterior lighting to new LED fixtures.

The Cost of the construction was funded by the General Capital Fund Budget in the amount of \$239,167 and by the General Fund Fire Department in the amount of \$15,033 for a total budget of \$254,200.

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, 2019. This was the thirtieth 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 2020. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document must 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,



Tom Crawford,
City Administrator



Matt Horning,
Chief Financial Officer

City of Ann Arbor
List of Elected and Appointed Officials
June 30, 2020

Christopher Taylor – Mayor

City Council

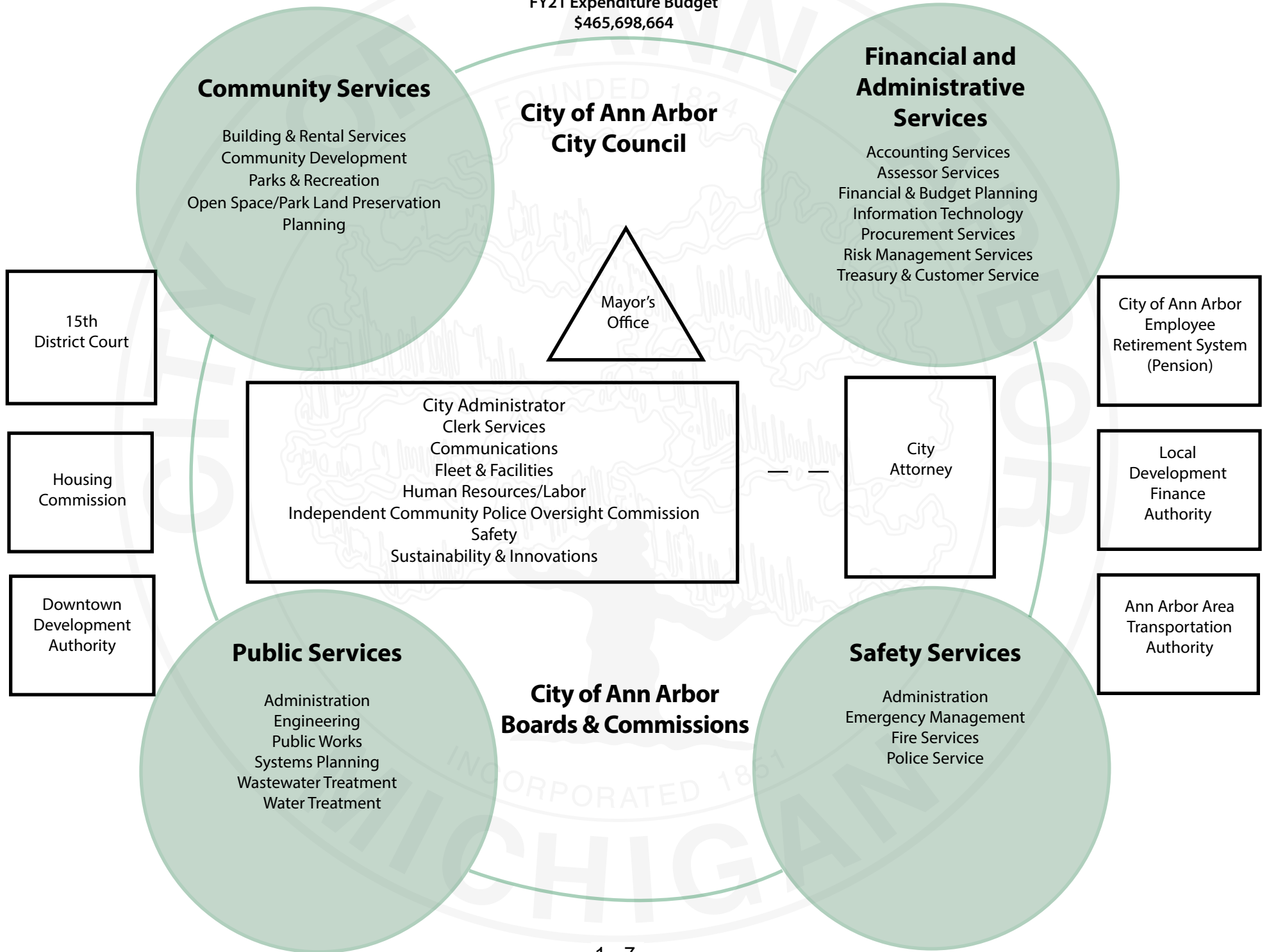
Julie Grand
Jane Lumm
Zachary Ackerman
Jack Eaton
Chip Smith
Anne Bannister
Kathy Griswold
Ali Ramlawi
Jeff Hayner
Elizabeth Nelson

Other Officers and Officials

Tom Crawford – City Administrator
Matt Horning – Chief Financial Officer
Karleen Kudej – Accounting Services Manager
Michael J. Pettigrew – City Treasurer
Stephen K. Postema – City Attorney
Jacqueline Beaudry – City Clerk

CITY OF ANN ARBOR ORGANIZATIONAL CHART

FY21 Expenditure Budget
\$465,698,664





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, 2019

Christopher P. Morrell

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, 2020, 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 11.31 percent and 6.74 percent of the total assets and total net position of the discretely presented component units at June 30, 2020, respectively, and total revenues constituting 35.11 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 based on our report and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ann Arbor, as of June 30, 2020, 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 Standard

As described in Note 1 to the financial statements, during the year ended June 30, 2020, the City adopted GASB Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

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 December 2, 2020 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
December 2, 2020

City of Ann Arbor
Management's Discussion and Analysis
June 30, 2020

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, 2020. 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 \$1,004,516,070 at the close of the most recent fiscal year.
 - \$904,735,952 is the net investment in capital assets;
 - \$105,260,051 is restricted for specific purposes, such as capital projects;
 - (\$5,479,933) is unrestricted. This balance is comprised of (\$81,833,606) in governmental activities and \$76,353,673 in business-type activities.
 - The City's total net position increased by \$2,788,811 during the year, primarily due to increases in Business-Type Activities, Water and Sewer funds, which are setting aside funds for future capital needs.
 - The City's total debt decreased by \$15,772,678, (new issues less retirements), during the current fiscal year due to the normally scheduled retirement of debt.
 - The City's deferred outflow of resources increased \$12,017,959, while the deferred inflow of resources increased \$16,224,386 due to differences between expected and actual experience related to the City's other post-employment benefits.
- Fund financial statements are comprised of 30 governmental funds and 12 proprietary funds. Governmental funds include the General Fund, the Street, Bridge & Sidewalk Millage Fund and other special revenue, capital projects and debt service funds.
 - At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$106,034,824, decreasing \$5,418,558 during the fiscal year.
 - Of the above fund balance amount, \$17,873,142 is unassigned and may be used to meet the government's ongoing obligations to citizens and creditors, \$17,550,977 assigned and may be used subject to the purpose of the fund in which they are located and the remaining amount of \$70,610,703 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 (\$27,631,593) and the Street, Bridge & Sidewalk Millage Fund (\$7,550,159) account for 33.2% of total fund balance including restricted amounts. The remaining amount is represented across the other 28 non-major funds.
 - The General fund recognized an increase to fund balance of \$1,994,394. The General fund unassigned fund balance decreased from \$19,713,016 in FY2019 to \$19,554,234 in FY2020. The assigned fund balance increased by \$1,755,301. At the end of the current fiscal year, unassigned general fund balance was 17.8% of the total general fund expenditures.

City of Ann Arbor
Management's Discussion and Analysis
June 30, 2020

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 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, 2020

FUND FINANCIAL STATEMENTS

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

Governmental funds

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

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

The City maintains 30 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General and Street, Bridge and Sidewalk Millage funds. Data from the other 28 governmental funds are combined in a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

Proprietary funds

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

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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, all 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 4-68 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to the major fund budgetary comparisons and a schedule concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 5-1 to 5-10 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be located on pages 6-1 to 6-38 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 position of the City's governmental and business-type activities. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As the following table demonstrates, the City's assets exceeded its liabilities by \$1,004,516,070 at June 30, 2020 compared \$1,001,727,259 at June 30, 2019.

**City of Ann Arbor
Net Assets
Comparative Schedule - June 30, 2020 and 2019**

| | Governmental Activities | | Business-type Activities | | Total | |
|---|------------------------------------|----------------------|-------------------------------------|----------------------|----------------------|------------------------|
| | June 30, 2020 | June 30, 2019 | June 30, 2020 | June 30, 2019 | June 30, 2020 | June 30, 2019 |
| Current and other assets | \$ 159,694,807 | \$ 157,464,362 | \$ 174,103,470 | \$ 161,822,777 | \$ 333,798,277 | \$ 319,287,139 |
| Capital assets | 763,774,071 | 781,033,231 | 426,146,759 | 419,701,588 | 1,189,920,830 | 1,200,734,819 |
| Total assets | 923,468,878 | 938,497,593 | 600,250,229 | 581,524,365 | 1,523,719,107 | 1,520,021,958 |
| Deferred outflow of resources | 31,170,392 | 21,109,020 | 9,980,703 | 8,024,114 | 41,151,095 | 29,133,134 |
| Long-term liabilities | 129,472,727 | 135,015,139 | 180,025,682 | 190,235,457 | 309,498,409 | 325,250,596 |
| Pension and OPEB | 147,843,644 | 141,708,562 | 47,360,363 | 46,780,992 | 195,204,007 | 188,489,554 |
| Other liabilities | 19,729,445 | 14,428,856 | 17,579,033 | 17,139,987 | 37,308,478 | 31,568,843 |
| Total liabilities | 297,045,816 | 291,152,557 | 244,965,078 | 254,156,436 | 542,010,894 | 545,308,993 |
| Deferred inflow of resources | 14,314,436 | 1,433,905 | 4,028,802 | 684,947 | 18,343,238 | 2,118,852 |
| Net assets: | | | | | | |
| Net investment in capital assets | 653,605,138 | 664,619,342 | 251,130,814 | 234,555,667 | 904,735,952 | 899,175,009 |
| Restricted | 71,507,486 | 66,538,909 | 33,752,565 | 33,863,408 | 105,260,051 | 100,402,317 |
| Unrestricted | (81,833,606) | (64,138,100) | 76,353,673 | 66,288,021 | (5,479,933) | 2,149,921 |
| Total net assets | \$643,279,018 | \$667,020,151 | \$361,237,052 | \$334,707,096 | 1,004,516,070 | \$1,001,727,247 |

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

An additional portion of the City's net position at June 30, 2020, \$105,260,051, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets is (\$5,479,933).

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Long-term liabilities decreased as a result of normally scheduled retirement of debt. Pension and OPEB liabilities have increased from \$188,489,554 in fiscal year 2019 to \$195,204,007 in 2020. Other liabilities have increased in the Governmental Activities due to an increase in accounts payable due to increased activity for the Allen Creek Railroad Berm, while Other liabilities in Business-type Activities remained relatively flat.

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

**City of Ann Arbor
Management's Discussion and Analysis
June 30, 2020**

**City of Ann Arbor
Changes in Net Assets
Comparative Schedule - Years Ended June 30, 2020 and 2019**

| | Governmental Activities | | Business-type Activities | | Total | |
|---|----------------------------|-----------------------|-----------------------------|-----------------------|-------------------------|-------------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Revenue: | | | | | | |
| Program revenue: | | | | | | |
| Charges for services | \$ 34,092,380 | \$ 32,683,770 | \$ 75,666,011 | \$ 78,251,078 | \$ 109,758,391 | \$ 110,934,848 |
| Operating contributions and grants | 16,424,627 | 16,661,456 | | | 16,424,627 | 16,661,456 |
| Capital contributions and grants | 1,070,562 | 2,480,753 | - | 118,425 | 1,070,562 | 2,599,178 |
| General revenue: | | | | | - | |
| Property taxes | 84,024,048 | 80,152,017 | 13,728,287 | 13,064,727 | 97,752,335 | 93,216,744 |
| State shared revenues and grants | 11,845,757 | 11,493,427 | | | 11,845,757 | 11,493,427 |
| Investment income | 6,303,600 | 5,269,825 | 5,037,480 | 4,361,262 | 11,341,080 | 9,631,087 |
| Other | - | 351,982 | - | 13,750 | - | 365,732 |
| Total revenue | <u>153,760,974</u> | <u>149,093,230</u> | <u>94,431,778</u> | <u>95,809,242</u> | <u>248,192,752</u> | <u>244,902,472</u> |
| Expenses: | | | | | | |
| Governmental activities: | | | | | | |
| General government | 20,385,283 | 18,166,147 | | | 20,385,283 | 18,166,147 |
| Public safety | 58,996,948 | 47,984,733 | | | 58,996,948 | 47,984,733 |
| Public works | 62,633,254 | 53,143,075 | | | 62,633,254 | 53,143,075 |
| Community and economic development | 3,937,980 | 2,696,878 | | | 3,937,980 | 2,696,878 |
| Culture and recreation | 15,150,651 | 14,009,824 | | | 15,150,651 | 14,009,824 |
| Other - Public Transportation | 11,408,712 | 10,864,768 | | | 11,408,712 | 10,864,768 |
| Debt service | 3,583,704 | 3,272,391 | | | 3,583,704 | 3,272,391 |
| Business-type activities: | | | | | | |
| Water | | | 19,798,550 | 24,075,346 | 19,798,550 | 24,075,346 |
| Sewer | | | 23,155,043 | 21,258,970 | 23,155,043 | 21,258,970 |
| Parking | | | 1,754,222 | 1,789,366 | 1,754,222 | 1,789,366 |
| Airport | | | 827,366 | 909,745 | 827,366 | 909,745 |
| Stormwater | | | 6,770,918 | 9,615,145 | 6,770,918 | 9,615,145 |
| Solid waste | | | 17,001,298 | 17,748,336 | 17,001,298 | 17,748,336 |
| Total expenses | <u>176,096,532</u> | <u>150,137,816</u> | <u>69,307,397</u> | <u>75,396,908</u> | <u>245,403,929</u> | <u>225,534,724</u> |
| Increase (decrease) in net assets before transfers | (22,335,558) | (1,044,586) | 25,124,381 | 20,412,334 | 2,788,823 | 19,367,748 |
| Transfers | (1,405,575) | 2,002,648 | 1,405,575 | (2,002,648) | - | - |
| Increase (decrease) in net assets | <u>(23,741,133)</u> | <u>958,062</u> | <u>26,529,956</u> | <u>18,409,686</u> | <u>2,788,823</u> | <u>19,367,748</u> |
| Net assets: beginning of year, previously stated | 667,020,151 | 666,062,089 | 334,707,096 | 316,297,410 | 1,001,727,247 | 982,359,499 |
| Net assets: end of year | <u>\$ 643,279,018</u> | <u>\$ 667,020,151</u> | <u>\$ 361,237,052</u> | <u>\$ 334,707,096</u> | <u>\$ 1,004,516,070</u> | <u>\$ 1,001,727,247</u> |

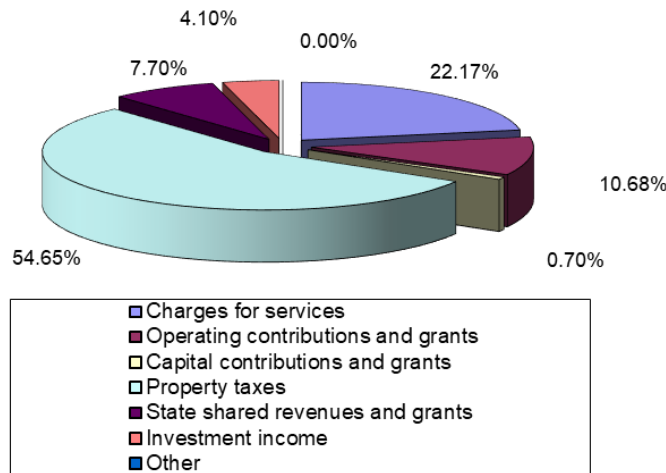
**City of Ann Arbor
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The City's net position increased by \$2,788,823 during the current fiscal year and \$19,367,748 in the prior fiscal year.

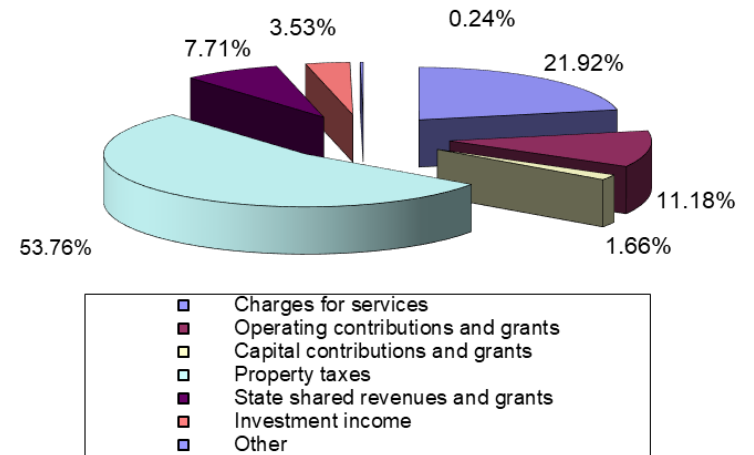
Governmental activities decreased the City's net position by \$23,741,133. During fiscal year 2019, governmental activities increased by \$958,062. Key revenue elements are as follows:

- In FY 2020 Property taxes increased 4.8% due to a combination of Consumer Price Index and new construction. Compared to an increase of 6.4% in fiscal year 2019 that was due to the addition of the tax revenue from the County Mental Health Millage, which accounted for 2.5% of the increase.
- Investment income increased from \$5,269,825 in fiscal year 2019 to \$6,303,600 in fiscal year 2020 due to a favorable change in market value. Last year, investment income increased by \$4,614,395. This is attributable to fluctuations in the market value of the investments. It is important to note that the City holds all its investments until they mature and do not experience a realized loss on investments.
- Capital contributions and grants decreased 56.9% in FY 20 due to a decrease in County/Other Governmental reimbursements for Street Millage as compared to a decrease 39.3% in fiscal year 2019. The FY20 decrease is related to a delay in reimbursement due to COVID-19.

2020 Governmental Activities - Revenues by Source



2019 Governmental Activities - Revenues by Source

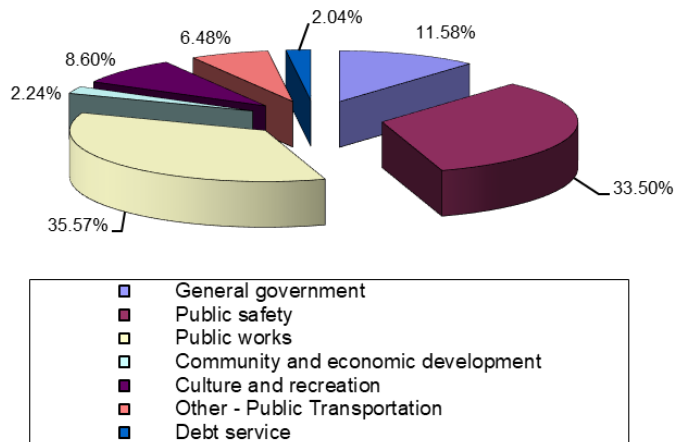


City of Ann Arbor Management's Discussion and Analysis June 30, 2020

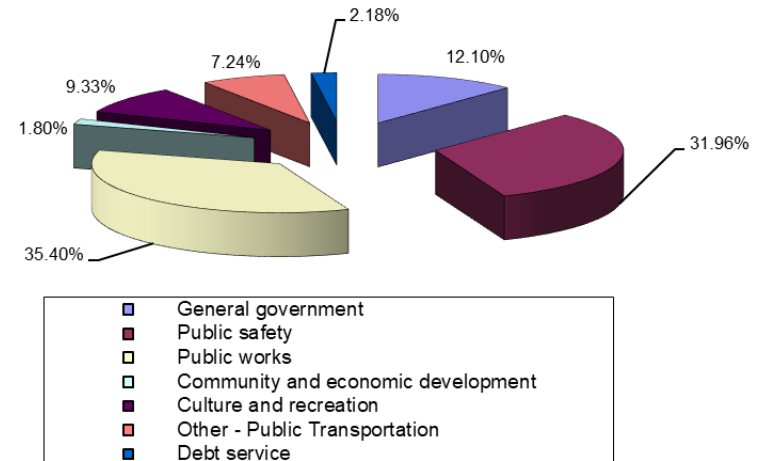
Expenses for governmental activities increased \$25,958,716 from 2019 to 2020. Key elements are as follows:

- General government expenses increased \$2.2 million due to an increase in pension and OPEB liability.
- Public Safety expenses increased \$11 million due to an increase in pension and OPEB liability.
- Public Works expenses increased by \$9.5 million due to an increase in contracted services for street capital maintenance, including surface treatment and an increase in depreciation expense for street infrastructure.
- Community and Economic Development increased by 46% due to an increase in contributions for the Community Mental Health Service Provision & the increase in pension & OPEB liability.

2020 Governmental Activities - Expenses by Function



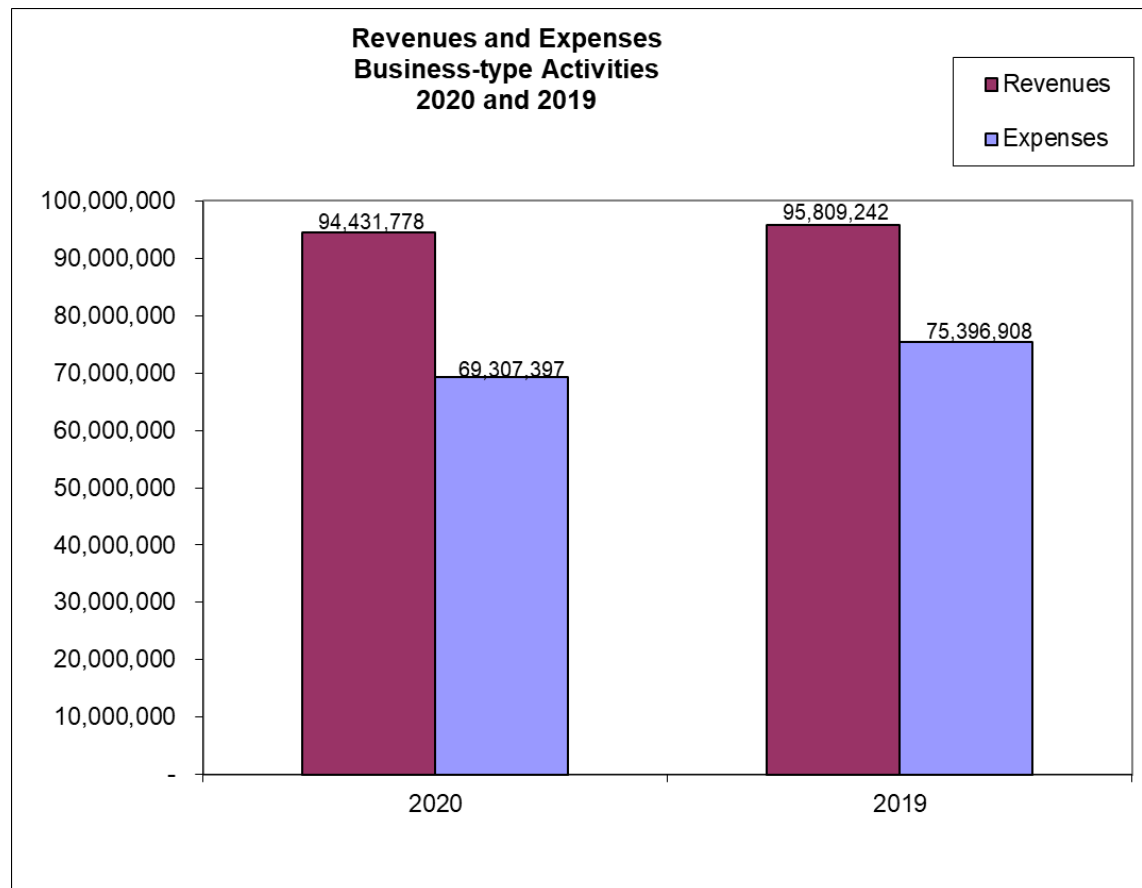
2019 Governmental Activities - Expenses by Function



**City of Ann Arbor
Management's Discussion and Analysis
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Business-type activities. Business-type activities increased the City's net assets by \$26,529,956 for fiscal year 2020 and by \$18,409,686 for fiscal year 2019, accounting for 100% and 95% of the total growth in the government's net assets for the current year and prior year, respectively. Key elements of this increase are as follows:

- Revenues decreased by \$1,377,464, or 1.4%, in fiscal year 2020. This is a result of COVID-19 which created a decreased utility consumption in the non-residential sector. In the prior year, the revenues had increased 4%.
- Overall, expenses decreased 8% in fiscal year 2020. This is compared to an increase of 21% in fiscal year 2019. The FY20 decrease is related to a decrease in the change in accrued pension liability in the utility funds.



City of Ann Arbor
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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 \$106,034,824 at June 30, 2020 versus \$111,453,382 at June 30, 2019, a decrease of \$5,418,558. Of the total fund balance amount, \$17,873,142 at June 30, 2020 is unassigned and unrestricted under GASB #54 fund balance classifications which indicates this money is available for spending at the government's discretion. At June 30, 2018, \$19,713,016 was unassigned and unrestricted.

The General fund is the chief operating fund of the City. At the end of the current fiscal year, unrestricted, unassigned fund balance of the general fund was \$19,554,234 at June 30, 2020. At June 30, 2019, the unrestricted, unassigned fund balance was \$19,713,016. Total fund balance was \$27,631,593 and \$25,637,199 at June 30, 2020 and 2019, 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 17.8% at June 30, 2020 of total General Fund expenditures. Unassigned fund balance was 18.7% at June 30, 2019 of total General Fund expenditures. The fund balance of the City's General Fund increased by \$1,994,394 during the current fiscal year in comparison to an increase of \$6,317,003 during the prior fiscal year. For fiscal year 2020, the increase is primarily attributed to an increase in equity in pooled cash and investments from a favorable market. For fiscal year 2019, the increase is attributable to issuance of debt for the land purchase at 350 South Fifth Avenue property.

The Street, Bridge & Sidewalk Millage fund balance increased by \$1,475,363 in fiscal year 2020 due to a favorable investment market compared to an increase of \$620,763 in fiscal year 2019.

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

Unrestricted net assets of the water, sanitary, stormwater sewer, parking system, solid waste, and airport, at the end of the year amounted to \$68,777,284. Water, sanitary, stormwater sewer, airport, and solid waste all had increases in net assets for the year, totaling \$25,042,383. Parking had a decrease in net assets of (\$407,515). Other factors concerning the finances of these funds have been addressed in the discussion of the City's business-type activities.

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

Differences between the original and final budgets for expenditures resulted in a 3.61% increase in fiscal year 2020 compared to a 2.82% increase in fiscal year 2019. The actual General Fund revenues and other financing sources were over expenditures and other financing uses by \$1,994,394. This is also \$1.9 million under final budget. The increase in the final budget from the original for fiscal year 2020 is attributed to various planned use of fund balance adjustments, a few of which relate to the COVID-19 shelter response, transportation plan updates, purchase of property at 1146 S Maple, testing and remediation at Leslie Science and Nature Center, Hollywood Drive paving and sustainability and climate change efforts. Revenue from Fees and Charges for services were under budget due adverse impact of COVID-19. The City's revenue from Fee and Charges for service include Parks and Recreation fees, such as pool usage fees and day camp revenue (both which were not in operation or operating under limited capacity durin the COVID-19 crisis). Also affected was metered parking revenue from the DDA and fire inspection. Fines and Forfeits were also under budget for FY20, again related to COVID-19 and the reduction of parking tickets issues & collection during that time. Expenses were under final budget due to a reduction in pension and VEBA contributions per a Council resolution. Additionally, expenses related to the fire department were under budget due to a reduction in overtime hours & their share of IT expenses. Also, several Community Development projects were not completed that were budgeted in the Affordable Housing Fund.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental/business-type activities as of June 30, 2020 was \$1,189,920,781 compared to \$1,200,734,819 at June 30, 2019 (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 -.90% compared to a decrease of -1.40% in fiscal year 2019. Major capital asset events during the fiscal year 2020 included an increase in improvements other than buildings and a corresponding increase in Construction in progress due to the additions and capitalization of several water improvements. Infrastructure had an increase of \$15,149,467 for road and other improvements. Accumulated depreciation increased from \$604,311,705 in fiscal year 2019 to \$670,954,096 in fiscal year 2020. Additional information on the City's capital assets can be located in note 5 on pages 4-44 and 4-45 of this report.

**City of Ann Arbor
Management's Discussion and Analysis
June 30, 2020**

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

| | Governmental Activities | | Business-type Activities | | Total | |
|---|------------------------------------|-----------------------|-------------------------------------|-----------------------|-------------------------|-------------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Land | \$ 67,597,550 | \$ 66,378,495 | \$ 7,461,349 | \$ 7,461,349 | \$ 75,058,899 | \$ 73,839,844 |
| Construction in progress | 18,206,168 | 9,505,130 | 28,590,051 | 21,381,529 | 46,796,219 | 30,886,659 |
| Buildings | 166,400,455 | 166,400,455 | 190,563,827 | 190,563,827 | 356,964,282 | 356,964,282 |
| Improvements other than buildings | 34,855,018 | 30,721,720 | 393,529,950 | 379,371,570 | 428,384,968 | 410,093,290 |
| Machinery and equipment | 14,369,555 | 13,606,133 | 27,568,417 | 27,394,504 | 41,937,972 | 41,000,637 |
| Vehicles | 27,981,108 | 23,659,852 | 1,530,201 | 1,530,201 | 29,511,309 | 25,190,053 |
| Drain Benefit | | | 3,662,286 | 3,662,284 | 3,662,286 | 3,662,284 |
| Intangible assets | 1,173,590 | 1,173,590 | | | 1,173,590 | 1,173,590 |
| Infrastructure | 877,385,352 | 862,235,885 | | | 877,385,352 | 862,235,885 |
| Less: accumulated depreciation | (444,194,772) | (392,648,029) | (226,759,324) | (211,663,676) | (670,954,096) | (604,311,705) |
| Total capital assets net of depreciation | \$ 763,774,024 | \$ 781,033,231 | \$ 426,146,757 | \$ 419,701,588 | \$ 1,189,920,781 | \$ 1,200,734,819 |

**City of Ann Arbor
Management's Discussion and Analysis
June 30, 2020**

Long-term debt: At the end of the current fiscal year, the City had total bonded debt outstanding of \$147,654,000. Of that amount, \$106,529,000 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 \$15,772,678 or 4.9% during the fiscal year, due to retirement of debt. A summary of the City of Ann Arbor's Outstanding Debt can be found on page 4-51 to 4-55 along with additional information.

City of Ann Arbor's Outstanding Debt

| | Governmental Activities | | Business-type Activities | | Total | |
|--|----------------------------|-----------------------|-----------------------------|-----------------------|-----------------------|-----------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| General Obligation Bonds | \$ 104,049,000 | \$ 110,262,000 | \$ 2,480,000 | \$ 3,670,000 | \$ 106,529,000 | \$ 113,932,000 |
| Notes from direct borrowings and direct placements | 5,350,000 | 5,350,000 | | | 5,350,000 | 5,350,000 |
| Revenue Bonds | | | 41,125,000 | 46,435,000 | 41,125,000 | 46,435,000 |
| Revolving Loans | | | \$118,649,652 | \$121,641,461 | 118,649,652 | 121,641,461 |
| Drain Notes | | | 14,474,385 | 15,244,156 | 14,474,385 | 15,244,156 |
| Capital Leases | | | | | | |
| Deferred amounts: | | | | | | |
| For issuance premiums | 3,501,388 | 3,688,367 | 696,250 | 818,850 | 4,197,638 | 4,507,217 |
| For issuance discounts | (110,627) | (117,103) | - | - | (110,627) | (117,103) |
| Compensated absences | 14,124,459 | 13,293,859 | 2,600,395 | 2,425,990 | 16,724,854 | 15,719,849 |
| Total outstanding debt | \$ 126,914,220 | \$ 132,477,123 | \$ 180,025,682 | \$ 190,235,457 | \$ 306,939,902 | \$ 322,712,580 |

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 \$821,785,285, which is significantly in excess of the City's outstanding general obligation debt. Additional information on the City's long-term debt is located in Note 9 of this report.

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

The following factors were considered in preparing the City's budget for fiscal year 2021:

- Property tax revenues are budgeted to increase 4.3% in fiscal year 2021.
- Average salary costs are budgeted to increase 3.3% in fiscal year 2021.
- Healthcare costs are projected to increase 6.6% in fiscal year 2021.
- Pension contributions are projected to increase 9.1% in fiscal year 2021.

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 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, 2020

| | Primary Government | | | Component Units |
|---|----------------------------|-----------------------------|----------------------|--------------------|
| | Governmental Activities | Business-type Activities | Total | |
| Assets | | | | |
| Cash and cash equivalents | \$ 293,135 | \$ 188,431 | \$ 481,566 | \$ 17,088,787 |
| Equity in pooled cash and investments | 140,637,640 | 128,957,744 | 269,595,384 | 4,957,634 |
| Investments | 12,433,021 | 13,767,942 | 26,200,963 | 8,008,801 |
| Receivables | | | | |
| Taxes, net | 515,711 | - | 515,711 | - |
| Accounts, net | 4,218,590 | 14,385,958 | 18,604,548 | 4,229,060 |
| Special assessments | 414,230 | 1,193 | 415,423 | - |
| Improvement charges | 67,036 | 516,276 | 583,312 | - |
| Accrued interest and other | 10,650 | - | 10,650 | - |
| Due from other units of government | 4,815,547 | 4,907,313 | 9,722,860 | - |
| Internal balances | (7,242,587) | 7,242,587 | - | - |
| Inventories | 1,162,786 | 593,636 | 1,756,422 | - |
| Prepaid items | 2,369,095 | 3,542,392 | 5,911,487 | 604,177 |
| Capital assets not being depreciated | 97,630,219 | 36,051,400 | 133,681,619 | - |
| Capital assets, net of accumulated depreciation | <u>666,143,805</u> | <u>390,095,357</u> | <u>1,056,239,162</u> | <u>57,548</u> |
| Total assets | <u>923,468,878</u> | <u>600,250,229</u> | <u>1,523,719,107</u> | <u>34,946,007</u> |
| Deferred Outflows of Resources | | | | |
| Deferred charges on refunding | 2,620,875 | 2,409,344 | 5,030,219 | - |
| Deferred amount relating to net pension liability | 10,342,749 | 3,200,118 | 13,542,867 | 23,562 |
| Deferred amount relating to net OPEB liability | <u>18,206,768</u> | <u>4,371,241</u> | <u>22,578,009</u> | <u>-</u> |
| Total deferred outflows of resources | <u>31,170,392</u> | <u>9,980,703</u> | <u>41,151,095</u> | <u>23,562</u> |

See Accompanying Notes to the Financial Statements

City of Ann Arbor
Statement of Net Position
June 30, 2020

| | Primary Government | | | Component Units |
|--|----------------------------|-----------------------------|-------------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total | |
| Liabilities | | | | |
| Accounts payable | \$ 10,086,369 | \$ 8,345,193 | \$ 18,431,562 | \$ 4,194,038 |
| Accrued and other liabilities | 2,863,050 | 1,560,244 | 4,423,294 | 67,621 |
| Deposits | 3,752,069 | 145,332 | 3,897,401 | - |
| Due to other units of government | 2,289,368 | - | 2,289,368 | 181,278 |
| Unearned revenue | 738,589 | - | 738,589 | 1,026,835 |
| Noncurrent liabilities | | | | |
| Due within one year | | | | |
| Estimated claims payable due within one year | 484,775 | - | 484,775 | - |
| Debt due within one year | 11,288,965 | 14,102,174 | 25,391,139 | 169,400 |
| Due in more than one year | | | | |
| Estimated claims payable due in more than one year | 2,073,732 | 7,528,264 | 9,601,996 | - |
| Debt due in more than one year | 115,625,255 | 165,923,508 | 281,548,763 | 659,008 |
| Net pension liability | 70,206,629 | 29,268,128 | 99,474,757 | 173,225 |
| Net OPEB liability | 77,637,015 | 18,092,235 | 95,729,250 | - |
| Total liabilities | <u>297,045,816</u> | <u>244,965,078</u> | <u>542,010,894</u> | <u>6,471,405</u> |
| Deferred Inflows of Resources | | | | |
| Deferred amount relating to net pension liability | 722,863 | 550,656 | 1,273,519 | 2,223 |
| Deferred amount relating to net OPEB liability | 13,591,573 | 3,478,146 | 17,069,719 | - |
| Total deferred inflows of resources | <u>14,314,436</u> | <u>4,028,802</u> | <u>18,343,238</u> | <u>2,223</u> |
| Net Position | | | | |
| Net investment in capital assets | 653,605,138 | 251,130,814 | 904,735,952 | 57,548 |
| Restricted for | | | | |
| Debt service | - | 12,880,915 | 12,880,915 | - |
| Endowment (non-expendable) | 1,984,000 | - | 1,984,000 | - |
| Equipment replacement | - | 20,690,659 | 20,690,659 | - |
| Landfill | - | 180,991 | 180,991 | - |
| Highways and streets | 36,037,593 | - | 36,037,593 | - |
| Culture and recreation | 19,367,475 | - | 19,367,475 | - |
| Other purposes | 14,118,418 | - | 14,118,418 | 553,787 |
| Unrestricted (deficit) | <u>(81,833,606)</u> | <u>76,353,673</u> | <u>(5,479,933)</u> | <u>27,884,606</u> |
| Total net position | <u>\$ 643,279,018</u> | <u>\$ 361,237,052</u> | <u>\$ 1,004,516,070</u> | <u>\$ 28,495,941</u> |

See Accompanying Notes to the Financial Statements

**City of Ann Arbor
Statement of Activities
For the Year Ended June 30, 2020**

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | Component Units | |
|--|-----------------------|-------------------------|--|--|----------------------------|-----------------------------|-------------------------|----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | |
| | | | | | Governmental Activities | Business-type Activities | | Total |
| Functions/Programs | | | | | | | | |
| Primary government | | | | | | | | |
| Governmental activities | | | | | | | | |
| General government | \$ 20,385,283 | \$ 13,783,296 | \$ 660,423 | \$ - | \$ (5,941,564) | \$ - | \$ (5,941,564) | \$ - |
| Public safety | 58,996,948 | 8,993,203 | 2,060,490 | - | (47,943,255) | - | (47,943,255) | - |
| Public works | 62,633,254 | 2,452,173 | 12,399,032 | 457,872 | (47,324,177) | - | (47,324,177) | - |
| Public transportation | 11,408,712 | - | - | - | (11,408,712) | - | (11,408,712) | - |
| Community and economic development | 3,937,980 | - | 906,543 | - | (3,031,437) | - | (3,031,437) | - |
| Recreation and culture | 15,150,651 | 3,461,681 | 398,139 | 612,690 | (10,678,141) | - | (10,678,141) | - |
| Interest and fiscal charges on long-term debt | 3,583,704 | 5,402,027 | - | - | 1,818,323 | - | 1,818,323 | - |
| Total governmental activities | 176,096,532 | 34,092,380 | 16,424,627 | 1,070,562 | (124,508,963) | - | (124,508,963) | - |
| Business-type activities | | | | | | | | |
| Water | 19,798,550 | 25,277,253 | - | - | - | 5,478,703 | 5,478,703 | - |
| Sewer | 23,155,043 | 31,984,321 | - | - | - | 8,829,278 | 8,829,278 | - |
| Parking | 1,754,222 | 1,271,600 | - | - | - | (482,622) | (482,622) | - |
| Airport | 827,366 | 933,066 | - | - | - | 105,700 | 105,700 | - |
| Stormwater | 6,770,918 | 12,485,490 | - | - | - | 5,714,572 | 5,714,572 | - |
| Solid waste | 17,001,298 | 3,714,281 | - | - | - | (13,287,017) | (13,287,017) | - |
| Total business-type activities | 69,307,397 | 75,666,011 | - | - | - | 6,358,614 | 6,358,614 | - |
| Total primary government | \$ 245,403,929 | \$ 109,758,391 | \$ 16,424,627 | \$ 1,070,562 | (124,508,963) | 6,358,614 | (118,150,349) | - |
| Component units | | | | | | | | |
| Housing Commission | \$ 20,025,035 | \$ 2,291 | \$ 17,120,893 | \$ 91,678 | - | - | - | (2,810,173) |
| SmartZone LDFA | 3,850,086 | - | - | - | - | - | - | (3,850,086) |
| Downtown Development Authority | 29,753,339 | 19,533,127 | - | - | - | - | - | (10,220,212) |
| Total Component units | \$ 53,628,460 | \$ 19,535,418 | \$ 17,120,893 | \$ 91,678 | - | - | - | (16,880,471) |
| General revenues | | | | | | | | |
| Property taxes | - | - | - | - | 84,024,048 | 13,728,287 | 97,752,335 | 11,434,493 |
| State-shared revenue | - | - | - | - | 11,845,757 | - | 11,845,757 | - |
| Unrestricted investment earnings | - | - | - | - | 6,303,600 | 5,037,480 | 11,341,080 | 659,796 |
| Miscellaneous | - | - | - | - | - | - | - | 7,746,720 |
| Transfers | - | - | - | - | (1,405,575) | 1,405,575 | - | - |
| Total general revenues and transfers | - | - | - | - | 100,767,830 | 20,171,342 | 120,939,172 | 19,841,009 |
| Change in net position | - | - | - | - | (23,741,133) | 26,529,956 | 2,788,823 | 2,960,538 |
| Net position - beginning of year | - | - | - | - | 667,020,151 | 334,707,096 | 1,001,727,247 | 25,535,403 |
| Net position - end of year | - | - | - | - | \$ 643,279,018 | \$ 361,237,052 | \$ 1,004,516,070 | \$ 28,495,941 |

See Accompanying Notes to the Financial Statements

**City of Ann Arbor
Governmental Funds
Balance Sheet
June 30, 2020**

| | General | Special Revenue Fund Street, Bridge, and Sidewalk Repair Millage Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---------------------------------------|-----------------------------|--|-----------------------------------|--------------------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 260,715 | \$ - | \$ 32,122 | \$ 292,837 |
| Equity in pooled cash and investments | 31,509,811 | 11,514,429 | 62,478,892 | 105,503,132 |
| Investments | - | - | 12,433,021 | 12,433,021 |
| Receivables | | | | |
| Taxes, net | 439,241 | 71,978 | 4,492 | 515,711 |
| Accounts, net | 886,081 | 2,346,282 | 751,866 | 3,984,229 |
| Special assessments | 2,774 | 217,845 | 193,611 | 414,230 |
| Accrued interest and other | - | - | 10,650 | 10,650 |
| Improvement charges | - | 67,036 | - | 67,036 |
| Due from other units of government | 790,841 | - | 4,024,706 | 4,815,547 |
| Due from other funds | 244,115 | - | - | 244,115 |
| Inventories | 39,389 | - | - | 39,389 |
| Prepaid items | 3,700 | - | - | 3,700 |
| Advances to other funds | 243,206 | - | - | 243,206 |
| Total assets | <u>\$ 34,419,873</u> | <u>\$ 14,217,570</u> | <u>\$ 79,929,360</u> | <u>\$ 128,566,803</u> |

See Accompanying Notes to the Financial Statements

**City of Ann Arbor
Governmental Funds
Balance Sheet
June 30, 2020**

| | General | Special Revenue Fund Street, Bridge, and Sidewalk Repair Millage Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|--|-----------------------------------|--------------------------------|
| Liabilities | | | | |
| Accounts payable | \$ 1,485,763 | \$ 3,145,364 | \$ 4,236,012 | \$ 8,867,139 |
| Accrued and other liabilities | 1,940,993 | 35,107 | 240,700 | 2,216,800 |
| Due to other funds | - | - | 153,519 | 153,519 |
| Deposits payable | 3,008,161 | 59,098 | - | 3,067,259 |
| Due to other units of government | 342,811 | 5,778 | 1,940,779 | 2,289,368 |
| Unearned revenue | - | 738,589 | - | 738,589 |
| Total liabilities | <u>6,777,728</u> | <u>3,983,936</u> | <u>6,571,010</u> | <u>17,332,674</u> |
| Deferred Inflows of Resources | | | | |
| Unavailable revenue | <u>10,552</u> | <u>2,683,475</u> | <u>2,505,278</u> | <u>5,199,305</u> |
| Fund Balances | | | | |
| Non-spendable | 286,295 | - | 1,984,000 | 2,270,295 |
| Restricted for | | | | |
| Road maintenance and repairs | - | 7,550,159 | 25,803,959 | 33,354,118 |
| Culture and recreation | - | - | 19,367,475 | 19,367,475 |
| Law enforcement | - | - | 286,246 | 286,246 |
| Other special revenue funds | - | - | 11,326,894 | 11,326,894 |
| Debt service | - | - | 553,755 | 553,755 |
| Capital projects | - | - | - | - |
| Committed | 498,352 | - | 2,953,568 | 3,451,920 |
| Assigned | 7,292,712 | - | 10,258,267 | 17,550,979 |
| Unassigned (deficit) | <u>19,554,234</u> | <u>-</u> | <u>(1,681,092)</u> | <u>17,873,142</u> |
| Total fund balances | <u>27,631,593</u> | <u>7,550,159</u> | <u>70,853,072</u> | <u>106,034,824</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 34,419,873</u> | <u>\$ 14,217,570</u> | <u>\$ 79,929,360</u> | <u>\$ 128,566,803</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, 2020**

| | |
|---|------------------------------|
| Total fund balances for governmental funds | \$ 106,034,824 |
| 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. | 665,519,675 |
| Capital assets not being depreciated used in governmental activities are not financial resources and therefore are not reported in the funds. | 85,713,713 |
| Certain receivables are not available to pay for current period expenditures and therefore are deferred in the funds. | 5,199,305 |
| Certain liabilities are not due and payable in the current period and are not reported in the funds. | |
| Accrued interest | (645,360) |
| Compensated absences | (14,124,459) |
| Deferred inflows of resources resulting from net pension liability | (722,863) |
| Deferred outflow of resources resulting from net pension liability | 10,342,749 |
| Deferred inflows of resources resulting from net OPEB liability | (13,591,573) |
| Deferred outflow of resources resulting from net OPEB liability | 18,206,768 |
| 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 | (109,399,000) |
| Unamortized bond discounts/premiums | (3,390,761) |
| Unamortized deferred loss on refunding | 2,620,875 |
| Net pension liability | (70,206,629) |
| Net OPEB liability | (77,637,015) |
| Internal service funds are included as part of governmental activities. | <u>39,358,769</u> |
| Net position of governmental activities | <u>\$ 643,279,018</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, 2020

| | General | Special Revenue Fund Street, Bridge, and Sidewalk Repair Millage Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|-------------------|---|-----------------------------------|--------------------------------|
| Revenues | | | | |
| Taxes | \$ 60,987,539 | \$ 11,672,374 | \$ 11,364,135 | \$ 84,024,048 |
| Special assessments/improvement charges | - | 74,263 | - | 74,263 |
| Licenses and permits | 1,784,805 | - | 5,832,367 | 7,617,172 |
| Federal grants | - | 102,282 | 639,300 | 741,582 |
| State-shared revenue | 14,353,955 | - | 13,452,790 | 27,806,745 |
| Local contributions | - | 504,373 | 1,032,926 | 1,537,299 |
| Charges for services | 8,688,407 | 237,725 | 6,492,034 | 15,418,166 |
| Fines and forfeitures | 3,561,662 | - | 208,485 | 3,770,147 |
| Interest income | 1,756,504 | 411,439 | 2,661,642 | 4,829,585 |
| Rental income | 778,765 | - | - | 778,765 |
| Other revenue | 788,003 | 78,273 | 391,568 | 1,257,844 |
| Total revenues | 92,699,640 | 13,080,729 | 42,075,247 | 147,855,616 |

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, 2020

| | <u>General</u> | <u>Special Revenue Fund Street, Bridge, and Sidewalk Repair Millage Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|-------------------|--|--|---|
| Expenditures | | | | |
| Current | | | | |
| General government | \$ 14,736,527 | \$ - | \$ 2,327,010 | \$ 17,063,537 |
| Public safety | 47,555,685 | - | 4,976,469 | 52,532,154 |
| Public works | 4,675,018 | 6,729,241 | 11,647,598 | 23,051,857 |
| Public transportation | 11,408,712 | - | 288,832 | 11,697,544 |
| Community and economic development | 3,161,517 | - | 454,453 | 3,615,970 |
| Recreation and culture | 8,442,055 | - | 5,944,998 | 14,387,053 |
| Capital outlay | 277,629 | 9,566,391 | 14,327,694 | 24,171,714 |
| Debt service | | | | |
| Principal retirement | - | - | 6,213,000 | 6,213,000 |
| Interest and fiscal charges | - | - | 3,747,600 | 3,747,600 |
| | | | | |
| Total expenditures | <u>90,257,143</u> | <u>16,295,632</u> | <u>49,927,654</u> | <u>156,480,429</u> |
| | | | | |
| Excess (deficiency) of revenues over expenditures | <u>2,442,497</u> | <u>(3,214,903)</u> | <u>(7,852,407)</u> | <u>(8,624,813)</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, 2020

| | General | Special Revenue Fund Street, Bridge, and Sidewalk Repair Millage Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|---------------|---|-----------------------------------|--------------------------------|
| Other financing sources (uses) | | | | |
| Transfers in | \$ 3,894,165 | \$ 6,512,347 | \$ 8,509,670 | \$ 18,916,182 |
| Transfers out | (4,342,268) | (1,822,081) | (9,545,578) | (15,709,927) |
| Total other financing sources and uses | (448,103) | 4,690,266 | (1,035,908) | 3,206,255 |
| Net change in fund balance | 1,994,394 | 1,475,363 | (8,888,315) | (5,418,558) |
| Fund balance - beginning of year | 25,637,199 | 6,074,796 | 79,741,387 | 111,453,382 |
| Fund balance - end of year | \$ 27,631,593 | \$ 7,550,159 | \$ 70,853,072 | \$ 106,034,824 |

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, 2020**

Net change in fund balances - total governmental funds \$ (5,418,558)

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 | (52,609,860) |
| Capital outlay | 33,315,730 |
| Sale of capital assets (net book value) | (39,336) |

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 | 4,327,703 |
|------------------------------|-----------|

Expenses are recorded when incurred in the statement of activities.

| | |
|----------------------|-----------|
| Accrued interest | 131,933 |
| Compensated absences | (830,600) |

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 | (14,777,929) |
| Net change in the deferred inflows and outflows of resources related to the net pension liability | 6,706,941 |
| Net change in net OPEB liability | 8,642,847 |
| Net change in the deferred inflows and outflows of resources related to the net OPEB liability | (9,377,600) |

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 | 6,213,000 |
| Amortization of premiums, discounts and similar items | 32,003 |

| | |
|---|----------|
| Internal service funds are also included as governmental activities | (57,407) |
|---|----------|

Change in net position of governmental activities **\$ (23,741,133)**

See Accompanying Notes to the Financial Statements

City of Ann Arbor
Proprietary Funds
Statement of Net Position
June 30, 2020

| | 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 | \$ - | \$ 187,951 | \$ 188,431 | \$ 298 |
| Equity in pooled cash and investments | 33,897,934 | 47,844,831 | 1,986,621 | 1,743,348 | 17,794,184 | 25,690,826 | 128,957,744 | 35,134,508 |
| Investments | 3,036,051 | 10,731,891 | - | - | - | - | 13,767,942 | - |
| Receivables | | | | | | | | |
| Accounts, net | 4,959,473 | 5,857,135 | - | 70,054 | 2,686,335 | 812,961 | 14,385,958 | 234,361 |
| Special assessments, current | 510 | 683 | - | - | - | - | 1,193 | - |
| Improvement charges | 12,459 | 27,002 | - | - | 1,977 | - | 41,438 | - |
| Due from other units of government | 227,244 | 20,727 | 500 | - | 460,651 | - | 709,122 | - |
| Inventories | 533,829 | 59,807 | - | - | - | - | 593,636 | 1,123,397 |
| Prepaid items | - | 3,387,359 | - | - | 155,033 | - | 3,542,392 | 2,365,395 |
| Total current assets | 42,667,950 | 67,929,435 | 1,987,121 | 1,813,432 | 21,098,180 | 26,691,738 | 162,187,856 | 38,857,959 |
| Noncurrent assets | | | | | | | | |
| Improvement charges | 154,484 | 262,786 | - | - | 57,568 | - | 474,838 | - |
| Due from other units of government | 4,198,191 | - | - | - | - | - | 4,198,191 | - |
| Capital assets not being depreciated | 19,428,809 | 6,820,759 | 3,934,897 | 708,927 | 2,750,172 | 2,407,836 | 36,051,400 | 11,916,506 |
| Capital assets, net of accumulated depreciation | 112,139,243 | 223,290,698 | 25,903,059 | 1,162,705 | 18,505,015 | 9,094,637 | 390,095,357 | 624,130 |
| Total noncurrent assets | 135,920,727 | 230,374,243 | 29,837,956 | 1,871,632 | 21,312,755 | 11,502,473 | 430,819,786 | 12,540,636 |
| Total assets | 178,588,677 | 298,303,678 | 31,825,077 | 3,685,064 | 42,410,935 | 38,194,211 | 593,007,642 | 51,398,595 |
| Deferred Outflows of Resources | | | | | | | | |
| Deferred amount on refunding | 780,032 | 1,533,524 | 95,788 | - | - | - | 2,409,344 | - |
| Deferred amount relating to net pension liability | 1,203,773 | 972,583 | - | - | 523,504 | 500,258 | 3,200,118 | - |
| Deferred amount relating to net OPEB liability | 1,654,768 | 1,536,696 | - | - | 435,251 | 744,526 | 4,371,241 | - |
| Total deferred outflows of resources | 3,638,573 | 4,042,803 | 95,788 | - | 958,755 | 1,244,784 | 9,980,703 | - |

See Accompanying Notes to the Financial Statements

City of Ann Arbor
Proprietary Funds
Statement of Net Position
June 30, 2020

| | 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 | \$ 4,221,144 | \$ 1,120,492 | \$ - | \$ 28,168 | \$ 1,372,970 | \$ 1,602,419 | \$ 8,345,193 | \$ 1,219,230 |
| Accrued and other liabilities | 169,987 | 123,223 | - | - | 48,878 | 67,458 | 409,546 | 890 |
| Due to other funds | - | - | - | 90,596 | - | - | 90,596 | - |
| Accrued interest payable | 227,871 | 856,458 | 16,533 | 1,138 | 48,698 | - | 1,150,698 | - |
| Deposits | 111,748 | - | - | - | 33,584 | - | 145,332 | 684,810 |
| Bonds payable, current | 2,382,356 | 3,119,710 | 510,399 | - | - | - | 6,012,465 | - |
| Other debt, current | 1,133,253 | 5,105,000 | - | - | 939,619 | - | 7,177,872 | - |
| Estimated claims payable, current | - | - | - | - | - | - | - | 484,775 |
| Compensated absences, current | 375,123 | 282,161 | - | - | 139,634 | 114,919 | 911,837 | - |
| Total current liabilities | 8,621,482 | 10,607,044 | 526,932 | 119,902 | 2,583,383 | 1,784,796 | 24,243,539 | 2,389,705 |
| Noncurrent liabilities | | | | | | | | |
| Bonds payable, net | 29,978,294 | 118,698,935 | 2,022,957 | - | 13,534,764 | - | 164,234,950 | - |
| Estimated claims payable, net | - | - | - | - | - | 7,528,264 | 7,528,264 | 2,073,732 |
| Compensated absences, net | 729,537 | 440,518 | - | - | 222,234 | 296,269 | 1,688,558 | - |
| Advances from other funds | - | - | - | 243,206 | - | - | 243,206 | - |
| Net pension liability | 10,893,151 | 8,791,383 | - | - | 4,887,051 | 4,696,543 | 29,268,128 | - |
| Net OPEB liability | 7,014,789 | 6,626,056 | - | - | 1,087,323 | 3,364,067 | 18,092,235 | - |
| Total noncurrent liabilities | 48,615,771 | 134,556,892 | 2,022,957 | 243,206 | 19,731,372 | 15,885,143 | 221,055,341 | 2,073,732 |
| Total liabilities | 57,237,253 | 145,163,936 | 2,549,889 | 363,108 | 22,314,755 | 17,669,939 | 245,298,880 | 4,463,437 |
| Deferred Inflows of Resources | | | | | | | | |
| Deferred amount relating to net pension liability | 202,070 | 162,840 | - | - | 94,393 | 91,353 | 550,656 | - |
| Deferred amount relating to net OPEB liability | 1,251,586 | 1,118,402 | - | - | 626,647 | 481,511 | 3,478,146 | - |
| Total deferred inflows of resources | 1,453,656 | 1,281,242 | - | - | 721,040 | 572,864 | 4,028,802 | - |

See Accompanying Notes to the Financial Statements

City of Ann Arbor
Proprietary Funds
Statement of Net Position
June 30, 2020

| | 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 | \$ 98,854,181 | \$ 104,721,336 | \$ 27,400,388 | \$ 1,871,632 | \$ 6,780,804 | \$ 11,502,473 | \$ 251,130,814 | \$ 12,540,636 |
| Restricted for | | | | | | | | |
| Debt service | 2,516,716 | 10,364,199 | - | - | - | - | 12,880,915 | - |
| Equipment replacement | 12,369,561 | 8,321,098 | - | - | - | - | 20,690,659 | - |
| Landfill | - | - | - | - | - | 180,991 | 180,991 | - |
| Unrestricted | <u>9,795,883</u> | <u>32,494,670</u> | <u>1,970,588</u> | <u>1,450,324</u> | <u>13,553,091</u> | <u>9,512,728</u> | <u>68,777,284</u> | <u>34,394,522</u> |
| Total net position | <u>\$ 123,536,341</u> | <u>\$ 155,901,303</u> | <u>\$ 29,370,976</u> | <u>\$ 3,321,956</u> | <u>\$ 20,333,895</u> | <u>\$ 21,196,192</u> | 353,660,663 | <u>\$ 46,935,158</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>7,576,389</u> | |
| Net position of business-type activities | | | | | | | <u>\$ 361,237,052</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, 2020

| | Enterprise Funds | | | | | | Total | Internal Service Funds |
|---|---------------------------|------------------------------|-------------------|--------------|-------------------------------|----------------|----------------|---------------------------|
| | Water Supply System | Sewage Disposal System | Parking System | Airport | Stormwater Sewer System | Solid Waste | | |
| Operating revenue | | | | | | | | |
| Charges for services | \$ 25,277,253 | \$ 31,984,321 | \$ 1,271,600 | \$ 933,066 | \$ 12,485,490 | \$ 3,714,281 | \$ 75,666,011 | \$ 52,672,960 |
| Operating expenses | | | | | | | | |
| Personnel services | 8,122,968 | 6,873,602 | - | 300,161 | 2,989,757 | 3,556,193 | 21,842,681 | 8,726,606 |
| Municipal service charge | 438,360 | 629,100 | - | 31,908 | 251,616 | 445,452 | 1,796,436 | 1,628,988 |
| Information technology charge | 904,853 | 347,524 | - | 10,692 | 244,296 | 180,262 | 1,687,627 | 1,041,547 |
| Other operating costs | 5,681,636 | 5,200,348 | - | 425,554 | 2,662,520 | 12,920,842 | 26,890,900 | 34,277,726 |
| Depreciation | 4,279,786 | 7,464,127 | 1,687,837 | 71,963 | 749,193 | 842,740 | 15,095,646 | 2,414,131 |
| Total operating expenses | 19,427,603 | 20,514,701 | 1,687,837 | 840,278 | 6,897,382 | 17,945,489 | 67,313,290 | 48,088,998 |
| Operating income (loss) | 5,849,650 | 11,469,620 | (416,237) | 92,788 | 5,588,108 | (14,231,208) | 8,352,721 | 4,583,962 |
| Nonoperating revenue (expenses) | | | | | | | | |
| Property taxes | 2,941 | - | - | - | - | 13,725,346 | 13,728,287 | - |
| Interest income | 1,267,744 | 1,987,232 | 75,107 | 65,939 | 639,202 | 1,002,256 | 5,037,480 | 1,366,677 |
| Interest expense | (697,985) | (2,917,695) | (66,385) | (16,034) | (191,097) | - | (3,889,196) | - |
| Total nonoperating revenues (expenses) | 572,700 | (930,463) | 8,722 | 49,905 | 448,105 | 14,727,602 | 14,876,571 | 1,366,677 |
| Income (loss) before contributions and transfers | 6,422,350 | 10,539,157 | (407,515) | 142,693 | 6,036,213 | 496,394 | 23,229,292 | 5,950,639 |
| Capital contributions | - | - | - | - | - | - | - | 498,873 |
| Transfers in | 6,524,547 | 1,030,892 | - | 17,746 | 476,170 | 162,738 | 8,212,093 | 328,585 |
| Transfers out | (1,814,823) | (2,016,564) | - | (8,664) | (2,480,737) | (485,730) | (6,806,518) | (4,940,415) |
| Change in net position | 11,132,074 | 9,553,485 | (407,515) | 151,775 | 4,031,646 | 173,402 | 24,634,867 | 1,837,682 |
| Net position - beginning of year | 112,404,267 | 146,347,818 | 29,778,491 | 3,170,181 | 16,302,249 | 21,022,790 | 329,025,796 | 45,097,476 |
| Net position - end of year | \$ 123,536,341 | \$ 155,901,303 | \$ 29,370,976 | \$ 3,321,956 | \$ 20,333,895 | \$ 21,196,192 | \$ 353,660,663 | \$ 46,935,158 |
| Change in net position - total enterprise funds | | | | | | | \$ 24,634,867 | |
| 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 | | | | | | | 1,895,089 | |
| Change in net position of business-type activities | | | | | | | \$ 26,529,956 | |

See Accompanying Notes to the Financial Statements

City of Ann Arbor
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2020

| | 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 | \$ 24,817,327 | \$ 32,072,652 | \$ 1,274,700 | \$ 930,250 | \$ 11,810,747 | \$ 3,748,273 | \$ 74,653,949 | \$ - |
| Payments to suppliers | (4,987,957) | (4,148,440) | - | (338,841) | (1,112,935) | (8,555,610) | (19,143,783) | (36,157,520) |
| Payments to employees | (7,409,619) | (6,241,735) | - | (300,161) | (2,676,713) | (3,222,192) | (19,850,420) | (8,726,606) |
| Receipts (payments) for interfund services used | (3,177,614) | (2,502,787) | - | (159,103) | (1,431,567) | (3,505,206) | (10,776,277) | 52,589,637 |
| Net cash provided (used) by operating activities | 9,242,137 | 19,179,690 | 1,274,700 | 132,145 | 6,589,532 | (11,534,735) | 24,883,469 | 7,705,511 |
| Cash flows from noncapital financing activities | | | | | | | | |
| Transfer from other funds | 6,524,547 | 1,030,892 | - | 17,746 | 476,170 | 162,738 | 8,212,093 | 328,585 |
| Transfers to other funds | (1,814,823) | (2,016,564) | - | (8,664) | (2,480,737) | (485,730) | (6,806,518) | (4,940,415) |
| Repayment of advances from other funds | - | - | - | (87,001) | - | - | (87,001) | - |
| Property taxes | 2,941 | - | - | - | - | 13,725,346 | 13,728,287 | - |
| Net cash provided (used) by noncapital financing activities | 4,712,665 | (985,672) | - | (77,919) | (2,004,567) | 13,402,354 | 15,046,861 | (4,611,830) |
| Cash flows from capital and related financing activities | | | | | | | | |
| Proceeds from sale of bonds and notes | 3,008,191 | - | - | - | 139,080 | - | 3,147,271 | - |
| Capital contributions | - | - | - | - | - | - | - | 498,873 |
| Purchases/construction of capital assets | (16,080,828) | (3,397,714) | - | - | (1,557,197) | (505,077) | (21,540,816) | (5,713,098) |
| Principal and interest paid on long-term debt | (3,961,659) | (10,903,775) | (1,271,600) | (16,330) | (1,101,832) | - | (17,255,196) | - |
| Proceeds from sale of capital assets | - | - | - | - | - | - | - | 1,224,708 |
| Net cash used by capital and related financing activities | (17,034,296) | (14,301,489) | (1,271,600) | (16,330) | (2,519,949) | (505,077) | (35,648,741) | (3,989,517) |

See Accompanying Notes to the Financial Statements

City of Ann Arbor
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2020

| | 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 | | | | | | | | |
| Proceeds from sales and maturities of investments | \$ 2,986,792 | \$ 10,557,770 | \$ - | \$ - | \$ - | \$ - | \$ 13,544,562 | \$ - |
| Purchases of investments | (3,036,050) | (10,731,891) | - | - | - | - | (13,767,941) | - |
| Interest received | <u>1,267,744</u> | <u>1,987,232</u> | <u>75,107</u> | <u>65,939</u> | <u>639,202</u> | <u>1,002,256</u> | <u>5,037,480</u> | <u>1,366,677</u> |
| Net cash provided by investing activities | <u>1,218,486</u> | <u>1,813,111</u> | <u>75,107</u> | <u>65,939</u> | <u>639,202</u> | <u>1,002,256</u> | <u>4,814,101</u> | <u>1,366,677</u> |
| Net change in cash and cash equivalents | (1,861,008) | 5,705,640 | 78,207 | 103,835 | 2,704,218 | 2,364,798 | 9,095,690 | 470,841 |
| Cash and cash equivalents - beginning of year | <u>35,759,392</u> | <u>42,139,191</u> | <u>1,908,414</u> | <u>1,639,543</u> | <u>15,089,966</u> | <u>23,513,979</u> | <u>120,050,485</u> | <u>34,663,965</u> |
| Cash and cash equivalents - end of year | <u>\$ 33,898,384</u> | <u>\$ 47,844,831</u> | <u>\$ 1,986,621</u> | <u>\$ 1,743,378</u> | <u>\$ 17,794,184</u> | <u>\$ 25,878,777</u> | <u>\$ 129,146,175</u> | <u>\$ 35,134,806</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities | | | | | | | | |
| Operating income (loss) | \$ 5,849,650 | \$ 11,469,620 | \$ (416,237) | \$ 92,788 | \$ 5,588,108 | \$ (14,231,208) | \$ 8,352,721 | \$ 4,583,962 |
| Adjustments to reconcile operating income to net cash from operating activities | | | | | | | | |
| Depreciation and amortization expense | 4,279,786 | 7,464,127 | 1,687,837 | 71,963 | 749,193 | 842,740 | 15,095,646 | 2,414,131 |
| Changes in assets and liabilities | | | | | | | | |
| Receivables (net) | (174,899) | 109,058 | 3,600 | (2,816) | (214,092) | 33,992 | (245,157) | (83,323) |
| Due from other units of government | (285,027) | (20,727) | (500) | - | (460,651) | - | (766,905) | - |
| Inventories | (102,021) | (4,953) | - | - | - | - | (106,974) | (91,101) |
| Prepaid items | - | (13,743) | - | - | 153,245 | - | 139,502 | 780,501 |
| Accounts payable | (1,013,096) | (455,559) | - | (29,790) | 456,644 | 598,210 | (443,591) | (235,337) |
| Accrued and other liabilities | 41,432 | 33,891 | - | - | 9,023 | 21,075 | 105,421 | 257 |
| Deposits | - | - | - | - | 4,041 | - | 4,041 | 315,930 |
| Estimated claims payable | - | - | - | - | - | 887,530 | 887,530 | 20,491 |
| Customer deposits payable | (25,605) | - | - | - | - | - | (25,605) | - |
| Net pension liability | 588,561 | 476,788 | - | - | 236,460 | 222,509 | 1,524,318 | - |
| Net OPEB liability | 67,693 | 60,489 | - | - | 33,893 | 26,043 | 188,118 | - |
| Compensated absences | <u>15,663</u> | <u>60,699</u> | <u>-</u> | <u>-</u> | <u>33,668</u> | <u>64,374</u> | <u>174,404</u> | <u>-</u> |
| Net cash provided (used) by operating activities | <u>\$ 9,242,137</u> | <u>\$ 19,179,690</u> | <u>\$ 1,274,700</u> | <u>\$ 132,145</u> | <u>\$ 6,589,532</u> | <u>\$ (11,534,735)</u> | <u>\$ 24,883,469</u> | <u>\$ 7,705,511</u> |
| Reconciliation to the statement of net position | | | | | | | | |
| Cash and cash equivalents | \$ 450 | \$ - | \$ - | \$ 30 | \$ - | \$ 187,951 | \$ 188,431 | \$ 298 |
| Equity in pooled cash and investments | <u>33,897,934</u> | <u>47,844,831</u> | <u>1,986,621</u> | <u>1,743,348</u> | <u>17,794,184</u> | <u>25,690,826</u> | <u>128,957,744</u> | <u>35,134,508</u> |
| Cash and cash equivalents per cash flows | <u>\$ 33,898,384</u> | <u>\$ 47,844,831</u> | <u>\$ 1,986,621</u> | <u>\$ 1,743,378</u> | <u>\$ 17,794,184</u> | <u>\$ 25,878,777</u> | <u>\$ 129,146,175</u> | <u>\$ 35,134,806</u> |

See Accompanying Notes to the Financial Statements

City of Ann Arbor
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2020

| | Private-purpose Trust Fund | Pension and Employee Benefit Trust Funds | Custodial Funds |
|--|-------------------------------|---|--------------------|
| Assets | | | |
| Cash | \$ - | \$ - | \$ 9,769 |
| Equity in pooled cash and investments | 2,839 | 5,358,172 | 33,772 |
| Investments, at fair value: | | | |
| Equities | - | 425,124,310 | - |
| Fixed income | - | 188,146,691 | - |
| Other | 687,514 | 92,988,540 | - |
| Receivables | | | |
| Accrued interest and other | - | 564,433 | - |
| Due from other units of government | - | - | 24,165 |
| Due from other funds | - | 71,696 | - |
| Capital assets, net | - | 335,810 | - |
| Total assets | <u>690,353</u> | <u>712,589,652</u> | <u>67,706</u> |
| Deferred Outflows of Resources | | | |
| Deferred amount related to net pension liability | - | 76,593 | - |
| Deferred amount related to net OPEB liability | - | 81,290 | - |
| Total deferred outflows of resources | <u>-</u> | <u>157,883</u> | <u>-</u> |
| Liabilities | | | |
| Accounts payable | - | 3,540,617 | - |
| Mortgage payable, due in one year | - | 32,637 | - |
| Mortgage payable, due in more than one year | - | 69,747 | - |
| Net pension liability | - | 655,027 | - |
| Net OPEB liability | - | 488,184 | - |
| Due to other governments | - | - | 67,706 |
| Total liabilities | <u>-</u> | <u>4,786,212</u> | <u>67,706</u> |
| Deferred Inflows of Resources | | | |
| Deferred amount on net pension liability | - | 11,200 | - |
| Deferred amount related to net OPEB liability | - | 5,122 | - |
| Total deferred inflows of resources | <u>-</u> | <u>16,322</u> | <u>-</u> |
| Net Position | | | |
| Restricted for police and fire relief | 690,353 | - | - |
| Restricted for pensions and other post employment benefits | - | 707,945,001 | - |
| Total net position | <u>\$ 690,353</u> | <u>\$ 707,945,001</u> | <u>\$ -</u> |

See Accompanying Notes to the Financial Statements

City of Ann Arbor
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2020

| | Private-purpose Trust Fund | Pension and Other Employee Benefit Trust Funds | Custodial Funds |
|--|-------------------------------|---|--------------------|
| Additions | | | |
| Investment income: | | | |
| From investing activities: | | | |
| Appreciation in fair value of investments | \$ - | \$ 25,720,744 | \$ - |
| Interest and dividends | 11,258 | 4,948,609 | - |
| Total investment income | 11,258 | 30,669,353 | - |
| Investment management fees | - | (771,430) | - |
| Net investment income from investing activities | 11,258 | 29,897,923 | - |
| From securities lending activities: | | | |
| Gross earnings | - | 11,644 | - |
| Borrower rebates received (paid) | - | (7,198) | - |
| Securities lending fees | - | (1,323) | - |
| Net investment income from securities and lending activities | - | 3,123 | - |
| Total net investment income | 11,258 | 29,901,046 | - |
| Contributions: | | | |
| Employer | - | 26,853,429 | - |
| Plan member | - | 3,439,428 | - |
| Total contributions | - | 30,292,857 | - |
| Property tax collections for other governments | - | - | 253,989,103 |
| Total additions | 11,258 | 60,193,903 | 253,989,103 |
| Deductions | | | |
| Benefits | - | 49,846,476 | - |
| Refunds of contributions | - | 1,233,082 | - |
| Administrative expenses | - | 927,209 | - |
| Payments of property tax to other governments | - | - | 253,989,103 |
| Total deductions | - | 52,006,767 | 253,989,103 |
| Change in net position | 11,258 | 8,187,136 | - |
| Net position - beginning of year | 679,095 | 699,757,865 | - |
| Net position - end of year | \$ 690,353 | \$ 707,945,001 | \$ - |

See Accompanying Notes to the Financial Statements

City of Ann Arbor
Discretely Presented Component Units
Combining Statement of Net Position
June 30, 2020

| | Housing Commission | SmartZone Local Development Finance Authority | Downtown Development Authority | Total |
|---|-----------------------|---|--------------------------------------|----------------------|
| Assets | | | | |
| Cash | \$ 3,307,401 | \$ - | \$ 13,781,386 | \$ 17,088,787 |
| Equity in pooled cash and investments | - | 4,957,634 | - | 4,957,634 |
| Investments, at fair value | - | - | 8,008,801 | 8,008,801 |
| Receivables | 516,661 | 522,250 | 3,190,149 | 4,229,060 |
| Other assets | 50,390 | - | 553,787 | 604,177 |
| Capital assets being depreciated, net | 57,548 | - | - | 57,548 |
| Total assets | 3,932,000 | 5,479,884 | 25,534,123 | 34,946,007 |
| Deferred Outflows of Resources | | | | |
| Deferred amount relating to net pension liability | 23,562 | - | - | 23,562 |
| Liabilities | | | | |
| Accounts payable | 660,468 | 711,509 | 2,822,061 | 4,194,038 |
| Accrued and other liabilities | 49,695 | - | 17,926 | 67,621 |
| Due to other units of government | - | - | 181,278 | 181,278 |
| Unearned revenue | 504,585 | 522,250 | - | 1,026,835 |
| Debt due within one year | 56,753 | - | 112,647 | 169,400 |
| Debt due in more than one year | 589,089 | - | 69,919 | 659,008 |
| Net pension liability | 173,225 | - | - | 173,225 |
| Total liabilities | 2,033,815 | 1,233,759 | 3,203,831 | 6,471,405 |
| Deferred Inflows of Resources | | | | |
| Deferred amount relating to net pension liability | 2,223 | - | - | 2,223 |
| Net Position | | | | |
| Net investment in capital assets | 57,548 | - | - | 57,548 |
| Restricted | - | - | 553,787 | 553,787 |
| Unrestricted | 1,861,976 | 4,246,125 | 21,776,505 | 27,884,606 |
| Total net position | <u>\$ 1,919,524</u> | <u>\$ 4,246,125</u> | <u>\$ 22,330,292</u> | <u>\$ 28,495,941</u> |

See Accompanying Notes to the Financial Statements

City of Ann Arbor
Discretely Presented Component Units
Combining Statement of Activities
For the Year Ended June 30, 2020

| | Housing Commission | SmartZone Local Development Finance Authority | Downtown Development Authority | Total |
|------------------------------------|-----------------------|---|--------------------------------------|----------------------|
| Expenses | | | | |
| Housing and economic development | \$ 20,025,035 | \$ 3,850,086 | \$ 29,753,339 | \$ 53,628,460 |
| Program revenues | | | | |
| Charges for services | 2,291 | - | 19,533,127 | 19,535,418 |
| Operating grants and contributions | 17,120,893 | - | - | 17,120,893 |
| Capital grants and contributions | 91,678 | - | - | 91,678 |
| Total program revenue | <u>17,214,862</u> | <u>-</u> | <u>19,533,127</u> | <u>36,747,989</u> |
| Net program expense | <u>(2,810,173)</u> | <u>(3,850,086)</u> | <u>(10,220,212)</u> | <u>(16,880,471)</u> |
| General revenues | | | | |
| Property taxes | - | 4,417,262 | 7,017,231 | 11,434,493 |
| Interest income | 2,183 | 180,966 | 476,647 | 659,796 |
| Other income | 2,652,959 | 19,533 | 5,074,228 | 7,746,720 |
| Total general revenues | <u>2,655,142</u> | <u>4,617,761</u> | <u>12,568,106</u> | <u>19,841,009</u> |
| Change in net position | (155,031) | 767,675 | 2,347,894 | 2,960,538 |
| Net position - beginning of year | <u>2,074,555</u> | <u>3,478,450</u> | <u>19,982,398</u> | <u>25,535,403</u> |
| Net position - end of year | <u>\$ 1,919,524</u> | <u>\$ 4,246,125</u> | <u>\$ 22,330,292</u> | <u>\$ 28,495,941</u> |

See Accompanying Notes to the Financial Statements

City of Ann Arbor
Notes to the Financial Statements
June 30, 2020

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 \$3.9 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 \$6.7 million for debt service payments. The DDA paid \$.1 million to the City for insurance and network access. The City transferred \$.2 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, 2020

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 \$35,343 as of June 30, 2020.

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 recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for

City of Ann Arbor
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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.

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.

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.

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

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

The private-purpose trust fund accounts for investment earnings to subsidize the income of certain surviving beneficiaries of police officers and firefighters.

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

The custodial funds account for assets held for other governments in a custodial 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 restricted resources first, then unrestricted resources as they are needed.

Assets, liabilities, and net position or equity

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

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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 \$899,927.

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, 2019 as controlled by the Headlee Amendment, Act 415 and City Charter, was 5.8884 mills raising \$36.1 million. Other tax rates and amounts raised were as follows: employee benefits (1.9627) raising \$12 million, refuse collection (2.3549) raising \$14.3 million, Ann Arbor Transportation Authority (1.9802) raising \$11.4 million, street & sidewalk repair (1.9981) raising \$12.3 million, parks maintenance and repair (1.0903) raising \$6.7 million, and open space and parkland preservation Millage (0.4560) raising \$2.8 million. Real and personal property located in the City as of December 31, 2018 was assessed and equalized at \$7,917,477,749, 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 2019

taxable value on May 28, 2019, was \$6,152,634,000. 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.

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.

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Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

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

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

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

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

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

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

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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.

Deferred inflows of resources – The City reports deferred inflows of resources for changes in assumptions and experience differences relating to the net pension and OPEB liabilities which 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.

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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 \$867,525 are included in assigned fund balance of the General Fund, \$11,088,353 in restricted fund balance of the Major and Local Street Funds and Street, Bridge and Sidewalk Millage Fund, and \$10,278,700 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.

Adoption of New Accounting Standards

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.

Statement No. 92, *Omnibus 2020* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following: (1) The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports (2) Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan. (3) The applicability of Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits. (4) The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements. (5) Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition. (6) Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers. (7) Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. (8) Terminology used to refer to derivative instruments.

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Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic and provides postponement of effective dates for certain GASB Statements. This statement was effective upon issuance in May of 2020.

Upcoming Accounting and Reporting Changes

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

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, 2022.

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, 2022.

Statement No. 91, *Conduit Debt Obligations* provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement is effective for the year ending June 30, 2023.

Statement No. 93, *Replacement of Interbank Offered Rates* establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. This statement is effective for the year ending June 30, 2022.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this

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Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This statement is effective for the year ending June 30, 2023.

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

Note 2 - Stewardship, Compliance, and Accountability

Budgetary information

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). The City Administrator is required by City Charter to prepare and submit an annual budget to City Council. A budget is prepared for the General Fund and special revenue funds; these budgets are prepared on the modified accrual basis and are adopted by City Council as required by the State of Michigan. Budgetary control is maintained at the departmental level for the General Fund. The City Administrator is authorized to transfer budgeted amounts within General Fund departments. Budgetary control for the special revenue funds is maintained at the fund level. Revisions to a department total of the General Fund or to the fund total of a special revenue fund must be approved by City Council; some supplemental budgetary appropriations, of immaterial size, were necessary during the fiscal

year. At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Any outstanding encumbrances are carried forward to the succeeding fiscal year. Annual operating plans are prepared for debt service, capital projects, enterprise and internal service funds (i.e., those funds not legally required to have adopted budgets under State law).

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

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

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

Department budget requests are then submitted with expenditures outlined and areas of concern identified so that adjustments can be made as needed. By allowing the departments to determine how funds are spent within the department, the operating departments have a greater ownership in how they provide services.

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.

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After the budget has been adopted, City Council may amend the budget by a concurring vote of no 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, 2020, the City did not incur any expenditures in excess of the amounts appropriated at the legal level of budgetary control.

Fund Deficits

The City has an accumulated fund balance deficit in the Major Grants Fund in the amount of \$1,681,092 as of June 30, 2020. This was caused by delayed receipt of grant funding and is completely covered by deferred inflows of resources.

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 | | | |
|--------------------------|----------------------|-------------------------|-----------------------|-------------------------|
| | Cash | Cash and Investments | Investments | Total |
| Governmental activities | \$ 293,135 | \$ 140,637,640 | \$ 12,433,021 | \$ 153,363,796 |
| Business-type activities | 188,431 | 128,957,744 | 13,767,942 | 142,914,117 |
| Total | 481,566 | 269,595,384 | 26,200,963 | 296,277,913 |
| Fiduciary funds | 9,769 | 5,394,783 | 706,947,055 | 712,351,607 |
| Component units | 17,088,787 | 4,957,634 | 8,008,801 | 30,055,222 |
| Total | <u>\$ 17,580,122</u> | <u>\$ 279,947,801</u> | <u>\$ 741,156,819</u> | <u>\$ 1,038,684,742</u> |

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The breakdown between deposits and investments is as follows:

Deposits and investments

| | |
|---|-------------------------|
| Bank deposits | \$ 17,455,737 |
| Certificates of deposit due within one year | 1,771,377 |
| Investments in securities, mutual funds, and similar vehicles: | |
| City investment pool | 278,291,854 |
| Nonmajor governmental funds | 12,433,021 |
| Enterprise funds | 13,767,942 |
| Employees' Retirement System | 513,368,161 |
| Retiree Health Care Trust Fund | 192,891,380 |
| Downtown Development Authority | 8,008,801 |
| Police & Fire Relief Trust | 687,514 |
| Cash on hand | 8,955 |
| Total | \$ 1,038,684,742 |

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

Deposits

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

| | Carrying Amount | Bank Balance | Insured | Uninsured |
|--------------------------------|---------------------|----------------------|---------------------|----------------------|
| City cash pool | \$ 1,374,580 | \$ 44,911,792 | \$ 315,891 | \$ 44,595,901 |
| Downtown Development Authority | 3,293,905 | 3,260,932 | 250,000 | 3,010,932 |
| Housing Commission | 3,307,401 | 3,314,976 | 1,000,000 | 2,314,976 |
| Totals | \$ 7,975,886 | \$ 51,487,700 | \$ 1,565,891 | \$ 49,921,809 |

The uninsured bank balance of \$44,595,901 was exposed to custodial credit risk as it was uninsured and uncollateralized, except that the Housing Commission's uninsured balance was collateralized with government securities having a fair value of \$1,162,438 as of year-end. In addition, the Downtown Development Authority had \$1,007,430 in certificates of deposit, of which \$757,430 was uninsured.

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

City of Ann Arbor
Notes to the Financial Statements
June 30, 2020

Investments – City Investment Pool

The following is a summary of the City’s investments as of June 30, 2020:

| | |
|--------------------------|------------------------------|
| U.S. treasuries | \$ 131,143,846 |
| U.S. agencies | 129,256,733 |
| MI Class | 43,465,674 |
| Accrued interest | <u>1,311,377</u> |
| Total investments | <u>\$ 305,177,630</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, 2020, 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, 2020, all of the City’s investments in securities of the U.S. Treasury and U.S. agencies were rated AA+ by Standard & Poor’s (S&P) and Aaa by Moody’s. All of the City’s investments comply with its policy regarding the types of investments it may hold.

Concentration of Credit Risk – At June 30, 2020, 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 | 7.95% |
| U.S. agencies | Federal Farm Credit Bank | 15.85% |
| U.S. agencies | Federal Home Loan Mortgage | 7.75% |
| U.S. agencies | Federal Home Loan Bank | 18.09% |

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

City of Ann Arbor
Notes to the Financial Statements
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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, 2020, maturities of the City’s debt securities were as follows:

| Investment Type | Fair Value | Investments in Maturities (fair value by years) | | |
|-----------------|-----------------------|--|-----------------------|-------------|
| | | <1 | 1-5 | 6-10 |
| U.S. treasuries | \$ 131,143,846 | \$ 56,228,452 | \$ 74,915,394 | \$ - |
| U.S. agencies | <u>129,256,732</u> | <u>30,214,807</u> | <u>99,041,925</u> | <u>-</u> |
| | <u>\$ 260,400,578</u> | <u>\$ 86,443,259</u> | <u>\$ 173,957,319</u> | <u>\$ -</u> |

Of the above balances, \$30,000,000 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, 2020 were related to its investments in U.S. treasuries, U.S agencies and money market cash funds. These investments are valued using quoted market pricing of the underlying securities (Level 1 inputs).

Investments – City of Ann Arbor Employees’ Retirement System

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

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

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

City of Ann Arbor
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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, 2020 is as follows:

| Asset Class | Target Allocation | Allocation Range |
|----------------------------|------------------------------|-----------------------------|
| Equities | | |
| Domestic equities | 36% | 25% - 42% |
| Developed foreign equities | 14% | 9% - 17% |
| Emerging markets equities | 7% | 0% - 10% |
| Private equities | 5% | 0% - 7% |
| | <u>62%</u> | <u>34% - 76%</u> |
| Fixed income | | |
| Investment grade bonds | 12% | 8% - 24% |
| TIPS | 2% | 0% - 10% |
| High yield bonds | 3% | 1% - 5% |
| Bank loans | 2% | 0% - 4% |
| Emerging market debts | 2% | 0% - 4% |
| | <u>21%</u> | <u>9% - 47%</u> |
| Other investments | | |
| Real estate | 9% | 2% - 12% |
| Natural resources | 3% | 0% - 5% |
| Infrastructure | 3% | 0% - 5% |
| Hedge funds | 2% | 1% - 5% |
| Cash | 0% | 0% - 5% |
| | <u>17%</u> | <u>3% - 32%</u> |
| | <u>100%</u> | |

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

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Notes to the Financial Statements
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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, 2020: (investments at fair value, as determined by quoted market price).

| | Domestic | Foreign | Total | On Loan |
|-------------------------------|-----------------------|-----------------------|-----------------------|-------------------|
| Equities | | | | |
| Common stock | \$ 103,331,413 | \$ 683,567 | \$ 104,014,980 | \$ 155,496 |
| Common stock funds | 88,257,150 | 98,758,595 | 187,015,745 | - |
| Private equity | 22,769,688 | - | 22,769,688 | - |
| Mutual funds - equity | 903,410 | 393,895 | 1,297,305 | - |
| Total equities | <u>215,261,661</u> | <u>99,836,057</u> | <u>315,097,718</u> | <u>155,496</u> |
| Fixed income | | | | |
| Corporate bonds | 40,010,519 | 3,130,803 | 43,141,322 | - |
| Corporate bond funds | 38,180,691 | - | 38,180,691 | - |
| Bank loan participation | 9,853,330 | - | 9,853,330 | - |
| Private credit | 10,795,686 | - | 10,795,686 | - |
| Index linked government bonds | 17,202,592 | - | 17,202,592 | - |
| Mutual funds - fixed income | 219,310 | 12,140,635 | 12,359,945 | - |
| Total fixed income | <u>116,262,128</u> | <u>15,271,438</u> | <u>131,533,566</u> | <u>-</u> |
| Other investments | | | | |
| Real estate | 45,868,984 | - | 45,868,984 | - |
| Hedge funds | 6,150,267 | 4,085,875 | 10,236,142 | - |
| Short-term investment fund | 8,832 | 10,515,411 | 10,524,243 | - |
| Mutual funds - other | 107,508 | - | 107,508 | - |
| Total other investments | <u>52,135,591</u> | <u>14,601,286</u> | <u>66,736,877</u> | <u>-</u> |
| Total investments | <u>\$ 383,659,380</u> | <u>\$ 129,708,781</u> | <u>\$ 513,368,161</u> | <u>\$ 155,496</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, 2020:

| | <u>2020</u> |
|-------------------------------|-----------------------|
| Corporate bonds | \$ 43,141,322 |
| Corporate bond funds | 38,180,691 |
| Bank loan participation | 9,853,330 |
| Private credit | 10,795,686 |
| Index linked government bonds | 17,202,592 |
| Mutual funds - fixed income | <u>12,359,945</u> |
| | <u>\$ 131,533,566</u> |

The System’s investments in corporate bond funds and hedge funds are not rated; also, the other fixed income securities at June 30, 2020 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, 2020, 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, 2020 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, 2020, the annual money-weighted rate of return on plan investments, net of investment expenses, was 4.45 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, 2020, the total collateral received from borrowers had a fair value of \$159,302, all of which was cash.

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

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

Level 2 Measurements – the Level 2 investments are collective funds which are primarily invested in common stocks and fixed income securities. The fair value of these funds is based on the net asset value

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Notes to the Financial Statements
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per share as reported by the investment manager by reference to the underlying assets.

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

The System had the following recurring fair value measurements as of June 30, 2020:

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Equities | | | | |
| Common stock | \$ 104,014,980 | \$ - | \$ - | \$ 104,014,980 |
| Common stock funds | 29,383,847 | 157,631,898 | - | 187,015,745 |
| Private equity | - | 6,437,529 | 16,332,159 | 22,769,688 |
| Mutual funds - equity | <u>1,297,305</u> | <u>-</u> | <u>-</u> | <u>1,297,305</u> |
| Total equities | <u>134,696,132</u> | <u>164,069,427</u> | <u>16,332,159</u> | <u>315,097,718</u> |
| Fixed income | | | | |
| Corporate bonds | - | 40,010,519 | 3,130,803 | 43,141,322 |
| Corporate bond funds | - | 33,116,936 | 5,063,755 | 38,180,691 |
| Bank loan participation | - | - | 9,853,330 | 9,853,330 |
| Private credit | - | - | 10,795,686 | 10,795,686 |
| Index linked government bonds | - | 17,202,592 | - | 17,202,592 |
| Mutual funds - fixed income | <u>12,359,945</u> | <u>-</u> | <u>-</u> | <u>12,359,945</u> |
| Total fixed income | <u>12,359,945</u> | <u>90,330,047</u> | <u>28,843,574</u> | <u>131,533,566</u> |
| Other investments | | | | |
| Real estate | - | - | 45,868,984 | 45,868,984 |
| Hedge funds | - | - | 10,236,142 | 10,236,142 |
| Short-term investment fund | 10,524,243 | - | - | 10,524,243 |
| Mutual funds - other | <u>107,508</u> | <u>-</u> | <u>-</u> | <u>107,508</u> |
| Total other investments | <u>10,631,751</u> | <u>-</u> | <u>56,105,126</u> | <u>66,736,877</u> |
| Total investments | <u>\$ 157,687,828</u> | <u>\$ 254,399,474</u> | <u>\$ 101,280,859</u> | <u>\$ 513,368,161</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.

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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, 2020:

| | Domestic | Foreign | Total | On Loan |
|--------------------------------|-----------------------|----------------------|-----------------------|-------------------|
| Equities | | | | |
| Common stock | \$ 40,994,260 | \$ 243,052 | \$ 41,237,312 | \$ 161,035 |
| Common stock funds | 32,463,358 | 33,103,923 | 65,567,281 | - |
| Private equity | 3,221,999 | - | 3,221,999 | - |
| Total equities | <u>76,679,617</u> | <u>33,346,975</u> | <u>110,026,592</u> | <u>161,035</u> |
| Fixed income | | | | |
| Corporate bond funds | 4,915,993 | - | 4,915,993 | - |
| Funds - corporate bonds | 32,374,939 | - | 32,374,939 | - |
| Bank loans | 5,610,975 | - | 5,610,975 | - |
| Private credit | 2,825,809 | - | 2,825,809 | - |
| Mutual funds | - | 3,514,614 | 3,514,614 | - |
| Index linked government bonds | 7,370,795 | - | 7,370,795 | - |
| Total fixed income | <u>53,098,511</u> | <u>3,514,614</u> | <u>56,613,125</u> | <u>-</u> |
| Other investments | | | | |
| Real estate | 18,280,855 | - | 18,280,855 | - |
| Short-term investment fund | - | 7,970,808 | 7,970,808 | - |
| Total other investments | <u>18,280,855</u> | <u>7,970,808</u> | <u>26,251,663</u> | <u>-</u> |
| Total investments | <u>\$ 148,058,983</u> | <u>\$ 44,832,397</u> | <u>\$ 192,891,380</u> | <u>\$ 161,035</u> |

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

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

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:

| | 2020 |
|-------------------------------|----------------------|
| Corporate bond funds | \$ 4,915,993 |
| Funds - corporate bonds | 32,374,939 |
| Bank loan participation | 5,610,975 |
| Index linked government bonds | 2,825,809 |
| Private credit | 7,370,795 |
| Mutual funds | 3,514,614 |
| | <u>\$ 56,613,125</u> |

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the Association’s investment in a single issuer. The Association’s investment policy requires that no more

City of Ann Arbor
Notes to the Financial Statements
June 30, 2020

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, 2020, 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, 2020, the total collateral received from borrowers had a fair value of \$163,961, all of which was cash.

Fair Value Measurements – The Association categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs – other than quoted prices – included within Level 1 that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable and are based on estimates and assumptions. These levels are determined by the Association’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.

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

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

Level 3 Measurements – The Trustees and Fund Staff periodically evaluates the fair values of the investment in Level 3, incorporating a review of methods and assumptions used by the investment managers and administrators of the funds in valuing the assets. The fair values of interests held in “Funds and REITS” commingled vehicles are based on the fair values of the underlying real estate assets, as estimated by the investment manager, which the Plan has not adjusted, and are determined using one or more valuation techniques for which sufficient

City of Ann Arbor
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and reliable data is available. The fair value for interests held in limited partnerships, "Private Credit", "Private Equity", and "Corporate Bonds", are determined by the general partners, which the Plan has not adjusted, and is based on the most recent capital account assets. Following the end of the investment period, income and realization proceeds are distributed to investors, making the partnerships self-liquidating over their life. The fair value of interests held in "Bank Loan Participation" is based on the fair values of the underlying floating rate bank loan securities as estimated by the investment manager, which the Plan has not adjusted. The fair value of interests held in "Hedge Funds" is based on the fair value of the underlying currency, options, futures and forwards, commodity, equity, fixed income, and other securities the funds might hold. The underlying investments are principally exchange traded assets and the fair value of the Plan's interests is based on the statements provided by the manager, which the Plan has not adjusted.

The Association had the following recurring fair value measurements as of June 30, 2020:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-------------------------------|----------------------|-----------------------|----------------------|-----------------------|
| Equities | | | | |
| Common stock | \$ 41,284,706 | \$ - | \$ - | \$ 41,284,706 |
| Common stock funds | 7,598,777 | 57,921,110 | - | 65,519,887 |
| Private equity | - | - | 3,221,999 | 3,221,999 |
| Total equities | <u>48,883,483</u> | <u>57,921,110</u> | <u>3,221,999</u> | <u>110,026,592</u> |
| Fixed income | | | | |
| Corporate bonds | - | 32,325,869 | - | 32,325,869 |
| Funds - corporate bonds | - | 4,165,063 | 800,000 | 4,965,063 |
| Bank loans | - | - | 5,610,975 | 5,610,975 |
| Private credit | - | - | 2,825,809 | 2,825,809 |
| Mutual funds | 3,514,614 | - | - | 3,514,614 |
| Index linked government bonds | - | 7,370,795 | - | 7,370,795 |
| Total fixed income | <u>3,514,614</u> | <u>43,861,727</u> | <u>9,236,784</u> | <u>56,613,125</u> |
| Other investments | | | | |
| Real estate | 5,953,686 | - | 12,327,169 | 18,280,855 |
| Short-term investment fund | 7,970,808 | - | - | 7,970,808 |
| Total other investments | <u>13,924,494</u> | <u>-</u> | <u>12,327,169</u> | <u>26,251,663</u> |
| Total investments | <u>\$ 66,322,591</u> | <u>\$ 101,782,837</u> | <u>\$ 24,785,952</u> | <u>\$ 192,891,380</u> |

Investments – DDA Component Unit

Custodial Credit Risk – Deposits – As of June 30, 2020, the carrying amounts of the DDA's deposits and cash on hand were \$3,294,105 and the bank balance was \$3,260,932 of which \$3,010,932 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.

City of Ann Arbor
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Custodial Credit Risk – Investments – Following is a summary of the DDA's investments as of June 30, 2020:

| | |
|--------------------------|-----------------------------|
| U.S. government agencies | \$ 8,008,801 |
| Money market accounts | 9,479,851 |
| Certificates of deposit | <u>1,007,430</u> |
| Total investments | <u>\$ 18,496,082</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 of June 30, 2020, 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, 2020, the maturities of the DDA's investments in U.S. agencies were as follows:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Investments in Maturities (fair value by years)</u> | |
|----------------------------|-------------------|--|-------------|
| | | <u>1-5</u> | <u>6-10</u> |
| U.S. securities | \$ 8,008,801 | \$ 7,505,529 | \$ 503,272 |

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, 2020 were related to its investments in government agency funds. These investments are valued using quoted market pricing of the underlying securities (Level 1 inputs).

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

City of Ann Arbor
Notes to the Financial Statements
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Note 4 - Receivables

Receivables as of year-end for the governmental and business-type activities, of which \$346,506 and \$4,673,028 respectively, are not expected to be collected within one year, are as follows:

| | Governmental Activities | Business-type Activities |
|----------------------------|----------------------------|-----------------------------|
| Taxes, net | \$ 515,711 | \$ - |
| Accounts, net | 4,218,590 | 14,385,958 |
| Special assessments | 414,230 | 1,193 |
| Improvement charges | 67,036 | 516,276 |
| Accrued interest and other | 10,650 | - |
| Due from other governments | <u>4,815,547</u> | <u>4,907,313</u> |
| | <u>\$ 10,041,764</u> | <u>\$ 19,810,740</u> |

City of Ann Arbor
Notes to the Financial Statements
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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 | \$ 66,378,495 | \$ 1,219,055 | \$ - | \$ 67,597,550 |
| Construction-in-progress | 9,505,130 | 12,848,506 | 4,147,468 | 18,206,168 |
| Total capital assets not being depreciated | <u>75,883,625</u> | <u>14,067,561</u> | <u>4,147,468</u> | <u>85,803,718</u> |
| Capital assets being depreciated | | | | |
| Land improvements | 30,721,720 | 4,133,298 | - | 34,855,018 |
| Intangible assets | 1,173,590 | - | - | 1,173,590 |
| Infrastructure | 862,235,885 | 18,666,050 | 3,516,583 | 877,385,352 |
| Buildings, additions and improvements | 166,400,455 | - | - | 166,400,455 |
| Machinery and equipment | 13,606,133 | 763,422 | - | 14,369,555 |
| Vehicles | 23,659,851 | 4,321,257 | - | 27,981,108 |
| Total capital assets being depreciated | <u>1,097,797,634</u> | <u>27,884,027</u> | <u>3,516,583</u> | <u>1,122,165,078</u> |
| Less accumulated depreciation for | | | | |
| Land improvements | 11,589,930 | 1,236,659 | - | 12,826,589 |
| Intangible assets | 1,173,590 | - | - | 1,173,590 |
| Infrastructure | 317,031,308 | 46,921,404 | 3,477,247 | 360,475,465 |
| Buildings, additions and improvements | 37,475,821 | 4,086,788 | - | 41,562,609 |
| Machinery and equipment | 10,274,735 | 775,930 | - | 11,050,665 |
| Vehicles | 15,102,644 | 2,003,210 | - | 17,105,854 |
| Total accumulated depreciation | <u>392,648,028</u> | <u>55,023,991</u> | <u>3,477,247</u> | <u>444,194,772</u> |
| Net capital assets being depreciated | <u>705,149,606</u> | <u>(27,139,964)</u> | <u>39,336</u> | <u>677,970,306</u> |
| Governmental activities capital assets, net | <u>\$ 781,033,231</u> | <u>\$ (13,072,403)</u> | <u>\$ 4,186,804</u> | <u>\$ 763,774,024</u> |

City of Ann Arbor
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| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|-----------------------|----------------------|----------------------|-----------------------|
| Business-type activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 7,461,349 | \$ - | \$ - | \$ 7,461,349 |
| Construction-in-progress | 21,381,529 | 21,366,902 | 14,158,380 | 28,590,051 |
| Total capital assets not being depreciated | <u>28,842,878</u> | <u>21,366,902</u> | <u>14,158,380</u> | <u>36,051,400</u> |
| Capital assets being depreciated | | | | |
| Land improvements | 383,033,856 | 14,158,380 | - | 397,192,236 |
| Buildings, additions and improvements | 190,563,827 | - | - | 190,563,827 |
| Machinery and equipment | 27,394,504 | 173,913 | - | 27,568,417 |
| Vehicles | 1,530,201 | - | - | 1,530,201 |
| Total capital assets being depreciated | <u>602,522,388</u> | <u>14,332,293</u> | <u>-</u> | <u>616,854,681</u> |
| Less accumulated depreciation for | | | | |
| Land improvements | 100,659,595 | 9,565,238 | - | 110,224,833 |
| Buildings, additions and improvements | 85,403,049 | 4,761,954 | - | 90,165,003 |
| Machinery and equipment | 24,170,431 | 676,975 | - | 24,847,406 |
| Vehicles | 1,430,603 | 91,479 | - | 1,522,082 |
| Total accumulated depreciation | <u>211,663,678</u> | <u>15,095,646</u> | <u>-</u> | <u>226,759,324</u> |
| Net capital assets being depreciated | <u>390,858,710</u> | <u>(763,353)</u> | <u>-</u> | <u>390,095,357</u> |
| Business-type capital assets, net | <u>\$ 419,701,588</u> | <u>\$ 20,603,549</u> | <u>\$ 14,158,380</u> | <u>\$ 426,146,757</u> |

City of Ann Arbor
Notes to the Financial Statements
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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 | | | | |
| Construction-in-progress | \$ 92,000 | \$ - | \$ 92,000 | \$ - |
| Capital assets being depreciated | | | | |
| Buildings, additions and improvements | 10,193 | - | - | 10,193 |
| Machinery and equipment | <u>242,199</u> | <u>-</u> | <u>-</u> | <u>242,199</u> |
| Total capital assets being depreciated | <u>252,392</u> | <u>-</u> | <u>-</u> | <u>252,392</u> |
| Less accumulated depreciation for | | | | |
| Buildings, additions and improvements | 1,359 | 680 | - | 2,039 |
| Machinery and equipment | <u>184,846</u> | <u>7,959</u> | <u>-</u> | <u>192,805</u> |
| Total accumulated depreciation | <u>186,205</u> | <u>8,639</u> | <u>-</u> | <u>194,844</u> |
| Net capital assets being depreciated | <u>66,187</u> | <u>(8,639)</u> | <u>-</u> | <u>57,548</u> |
| Component unit capital assets, net | <u>\$ 158,187</u> | <u>\$ (8,639)</u> | <u>\$ 92,000</u> | <u>\$ 57,548</u> |

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

Governmental activities

| | |
|--|-----------------------|
| General government | \$ 468,184 |
| Public safety | 91,114 |
| Public works | 50,709,768 |
| Recreation and culture | 1,340,794 |
| Subtotal | <u>52,609,860</u> |
| Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets | <u>2,414,131</u> |
| Total governmental activities | <u>55,023,991</u> |

Business-type activities

| | |
|------------------------------------|--------------------------|
| Water | 4,279,786 |
| Sewer | 7,464,127 |
| Parking | 1,687,837 |
| Airport | 71,963 |
| Stormwater | 749,193 |
| Solid waste | <u>842,740</u> |
| Total business-type activities | <u>15,095,646</u> |
| Total primary government | <u>\$ 70,119,637</u> |

Component Units

| | |
|--------------------|-----------------|
| Housing Commission | <u>\$ 8,639</u> |
|--------------------|-----------------|

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|---|---------------------|-------------------|
| Due from/to other funds | | |
| General Fund | Airport Fund | \$ 90,596 |
| General Fund | Nonmajor Funds | <u>153,519</u> |
| | | <u>\$ 244,115</u> |
| Advances due to/from other funds | | |
| General Fund | Airport Fund | <u>\$ 243,206</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 | | | | | | | | | |
|---|---------------------|---|-----------------------------|-----------------------------------|---------------------------|---------------------|---------------------------|------------------|---------------------|----------------------|
| | General Fund | Street, Bridge, and Sidewalk Repair Millage Fund | Water Supply System Fund | Sewage Disposal System Fund | Stormwater System Fund | Nonmajor Funds | Internal Service Funds | Airport Fund | Solid Waste Fund | Total |
| Transfer Out | | | | | | | | | | |
| General Fund | \$ - | \$ 1,025,771 | \$ 119,404 | \$ - | \$ - | \$ 3,197,093 | \$ - | \$ - | \$ - | \$ 4,342,268 |
| Street, Bridge, and Sidewalk Repair Millage Fund | - | - | 1,520,534 | - | 301,547 | - | - | - | - | 1,822,081 |
| Water Supply System Fund | 561,924 | 341,361 | - | 673,576 | 61,762 | 176,200 | - | - | - | 1,814,823 |
| Sewer Disposal System Fund | - | - | 2,010,096 | - | 3,775 | 2,693 | - | - | - | 2,016,564 |
| Airport Fund | - | - | 8,664 | - | - | - | - | - | - | 8,664 |
| Stormwater System Fund | 84,996 | 311,701 | 1,411,794 | - | - | 672,246 | - | - | - | 2,480,737 |
| Solid Waste Fund | - | - | 266,318 | - | - | 219,412 | - | - | - | 485,730 |
| Nonmajor Funds | 1,006,724 | 4,690,597 | 703,684 | 59,709 | 2,668 | 3,082,196 | - | - | - | 9,545,578 |
| Internal Service Funds | 2,240,521 | 142,917 | 484,053 | 297,607 | 106,418 | 1,159,830 | 328,585 | 17,746 | 162,738 | 4,940,415 |
| Total | \$ 3,894,165 | \$ 6,512,347 | \$ 6,524,547 | \$ 1,030,892 | \$ 476,170 | \$ 8,509,670 | \$ 328,585 | \$ 17,746 | \$ 162,738 | \$ 27,456,860 |

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
Notes to the Financial Statements
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Note 7 - Leases

Operating Leases - Lessee

The City is the lessee of various properties (primarily office and storage space, as well as parking facilities) under operating leases for periods through 2024. The expenses and related revenues in connection with the leases are recorded in the General Fund, special revenue funds and pension trust funds. The total rent expense for fiscal year 2020 was \$266,127. The following is a table of future minimum noncancelable lease payments by the City:

| <u>Year ending June 30,</u> | |
|-----------------------------|-------------------|
| 2021 | \$ 203,882 |
| 2022 | 206,586 |
| 2023 | 196,586 |
| 2024 | <u>55,802</u> |
| | <u>\$ 662,856</u> |

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

Operating Leases - Lessor

The City is the lessor of various parking, office and airport facilities under operating leases for periods through 2036. Revenues and the related expenses for these leases are recorded in various funds. The total rent revenue for fiscal year 2020 was \$1,547,628. The total revenue includes \$677,836 for cell towers, \$40,729 for office space, \$635,204 for airport hangers, and \$193,859 for other rentals. All related City assets are fully depreciated. The following is a table of future minimum noncancelable lease payments to the City:

| <u>Year ending June 30,</u> | |
|-----------------------------|---------------------|
| 2021 | \$ 1,190,288 |
| 2022 | 851,142 |
| 2023 | 741,988 |
| 2024 | 684,307 |
| 2025 | 508,228 |
| 2026-2030 | 1,247,542 |
| 2031-2035 | 750,578 |
| 2036 | <u>16,980</u> |
| | <u>\$ 5,991,053</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 \$7,528,264. 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.

City of Ann Arbor
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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 | | | | | | | | | |
| 2012 transportation fund | \$ 2,670,000 | 2023 | 2.0 - 2.4% | \$255,000 - \$270,000 | \$ 1,040,000 | \$ - | \$ 250,000 | \$ 790,000 | \$ 255,000 |
| 2013 1st and Washington (series A) | 4,480,000 | 2032 | 1.75 - 3.0% | \$220,000 - \$305,000 | 3,325,000 | - | 215,000 | 3,110,000 | 220,000 |
| 2013 1st and Washington (series B) | 4,045,000 | 2032 | 2.0 - 3.75% | \$195,000 - \$280,000 | 2,960,000 | - | 190,000 | 2,770,000 | 195,000 |
| 2013 clean energy | 560,000 | 2024 | 4.34% | \$54,000 | 267,000 | - | 53,000 | 214,000 | 54,000 |
| 2015 open space preservation refunding | 16,235,000 | 2034 | 2.0 - 3.375% | \$790,000 - \$1,140,000 | 14,015,000 | - | 775,000 | 13,240,000 | 790,000 |
| 2015 maintenance facility refunding | 17,710,000 | 2029 | 2.0 - 3.0% | \$1,295,000 - \$1,575,000 | 14,050,000 | - | 1,270,000 | 12,780,000 | 1,295,000 |
| 2017 court and police refunding | 24,030,000 | 2035 | 3 - 3.25% | \$1,160,000 - \$1,760,000 | 22,650,000 | - | 1,130,000 | 21,520,000 | 1,160,000 |
| 2019-A capital improvement bonds | 14,780,000 | 2033 | 3 - 4% | \$900,000 - \$1,255,000 | 14,780,000 | - | 765,000 | 14,015,000 | 900,000 |
| 2019 capital improvement refunding bonds | 37,175,000 | 2035 | 2.25 - 4% | \$1,825,000 - \$3,100,000 | 37,175,000 | - | 1,565,000 | 35,610,000 | 1,825,000 |
| Total general obligation bonds | | | | | 110,262,000 | - | 6,213,000 | 104,049,000 | 6,694,000 |
| Direct borrowings and direct placements | | | | | | | | | |
| 2018 capital improvement bonds | 5,350,000 | 2033 | 2.75% | \$425,000 - \$555,000 | 5,350,000 | - | - | 5,350,000 | - |
| Deferred amounts | | | | | | | | | |
| For issuance premiums | | | | | 3,688,367 | - | 186,979 | 3,501,388 | 209,518 |
| For issuance discounts | | | | | (117,103) | - | (6,476) | (110,627) | (6,601) |
| Total bonds payable | | | | | 119,183,264 | - | 6,393,503 | 112,789,761 | 6,896,917 |
| Compensated absences | | | | | 13,293,859 | 5,222,648 | 4,392,048 | 14,124,459 | 4,392,048 |
| Total governmental activities | | | | | <u>\$ 132,477,123</u> | <u>\$ 5,222,648</u> | <u>\$ 10,785,551</u> | <u>\$ 126,914,220</u> | <u>\$ 11,288,965</u> |

City of Ann Arbor
Notes to the Financial Statements
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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% | \$240,000 - \$250,000 | \$ 725,000 | \$ - | \$ 235,000 | \$ 490,000 | \$ 240,000 |
| 2015 parking - refunding | 6,335,000 | 2020 | 2.0 - 3.0% | \$0 | 700,000 | - | 700,000 | - | - |
| 2016 parking - refunding | 2,790,000 | 2027 | 2.0% | \$260,000 - \$305,000 | 2,245,000 | - | 255,000 | 1,990,000 | 260,000 |
| Total general obligation bonds | | | | | <u>3,670,000</u> | <u>-</u> | <u>1,190,000</u> | <u>2,480,000</u> | <u>500,000</u> |
| Revenue bonds | | | | | | | | | |
| 2012 water - refunding | 10,450,000 | 2024 | 2.0 - 2.5% | \$675,000 - \$680,000 | 3,395,000 | - | 680,000 | 2,715,000 | 675,000 |
| 2016 water - refunding | 16,285,000 | 2027 | 2.0 - 2.5% | \$1,670,000 - \$1,830,000 | 13,970,000 | - | 1,615,000 | 12,355,000 | 1,670,000 |
| 2013 sewer - refunding | 17,985,000 | 2025 | 3.25 - 4.75% | \$1,695,000 - \$1,890,000 | 10,585,000 | - | 1,675,000 | 8,910,000 | 1,695,000 |
| 2016 sewer - refunding | 19,280,000 | 2031 | 2.0 - 2.5% | \$1,375,000 - \$1,725,000 | 18,485,000 | - | 1,340,000 | 17,145,000 | 1,375,000 |
| Total revenue bonds | | | | | <u>46,435,000</u> | <u>-</u> | <u>5,310,000</u> | <u>41,125,000</u> | <u>5,415,000</u> |
| Revolving loans | | | | | | | | | |
| DWRF 7319-01 | 4,575,000 | 2031 | 2.50% | \$225,000 - \$285,000 | 3,010,000 | - | 220,000 | 2,790,000 | 225,000 |
| DWRF 7146-01 | 557,950 | 2024 | 2.125% | \$30,000 - \$32,950 | 152,950 | - | 30,000 | 122,950 | 30,000 |
| DWRF 7325-01 | 624,750 | 2030 | 2.50% | \$30,000 - \$38,271 | 368,271 | - | 30,000 | 338,271 | 30,000 |
| DWRF 7333-01 | 5,614,250 | 2032 | 2.50% | \$230,000 - \$305,602 | 3,410,602 | - | 225,000 | 3,185,602 | 230,000 |
| DWRF 7362-01 | 8,864,396 | 2034 | 2.50% | \$395,000 - \$542,720 | 6,887,720 | - | 385,000 | 6,502,720 | 395,000 |
| DWRF 7375-01 | 3,025,000 | 2035 | 2.00% | \$130,000 - \$168,099 | 2,346,522 | - | 125,000 | 2,221,522 | 130,000 |
| DWRF 7472-01, Series 2020 | 3,008,191 | 2040 | 2.00% | \$123,867 - \$181,376 | - | 3,008,191 | - | 3,008,191 | 123,867 |
| 2004 SWQIF 3002-01 | 874,672 | 2024 | 1.625% | \$50,000 - \$50,000 | 249,672 | - | 50,000 | 199,672 | 50,000 |
| 2005 SWQIF 3002-02 | 879,382 | 2025 | 1.625% | \$50,000 - \$50,000 | 294,382 | - | 45,000 | 249,382 | 50,000 |
| 2006 SWQIF 3002-03 | 889,903 | 2026 | 1.625% | \$50,000 - \$50,000 | 344,903 | - | 45,000 | 299,903 | 50,000 |
| 2007 SWQIF 3002-04 | 964,976 | 2027 | 1.625% | \$50,000 - \$55,000 | 419,976 | - | 50,000 | 369,976 | 50,000 |
| 2008 SWQIF 3002-05 | 900,000 | 2028 | 2.50% | \$50,000 - \$55,000 | 460,000 | - | 45,000 | 415,000 | 50,000 |
| 2009 SWQIF 3010-01 | 1,310,000 | 2029 | 2.50% | \$65,000 - \$80,000 | 730,000 | - | 65,000 | 665,000 | 65,000 |
| 2010 SWQIF 3010-02 | 1,320,000 | 2030 | 2.50% | \$65,000 - \$80,000 | 805,000 | - | 65,000 | 740,000 | 65,000 |
| 2012 SWQIF 3010-03 | 1,365,000 | 2032 | 2.50% | \$65,000 - \$84,760 | 959,760 | - | 65,000 | 894,760 | 65,000 |
| 2013 SWQIF 3010-04 | 891,703 | 2033 | 2.50% | \$40,000 - \$56,703 | 641,703 | - | 35,000 | 606,703 | 40,000 |
| 2012 CWRF 5441-01 | 34,407,832 | 2036 | 2.50% | \$1,485,000 - \$2,150,000 | 30,265,000 | - | 1,450,000 | 28,815,000 | 1,485,000 |
| 2013 CWRF 5441-02 | 73,305,000 | 2038 | 2.00% | \$3,135,000 - \$4,405,000 | 70,295,000 | - | 3,070,000 | 67,225,000 | 3,135,000 |
| Total revolving loans | | | | | <u>121,641,461</u> | <u>3,008,191</u> | <u>6,000,000</u> | <u>118,649,652</u> | <u>6,268,867</u> |

City of Ann Arbor
Notes to the Financial Statements
June 30, 2020

| | 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% | \$83,029 - \$95,652 | \$ 787,564 | \$ - | \$ 83,031 | \$ 704,533 | \$ 83,029 |
| 2009 Allen Creek Pioneer High School project | 2,522,126 | 2031 | 2.5% | \$125,000 - \$156,126 | 1,651,126 | - | 120,000 | 1,531,126 | 125,000 |
| 2010 Stadium Blvd phase I 5337-01 | 165,000 | 2029 | 2.5% | \$10,000 | 100,000 | - | 10,000 | 90,000 | 10,000 |
| 2010 Stadium Blvd phase II 5337-02 | 916,204 | 2032 | 2.5% | \$43,245 - \$57,660 | 639,066 | - | 43,245 | 595,821 | 43,245 |
| 2010 Allen Creek West Park project 5434-01 | 994,635 | 2031 | 2.5% | \$48,050 - \$62,465 | 653,480 | - | 48,050 | 605,430 | 48,050 |
| 2010 Allen Creek Sylvan Ave project 5435-01 | 405,000 | 2030 | 2.5% | \$20,000 - \$25,000 | 250,000 | - | 20,000 | 230,000 | 20,000 |
| 2011 Swift Run cistern 5471-01 | 26,362 | 2032 | 2.5% | \$1,000 - \$2,862 | 19,862 | - | 1,000 | 18,862 | 1,000 |
| 2011 County Farm streambank 5469-01 | 349,699 | 2032 | 2.5% | \$15,000 - \$27,199 | 242,199 | - | 15,000 | 227,199 | 15,000 |
| 2011 Mallets Creek E Stadium Bridge project 5505-01 | 162,209 | 2033 | 2.5% | \$5,000 - \$12,209 | 122,209 | - | 5,000 | 117,209 | 5,000 |
| 2011 Mallets Creek Burns Park project 5464-01 | 1,052,556 | 2032 | 2.5% | \$51,574 - \$65,622 | 722,010 | - | 51,574 | 670,436 | 51,574 |
| 2011 Traver Creek cistern 5472.01 | 182,434 | 2032 | 2.5% | \$8,822 - \$17,019 | 127,294 | - | 8,822 | 118,472 | 8,822 |
| 2011 Allen Creek cistern I 5470-01 | 140,746 | 2032 | 2.5% | \$5,000 - \$10,746 | 105,746 | - | 5,000 | 100,746 | 5,000 |
| 2011 Allen Creek cistern II 5470-02 | 31,261 | 2032 | 2.5% | \$1,000 - \$2,761 | 24,761 | - | 1,000 | 23,761 | 1,000 |
| 2012 Leslie Park project 5516-01 | 648,479 | 2033 | 2.5% | \$31,651 - \$44,855 | 487,963 | - | 27,129 | 460,834 | 31,651 |
| 2012 Allen Creek Willard Street project 5511-01 | 123,819 | 2032 | 2.5% | \$5,000 - \$11,319 | 86,319 | - | 5,000 | 81,319 | 5,000 |
| 2012 SRF tree planting 5504-01 | 167,467 | 2033 | 2.5% | \$5,000 - \$14,967 | 134,967 | - | 5,000 | 129,967 | 5,000 |
| 2013 Huron River infrastructure I 5504-03 | 215,795 | 2034 | 2.5% | \$10,000 - \$18,295 | 168,295 | - | 10,000 | 158,295 | 10,000 |
| 2013 Huron River infrastructure II 5504-02 | 278,379 | 2035 | 2.0% | \$15,000 - \$18,379 | 238,379 | - | 10,000 | 228,379 | 15,000 |
| 2013 Allen Creek Miller Ave 5436-01 | 805,723 | 2034 | 2.0% | \$35,000 - \$51,373 | 631,373 | - | 35,000 | 596,373 | 35,000 |
| 2013 Allen Creek Madison Ave 5437-01 | 890,130 | 2034 | 2.0% | \$40,000 - \$50,466 | 680,466 | - | 40,000 | 640,466 | 40,000 |
| 2013 Allen Creek Fourth Ave I 5510-01 | 175,163 | 2033 | 2.0% | \$10,000 - \$10,163 | 140,163 | - | 10,000 | 130,163 | 10,000 |
| 2013 Allen Creek Forest Ave 5512-01 | 211,099 | 2034 | 2.0% | \$10,000 - \$16,099 | 161,099 | - | 10,000 | 151,099 | 10,000 |
| 2014 Allen Creek West Park Fairgrounds | 2,430,000 | 2034 | 2.0 - 3.5% | \$105,000 - \$170,000 | 1,970,000 | - | 100,000 | 1,870,000 | 105,000 |
| 2014 Mallets Creek Stone School 5475-01 | 2,025,000 | 2035 | 2.5% | \$90,000 - \$123,322 | 1,674,423 | - | 85,000 | 1,589,423 | 90,000 |
| 2014 Mallets Creek Springwater 5508-01 | 332,447 | 2035 | 2.5% | \$15,000 - \$22,602 | 272,602 | - | 15,000 | 257,602 | 15,000 |
| 2015 Huron River Green Infrastructure (HRGI) - Tree Planting 5504-04 | 188,503 | 2036 | 2.5% | \$10,000 - \$13,503 | 168,503 | - | 5,000 | 163,503 | 10,000 |

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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 (continued) | | | | | | | | | |
| 2015 HRGI Geddes 5594-01 | \$ 1,015,000 | 2037 | 2.5% | \$45,000 - \$60,502 | \$ 935,000 | \$ - | \$ 40,000 | \$ 895,000 | \$ 45,000 |
| 2016 Allen Creek 5509-01 | 867,872 | 2037 | 2.5% | \$35,000- \$52,872 | 797,872 | - | 35,000 | 762,872 | 35,000 |
| 2016 Mallets Creek Drain 5508-02 | 689,553 | 2037 | 2.5% | \$30,000 - \$44,553 | 634,553 | - | 30,000 | 604,553 | 30,000 |
| 2016 HRGI Tree Planting 5504-05 | 205,801 | 2037 | 2.5% | \$10,000 - \$15,801 | 185,801 | - | 10,000 | 175,801 | 10,000 |
| 2017 HRGI 5504-06 | 292,220 | 2037 | 2.5% | \$9,552 - \$19,134 | 282,220 | - | 10,000 | 272,220 | 9,552 |
| 2017 HRGI 5504-07 | 148,841 | 2039 | 2% | \$11,697 - \$15,595 | 148,841 | 139,080 | 15,000 | 272,921 | 11,697 |
| Total drain notes | | | | | <u>15,244,156</u> | <u>139,080</u> | <u>908,851</u> | <u>14,474,385</u> | <u>939,620</u> |
| Total bonds and notes payable | | | | | <u>186,990,617</u> | <u>3,147,271</u> | <u>13,408,851</u> | <u>176,729,037</u> | <u>13,123,487</u> |
| Deferred amounts | | | | | | | | | |
| For issuance premiums | | | | | <u>818,850</u> | <u>-</u> | <u>122,600</u> | <u>696,250</u> | <u>66,850</u> |
| Total bonds payable | | | | | 187,809,467 | 3,147,271 | 13,531,451 | 177,425,287 | 13,190,337 |
| Compensated absences | | | | | <u>2,425,990</u> | <u>1,086,242</u> | <u>911,837</u> | <u>2,600,395</u> | <u>911,837</u> |
| Total business-type activities | | | | | <u>\$ 190,235,457</u> | <u>\$ 4,233,513</u> | <u>\$ 14,443,288</u> | <u>\$ 180,025,682</u> | <u>\$ 14,102,174</u> |
| Component units | | | | | | | | | |
| Downtown Development Authority | | | | | | | | | |
| Compensated absences | | | | | \$ 226,008 | \$ 61,235 | \$ 104,677 | \$ 182,566 | \$ 112,647 |
| Ann Arbor Housing Commission | | | | | | | | | |
| Compensated absences | | | | | <u>61,705</u> | <u>106,707</u> | <u>67,742</u> | <u>100,670</u> | <u>56,753</u> |
| Total component units | | | | | <u>\$ 287,713</u> | <u>\$ 167,942</u> | <u>\$ 172,419</u> | <u>\$ 283,236</u> | <u>\$ 169,400</u> |
| | | | | | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | |
| Deferred amount on refunding - governmental activities | | | | | \$ (2,769,375) | \$ - | \$ (148,500) | \$ (2,620,875) | |
| Deferred amount on refunding - business-type activities | | | | | <u>(2,663,545)</u> | <u>-</u> | <u>(254,201)</u> | <u>(2,409,344)</u> | |
| Total | | | | | <u>\$ (5,432,920)</u> | <u>\$ -</u> | <u>\$ (402,701)</u> | <u>\$ (5,030,219)</u> | |

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

| Year Ending June 30, | Governmental Activities | | | |
|-------------------------|--------------------------|----------------------|--|---------------------|
| | Bonds | | Direct Borrowings and Direct Placements | |
| | Principal | Interest | Principal | Interest |
| 2021 | \$ 6,694,000 | \$ 3,158,955 | \$ - | \$ 147,126 |
| 2022 | 6,868,000 | 2,933,560 | - | 147,126 |
| 2023 | 7,068,000 | 2,822,769 | 425,000 | 147,126 |
| 2024 | 6,989,000 | 2,641,994 | 435,000 | 135,438 |
| 2025 | 7,155,000 | 2,441,626 | 445,000 | 123,476 |
| 2026-2030 | 37,595,000 | 8,894,918 | 2,425,000 | 426,390 |
| 2031-2035 | 31,680,000 | 3,170,510 | 1,620,000 | 89,917 |
| | <u>\$ 104,049,000</u> | <u>\$ 26,064,332</u> | <u>\$ 5,350,000</u> | <u>\$ 1,216,599</u> |
| Year Ending June 30, | Business-type Activities | | | |
| | Principal | Interest | | |
| 2021 | \$ 13,123,487 | \$ 3,731,895 | | |
| 2022 | 13,413,686 | 3,450,691 | | |
| 2023 | 13,438,491 | 3,144,518 | | |
| 2024 | 13,733,983 | 2,833,776 | | |
| 2025 | 13,294,697 | 2,518,499 | | |
| 2026-2030 | 53,021,675 | 8,919,805 | | |
| 2031-2035 | 40,269,532 | 3,540,076 | | |
| 2036-2040 | 16,433,486 | 310,777 | | |
| | <u>\$ 176,729,037</u> | <u>\$ 28,450,037</u> | | |

Defeased Debt

During fiscal year 2019, the City issued \$37,175,000 of refunding bonds to advance refund the 2009 capital improvement bonds to provide resources to purchase U.S. government securities that were placed in an irrevocable trust to generate resources for all future debt service

payments. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities. The remaining balance as of June 30, 2020 was \$36,920,000.

Pledged Revenues

The City has pledged future water supply system customer revenues, net of specified operating expenses, to repay \$53,004,537 in water system revenue bonds and revolving fund notes issued at various times. Proceeds from the bonds and notes provided financing to improve the water supply system and refund certain Water Supply System Fund bonds. The bonds and notes are payable solely from the net revenues of the City's water supply system and are payable through 2040. The total principal and interest remaining to be paid on the bonds and notes is \$37,171,835. Principal and interest paid for the current year was \$4,038,675. Total customer net revenues, including interest income and excluding depreciation was \$11,397,180.

The City has pledged future sewerage disposal system customer revenues, net of specified operating expenses, to repay \$154,373,468 in sewerage disposal system revenue bonds and revolving fund notes issued at various times. Proceeds from the bonds and notes provided financing to improve the sewerage disposal system and refund certain Sewerage Disposal System Fund bonds. The bonds and notes are payable solely from the net revenues of the City's sewerage disposal system and are payable through 2038. The total principal and interest remaining to be paid on the bonds and notes is \$148,280,190. Principal and interest paid for the current year was \$9,175,467. Total customer net revenues, including interest income and excluding depreciation was \$20,920,979.

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

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established the Risk 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 Risk 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 Risk 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 \$1,337,826 at June 30, 2020 and is included in estimated claims payable. The total estimated claims payable of \$2,558,507 is reflected in the Risk Fund at June 30, 2020. 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 |
|-------------------------|--------------------------------|---|----------------------|------------------------|
| 2019 | \$ 2,653,179 | \$ 20,756,767 | \$ 20,871,930 | \$ 2,538,016 |
| 2020 | 2,538,016 | 21,849,753 | 21,829,262 | 2,558,507 |
| Total Claims | | | | |
| Claims | | | \$ 2,558,507 | |
| Landfill claims payable | | | <u>7,528,264</u> | |
| Total claims | | | <u>\$ 10,086,771</u> | |

Note 11 - Employee Retirement and Benefit Systems

General Information about the Defined Benefit Pension Plan

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

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

Plan membership – At June 30, 2019, the date of the latest actuarial valuation, System membership consisted of the following:

| | |
|--|--------------|
| Inactive employees or beneficiaries currently receiving benefits | 1,081 |
| Inactive employees entitled to, but not yet receiving benefits | 149 |
| Active employees | <u>711</u> |
| | <u>1,941</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

City of Ann Arbor
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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 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 2020 was 23.2% to 36.6% 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.

City of Ann Arbor
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Net pension liability – The total pension liability was determined by an actuarial valuation as of June 30, 2019 (and rolled forward to June 30, 2020), using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 2.5% |
| Salary increases | General: 4.0% - 7.5% |
| | Police: 5.3% - 11% |
| | Fire: 5.4% - 10.8% |
| Investment rate of return | 7.0%, net of pension plan investment expense, including inflation |
| Mortality rate | RP-2014 Healthy Employees and Annuitants, Adjusted back to 2006, Generational Under Project Scale MP-2017 |

These actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2012 through June 30, 2017.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 (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 | 36% | 25% - 42% | 4.8% |
| Developed foreign equities | 14% | 9% - 17% | 5.3% |
| Emerging markets equities | 7% | 0% - 10% | 6.5% |
| Private equities | 5% | 0% - 7% | 6.8% |
| | <u>62%</u> | <u>34% - 76%</u> | |
| Fixed income | | | |
| Investment grade bonds | 12% | 8% - 24% | 0.4% |
| TIPS | 2% | 0% - 10% | 0.3% |
| High yield bonds | 3% | 1% - 5% | 2.6% |
| Bank loans | 2% | 0% - 4% | 3.5% |
| Emerging market debts | 2% | 0% - 4% | 2.2% |
| | <u>21%</u> | <u>9% - 47%</u> | |
| Other investments | | | |
| Real estate | 9% | 2% - 12% | 4.9% |
| Natural resources | 3% | 0% - 5% | 5.7% |
| Infrastructure | 3% | 0% - 5% | 6.5% |
| Hedge funds | 2% | 1% - 5% | 2.3% |
| Cash | 0% | 0% - 5% | -0.2% |
| | <u>17%</u> | <u>3% - 32%</u> | |
| | <u>100%</u> | | |

Discount rate – The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available

City of Ann Arbor
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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 | \$ 9,922,176 |
| Interest on the total pension liability | 40,637,790 |
| Experience differences | 5,221,388 |
| Assumption changes | 1,248,573 |
| Benefit payments and refunds | <u>(39,605,298)</u> |
| Net change in total pension liability | 17,424,629 |
| Total pension liability - beginning | <u>595,381,415</u> |
| Total pension liability - ending (a) | <u>\$ 612,806,044</u> |
| Plan Fiduciary Net Position | |
| Employer contributions | \$ 14,124,165 |
| Employee contributions | 3,164,729 |
| Pension plan net investment income | 23,143,999 |
| Benefit payments and refunds | (39,605,298) |
| Pension plan administrative expense | (689,228) |
| Other | <u>(360,337)</u> |
| Net change in plan fiduciary net position | (221,970) |
| Plan fiduciary net position - beginning | <u>512,898,230</u> |
| Plan fiduciary net position - ending (b) | <u>512,676,260</u> |
| Net pension liability (a-b) | <u>\$ 100,129,784</u> |
| Plan fiduciary net position as a percentage of total pension liability | 83.66% |
| Covered payroll | \$ 57,970,915 |
| Net pension liability as a percentage of covered payroll | 172.72% |
| Primary government | \$ 99,474,757 |
| Fiduciary funds | <u>655,027</u> |
| Total | <u>\$ 100,129,784</u> |

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the employer, calculated using the discount rate of 7.0%, as well as what the

City of Ann Arbor
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employer's net pension liability would be using a discount rate that is 1% point lower (6%) or 1% higher (8%) than the current rate.

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

| | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|-----------------------|--------------------|----------------------------------|--------------------|
| Net pension liability | \$ 167,184,104 | \$ 100,129,784 | \$ 43,617,517 |

| <u>Year ended,</u> | |
|--------------------|----------------------|
| 2021 | \$ 1,120,394 |
| 2022 | 4,631,387 |
| 2023 | 4,197,267 |
| 2024 | <u>2,385,693</u> |
| | <u>\$ 12,334,741</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, 2020, the employer recognized pension expense of \$23,724,181. 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 | \$ 5,253,404 | \$ (1,284,719) | \$ 3,968,685 |
| Differences in assumptions | 898,598 | - | 898,598 |
| Deficit investment returns | <u>7,467,458</u> | <u>-</u> | <u>7,467,458</u> |
| Total | <u>\$ 13,619,460</u> | <u>\$ (1,284,719)</u> | <u>\$ 12,334,741</u> |
| Statement of Net Position | \$ 13,542,867 | \$ (1,273,519) | \$ 12,269,348 |
| Statement of Fiduciary Net Position | <u>76,593</u> | <u>(11,200)</u> | <u>65,393</u> |
| | <u>\$ 13,619,460</u> | <u>\$ (1,284,719)</u> | <u>\$ 12,334,741</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 and 6.88% for Assistant Fire Chiefs and deputy police Chiefs. Employees vest 100% in the defined contribution plan after five years of service. In accordance with these requirements, the City employees contributed \$247,699 towards the defined benefit component, and for the defined contributed plan, the City contributed \$461,081 and the employees contributed \$274,305 for the year ended June 30, 2020. 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, 2019, the date of the latest actuarial valuation, the plan membership consisted of the following:

| | 2019 |
|--|-------|
| Retirees and surviving spouses currently covered | 1,052 |
| Vested active participants | 711 |
| Total membership | 1,763 |

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, 2020, the City’s average contribution rate was 28.01 percent of covered payroll. Plan members are not required to contribute to the plan.

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

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requirements, with an additional amount to prefund benefits as determined annually by the actuary. For fiscal year ended June 30, 2020, the City contributed approximately \$12,240,000 to the plan, including \$12,130,000 for current premiums and an additional \$110,000 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, 2020 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 | 36.0% | 4.8% |
| Developed foreign equities | 14.0% | 5.3% |
| Emerging markets equities | 7.0% | 6.5% |
| Private equities | 5.0% | 6.8% |
| Fixed income | | |
| Investment grade bonds | 12.0% | 0.4% |
| TIPS | 2.0% | 0.3% |
| High yield bonds | 3.0% | 2.6% |
| Bank loans | 2.0% | 3.5% |
| Emerging market debts | 2.0% | 2.2% |
| Other investments | | |
| Real estate | 9.0% | 4.9% |
| Natural resources | 3.0% | 5.7% |
| Infrastructure | 3.0% | 6.5% |

Rate of return – For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was

City of Ann Arbor
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3.52%. The money-weighted rate of return expresses 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, 2020 were as follows:

| | |
|-----------------------------|----------------------|
| Total OPEB liability | \$ 289,866,913 |
| Plan fiduciary net position | <u>193,649,479</u> |
| Net OPEB liability | <u>\$ 96,217,434</u> |

Plan fiduciary net position as a percentage of the total OPEB liability is 66.81%.

Actuarial assumptions – The total OPEB liability was determined by an actuarial valuation as of June 30, 2019 (and rolled forward to June 30, 2020), using the following actuarial assumptions, applied to all periods included in the measurement.

| | |
|-----------------------------|---|
| Inflation | 3.50% |
| Salary increases | 3.5%, average, including inflation |
| Investment rate of return | 7%, net of OPEB plan investment expense, including inflation |
| Healthcare cost trend rates | Medical/Rx Pre-65: Initial trend of 8.25% decreasing 0.25% per year to an ultimate trend rate of 4.50%. Medical/Rx Post-65: Initial trend of 6.25% decreasing 0.25% per year to an ultimate trend rate of 4.50%. |

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

These actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2012 through June 30, 2017.

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

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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 | \$ 2,169,920 |
| Interest on the total OPEB liability | 20,212,994 |
| Experience differences | 8,453,222 |
| Changes in assumptions | (22,907,010) |
| Benefit payments and refunds | <u>(11,468,614)</u> |
| Net change in total OPEB liability | (3,539,488) |
| Total OPEB liability - beginning | <u>293,406,401</u> |
| Total OPEB liability - ending (a) | <u>\$ 289,866,913</u> |
| Plan Fiduciary Net Position | |
| Employer contributions | \$ 12,241,536 |
| OPEB plan net investment income | 6,722,726 |
| Benefit payments and refunds | (11,468,614) |
| OPEB plan administrative expense | <u>(177,731)</u> |
| Net change in plan fiduciary net position | 7,317,917 |
| Plan fiduciary net position - beginning | <u>186,331,562</u> |
| Plan fiduciary net position - ending (b) | <u>193,649,479</u> |
| Net OPEB liability (a-b) | <u>\$ 96,217,434</u> |
| Plan fiduciary net position as a percentage of total OPEB liability | 66.81% |
| Covered payroll | \$ 57,970,915 |
| Net OPEB liability as a percentage of covered payroll | 165.98% |
| Primary government | \$ 95,729,250 |
| Fiduciary funds | <u>488,184</u> |
| Total | <u>\$ 96,217,434</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.

| | 1% Decrease <u>6%</u> | Discount Rate <u>7%</u> | 1% Increase <u>8%</u> |
|--------------------|--------------------------|----------------------------|--------------------------|
| Net OPEB liability | \$ 130,763,088 | \$ 96,217,434 | \$ 67,525,159 |

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:

| | 1% Decrease | Healthcare Cost Trend Rates | 1% Increase |
|--------------------|---------------|--------------------------------|----------------|
| Net OPEB liability | \$ 64,934,685 | \$ 96,217,434 | \$ 133,804,474 |

City of Ann Arbor
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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, 2020, the City recognized OPEB expense of \$13,165,028. The City reported deferred outflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources | Total |
|-------------------------------------|--------------------------------------|-------------------------------------|----------------------------|
| Differences in experience | \$ 17,414,393 | \$ - | \$ 17,414,393 |
| Differences in assumptions | - | (17,074,841) | (17,074,841) |
| Deficit investment returns | 5,244,906 | - | 5,244,906 |
| Total | <u>\$ 22,659,299</u> | <u>\$ (17,074,841)</u> | <u>\$ 5,584,458</u> |
| Statement of Net Position | \$ 22,578,009 | \$ (17,069,719) | \$ 5,508,290 |
| Statement of Fiduciary Net Position | 81,290 | (5,122) | 76,168 |
| | <u>\$ 22,659,299</u> | <u>\$ (17,074,841)</u> | <u>\$ 5,584,458</u> |

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

| <u>Year ended,</u> | |
|--------------------|----------------------------|
| 2021 | \$ 3,668,424 |
| 2022 | 2,734,125 |
| 2023 | (2,086,355) |
| 2024 | <u>1,268,264</u> |
| | <u>\$ 5,584,458</u> |

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 corpus of the trust is restricted to the limitations established by the trust and follows Michigan Uniform Prudent Management of Institutional Funds Act (PA 87 of 2009). 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 and is considered non-spendable. Fund balance at June 30, 2020 was \$2,265,215. Representing the corpus of the trust and appreciation of investments from prior years. The amount is reflected in cash, equity in pooled cash, investments and accrued interest. \$281,215 is restricted to the limitations established by the trust but is available for expenditure and is restricted as to use. The City has no official policy for authorizing and spending investment income; however, all purchases are reviewed by accounting staff.

Note 14 - Significant Commitments

As of June 30, 2020, the City had \$22,36,412 in construction commitments for various projects including water mains, resurfacing of streets, bridge reconstruction and other road improvements. The commitments will be satisfied using millage proceeds, fund balance and bond proceeds.

Note 15 - Advances from Pooled Investments

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

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

| 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 |
| | 2021 | \$ 32,637 | \$ 4,197 | \$ 90,596 |
| 2022 | 34,106 | 2,728 | 94,339 | 8,993 |
| 2023 | 35,641 | 1,194 | 98,237 | 5,094 |
| 2024 | - | - | 50,630 | 1,035 |
| | <u>\$ 102,384</u> | <u>\$ 8,119</u> | <u>\$ 333,802</u> | <u>\$ 27,858</u> |

Interest Rate 4.45% 4.09%

| Total | | Requirements |
|-------------------|------------------|-------------------|
| Principal | Interest | |
| \$ 123,233 | \$ 16,933 | \$ 140,166 |
| 128,445 | 11,721 | 140,166 |
| 133,878 | 6,288 | 140,166 |
| 50,630 | 1,035 | 51,665 |
| <u>\$ 436,186</u> | <u>\$ 35,977</u> | <u>\$ 472,163</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:

| | Street, Bridge, and Sidewalk Repair Millage | | Nonmajor Governmental | Total Governmental |
|--|---|---------------------|--------------------------|-----------------------|
| | General Fund | Fund | Funds | Funds |
| Nonspendable | | | | |
| Long-term advances | \$ 243,206 | \$ - | \$ - | \$ 243,206 |
| Inventories and prepaids | 43,089 | - | - | 43,089 |
| Trust corpus | - | - | 1,984,000 | 1,984,000 |
| Total nonspendable | <u>286,295</u> | <u>-</u> | <u>1,984,000</u> | <u>2,270,295</u> |
| Restricted | | | | |
| Debt service | - | - | 553,755 | 553,755 |
| Culture and recreation | - | - | 19,367,475 | 19,367,475 |
| Road maintenance and repairs | - | - | 25,803,959 | 25,803,959 |
| Road construction | - | 7,550,159 | - | 7,550,159 |
| Law enforcement | - | - | 286,246 | 286,246 |
| Energy projects | - | - | 200,000 | 200,000 |
| Indigent defense | - | - | 145,310 | 145,310 |
| Community television network | - | - | 4,626,954 | 4,626,954 |
| Construction code | - | - | 6,354,630 | 6,354,630 |
| Total restricted | <u>-</u> | <u>7,550,159</u> | <u>57,338,329</u> | <u>64,888,488</u> |
| Committed | | | | |
| Culture and recreation | - | - | 88,800 | 88,800 |
| Capital projects | 498,352 | - | - | 498,352 |
| Energy projects | - | - | 160,945 | 160,945 |
| Special assistance | - | - | 12,047 | 12,047 |
| County Mental Health millage | - | - | 1,908,743 | 1,908,743 |
| Cemetery perpetual care | - | - | 119,620 | 119,620 |
| Alternative transportation | - | - | 663,413 | 663,413 |
| Total committed | <u>498,352</u> | <u>-</u> | <u>2,953,568</u> | <u>3,451,920</u> |
| Assigned | | | | |
| Capital projects | - | - | 10,258,267 | 10,258,267 |
| Culture and recreation | 300,008 | - | - | 300,008 |
| Affordable housing initiatives | 760,164 | - | - | 760,164 |
| Subsequent years expenditures and potential retirement payouts | 6,232,540 | - | - | 6,232,540 |
| Total assigned | <u>7,292,712</u> | <u>-</u> | <u>10,258,267</u> | <u>17,550,979</u> |
| Unassigned (deficit) | <u>19,554,234</u> | <u>-</u> | <u>(1,681,092)</u> | <u>17,873,142</u> |
| Total fund balances | <u>\$ 27,631,593</u> | <u>\$ 7,550,159</u> | <u>\$ 70,853,072</u> | <u>\$ 106,034,824</u> |

City of Ann Arbor
Notes to the Financial Statements
June 30, 2020

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 | \$ 85,803,718 | \$ 36,051,400 | \$ - |
| Capital assets - net of accumulated depreciation | <u>677,970,306</u> | <u>390,095,357</u> | <u>57,548</u> |
| Total capital assets | 763,774,024 | 426,146,757 | 57,548 |
| Less: | | | |
| Government obligation bonds | (109,399,000) | (2,480,000) | - |
| Revenue bonds | - | (41,125,000) | - |
| Revolving loans | - | (118,649,652) | - |
| Drain notes | - | (14,474,385) | - |
| Premiums | (3,501,388) | (696,250) | - |
| Discounts | 110,627 | - | - |
| Deferred amount on refunding | <u>2,620,875</u> | <u>2,409,344</u> | <u>-</u> |
| Net investment in capital assets | <u>\$ 653,605,138</u> | <u>\$ 251,130,814</u> | <u>\$ 57,548</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 taxpayers 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 are 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, 2020, the City abated \$11,818 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, 2020, the City abated \$1,023,153 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.

Note 19 - COVID-19 Pandemic

As result of the global coronavirus pandemic of 2020, many organizations’ financial picture has seen an unanticipated change. The duration and full effects of the outbreak are currently unknown, as the global picture continues to change daily. While management is hopeful that the impact is temporary in nature, a description of known and anticipated circumstances expected to have a significant impact on the City as of the date of management’s review is as follows:

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Investments – The City currently has no immediate plans to liquidate investments and remains focused on long term appreciation.

Revenues and Liquidity – The City does not foresee significant liquidity issues at this time, however, the effect the pandemic may have on revenues is unknown. As of August 2020 month-end, State of Michigan sales tax collections are down 0.6% year-over-year. The State has indicated that revenue sharing is likely to be flat over the next fiscal year.

Accounts Receivable – The City has not experienced any material delays in collection of accounts receivable. However, if the pandemic leads to a protracted recession and such delays occur, the City has sufficient liquidity to effectively mitigate any cash flow issues that could arise.

Additional Expenditures – The City expects to experience increased expenditures during 2021 as a result of covering shifts of symptomatic employees who are unable to report for work, purchasing personal protective equipment and implementing additional safety measures during the pandemic.

Grants – The City expects to receive grant revenues from the CARES Act through the State of Michigan in the amount of approximately \$3.3 million in Fiscal Year 2021. The City also expects a significant portion of COVID-19 response related expenditures to be reimbursed at 75% by FEMA. However, the magnitude of this funding is unknown at this time. Potential grant funds resulting from future Federal aid legislation is also unknown.

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, 2020

| | Budgeted Amounts | | Actual | Actual Over (Under) Final Budget |
|---------------------------------|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | | | | |
| Property taxes | \$ 60,419,774 | \$ 60,419,774 | \$ 60,987,539 | \$ 567,765 |
| Licenses and permits | 1,924,447 | 1,924,447 | 1,784,805 | (139,642) |
| State-shared revenue and grants | 12,984,009 | 12,991,231 | 14,353,955 | 1,362,724 |
| Charges for services | 10,392,410 | 10,392,410 | 8,688,407 | (1,704,003) |
| Fines and forfeitures | 4,849,695 | 4,849,695 | 3,561,662 | (1,288,033) |
| Interest income | 849,356 | 849,356 | 1,756,504 | 907,148 |
| Rental income | 694,796 | 694,796 | 778,765 | 83,969 |
| Other revenue | 305,277 | 643,152 | 788,003 | 144,851 |
| Transfers in | 4,053,474 | 3,890,444 | 3,894,165 | 3,721 |
| Total revenues | <u>96,473,238</u> | <u>96,655,305</u> | <u>96,593,805</u> | <u>(61,500)</u> |

City of Ann Arbor
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2020

| | Budgeted Amounts | | Actual | Actual Over (Under) Final Budget |
|-------------------------------------|--------------------|--------------------|--------------------|---|
| | Original | Final | | |
| Expenditures | | | | |
| General government | | | | |
| Mayor and council | \$ 438,005 | \$ 439,477 | \$ 410,009 | \$ (29,468) |
| Administration | 2,061,331 | 2,407,098 | 2,063,794 | (343,304) |
| Human resources | 2,170,619 | 2,199,397 | 1,990,598 | (208,799) |
| Attorney | 2,470,898 | 2,585,673 | 2,453,749 | (131,924) |
| Finance | 8,085,743 | 8,379,417 | 7,785,632 | (593,785) |
| Clerk/elections | 1,295,559 | 1,491,377 | 1,489,016 | (2,361) |
| Environmental coordination services | 329,136 | 533,599 | 414,574 | (119,025) |
| District court | 4,881,186 | 4,783,341 | 4,475,347 | (307,994) |
| Planning | 1,867,973 | 2,072,845 | 1,493,984 | (578,861) |
| Other unallocated | 2,585,336 | 1,503,465 | 1,245,175 | (258,290) |
| Municipal service charge | <u>(9,115,220)</u> | <u>(9,190,220)</u> | <u>(9,085,351)</u> | <u>104,869</u> |
| Total general government | <u>17,070,566</u> | <u>17,205,469</u> | <u>14,736,527</u> | <u>(2,468,942)</u> |
| Public safety | | | | |
| Police department | 29,651,742 | 30,202,533 | 29,435,850 | (766,683) |
| Fire department | 17,044,562 | 17,270,007 | 16,647,152 | (622,855) |
| Building department | <u>1,494,606</u> | <u>1,581,955</u> | <u>1,472,683</u> | <u>(109,272)</u> |
| Total public safety | <u>48,190,910</u> | <u>49,054,495</u> | <u>47,555,685</u> | <u>(1,498,810)</u> |
| Public works | | | | |
| Public services | 9,050,238 | 8,936,846 | 8,142,880 | (793,966) |
| Municipal service charge | <u>(3,634,487)</u> | <u>(3,689,487)</u> | <u>(3,467,862)</u> | <u>221,625</u> |
| Total public works | <u>5,415,751</u> | <u>5,247,359</u> | <u>4,675,018</u> | <u>(572,341)</u> |

City of Ann Arbor
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2020

| | Budgeted Amounts | | Actual | Actual Over (Under) Final Budget |
|---|----------------------|----------------------|----------------------|---|
| | Original | Final | | |
| Public transportation | | | | |
| Transportation | \$ 11,415,788 | \$ 11,415,788 | \$ 11,408,712 | \$ (7,076) |
| Community development | | | | |
| Community development | 5,647,754 | 6,412,759 | 5,681,501 | (731,258) |
| Municipal service charge | (2,635,118) | (2,666,818) | (2,519,984) | 146,834 |
| Total community and economic development | <u>3,012,636</u> | <u>3,745,941</u> | <u>3,161,517</u> | <u>(584,424)</u> |
| Recreation and culture | | | | |
| Parks and recreation | 8,888,266 | 9,062,482 | 8,442,055 | (620,427) |
| Total recreation and culture | <u>8,888,266</u> | <u>9,062,482</u> | <u>8,442,055</u> | <u>(620,427)</u> |
| Capital outlay | - | 284,746 | 277,629 | (7,117) |
| Transfers out | 3,010,184 | 4,376,877 | 4,342,268 | (34,609) |
| Total expenditures | <u>97,004,101</u> | <u>100,393,157</u> | <u>94,599,411</u> | <u>(5,793,746)</u> |
| Excess (deficiency) of revenues over expenditures | (530,863) | (3,737,852) | 1,994,394 | 5,732,246 |
| Fund balance - beginning of year | <u>25,637,199</u> | <u>25,637,199</u> | <u>25,637,199</u> | <u>-</u> |
| Fund balance - end of year | <u>\$ 25,106,336</u> | <u>\$ 21,899,347</u> | <u>\$ 27,631,593</u> | <u>\$ 5,732,246</u> |

City of Ann Arbor
Required Supplementary Information
Budgetary Comparison Schedule
Street, Bridge, and Sidewalk Repair Millage
For the Year Ended June 30, 2020

| | Budgeted Amounts | | Actual | Actual Over (Under) |
|---|---------------------|---------------------|---------------------|------------------------|
| | Original | Final | | Final Budget |
| Revenues | | | | |
| Taxes | \$ 11,830,530 | \$ 11,830,530 | \$ 11,672,374 | \$ (158,156) |
| Special assessments | - | 1,344 | 74,263 | 72,919 |
| Federal grants | - | - | 102,282 | 102,282 |
| Contributions and donations | 2,642,000 | 3,242,878 | 504,373 | (2,738,505) |
| Charges for services | - | 240,741 | 237,725 | (3,016) |
| Interest income | 236,231 | 236,231 | 411,439 | 175,208 |
| Other revenue | - | - | 78,273 | 78,273 |
| Transfers in | 802,424 | 3,735,110 | 6,512,347 | 2,777,237 |
| | <u>15,511,185</u> | <u>19,286,834</u> | <u>19,593,076</u> | <u>306,242</u> |
| Expenditures | | | | |
| Current | | | | |
| Public works | 14,159,707 | 7,039,242 | 6,729,241 | (310,001) |
| Capital outlay | - | 9,890,410 | 9,566,391 | (324,019) |
| Transfers out | 126,649 | 1,757,032 | 1,822,081 | 65,049 |
| | <u>14,286,356</u> | <u>18,686,684</u> | <u>18,117,713</u> | <u>(568,971)</u> |
| Excess (deficiency) of revenues over expenditures | 1,224,829 | 600,150 | 1,475,363 | 875,213 |
| Fund balance - beginning of year | <u>6,074,796</u> | <u>6,074,796</u> | <u>6,074,796</u> | <u>-</u> |
| Fund balance - end of year | <u>\$ 7,299,625</u> | <u>\$ 6,674,946</u> | <u>\$ 7,550,159</u> | <u>\$ 875,213</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, 2020

| Fiscal year ended June 30, | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total Pension Liability | | | | | | | |
| Service cost | \$ 9,922,176 | \$ 9,783,377 | \$ 9,403,000 | \$ 8,869,000 | \$ 8,729,000 | \$ 9,760,000 | \$ 9,802,000 |
| Interest on the total pension liability | 40,637,790 | 40,055,937 | 38,552,000 | 37,755,000 | 36,925,458 | 35,978,096 | 34,400,755 |
| Experience differences | 5,221,388 | (2,982,853) | 15,517,000 | 3,488,000 | (3,826,000) | 279,000 | 3,834,000 |
| Changes in actuarial assumptions | 1,248,573 | - | - | - | - | - | - |
| Other changes | - | - | 4,342 | 30,337 | - | - | - |
| Benefit payments and refunds | <u>(39,605,298)</u> | <u>(37,622,046)</u> | <u>(36,715,000)</u> | <u>(35,436,000)</u> | <u>(33,960,032)</u> | <u>(32,667,512)</u> | <u>(32,011,444)</u> |
| Net change in total pension liability | 17,424,629 | 9,234,415 | 26,761,342 | 14,706,337 | 7,868,426 | 13,349,584 | 16,025,311 |
| Total pension liability - beginning | <u>595,381,415</u> | <u>586,147,000</u> | <u>559,385,658</u> | <u>544,679,321</u> | <u>536,810,895</u> | <u>523,461,311</u> | <u>507,436,000</u> |
| Total pension liability - ending (a) | <u>\$ 612,806,044</u> | <u>\$ 595,381,415</u> | <u>\$ 586,147,000</u> | <u>\$ 559,385,658</u> | <u>\$ 544,679,321</u> | <u>\$ 536,810,895</u> | <u>\$ 523,461,311</u> |
| Plan Fiduciary Net Position | | | | | | | |
| Employer contributions | \$ 14,124,165 | \$ 13,621,926 | \$ 13,446,000 | \$ 13,253,000 | \$ 13,352,412 | \$ 13,091,474 | \$ 11,227,290 |
| Employee contributions | 3,164,729 | 3,264,590 | 3,185,000 | 3,325,000 | 3,139,266 | 3,013,353 | 2,948,177 |
| Pension plan net investment income | 23,143,999 | 30,599,351 | 33,235,000 | 54,243,000 | 2,434,339 | 20,144,251 | 60,253,683 |
| Benefit payments and refunds | (39,605,298) | (37,622,046) | (36,715,000) | (35,436,000) | (33,960,032) | (32,667,512) | (32,011,444) |
| Pension plan administrative expense | (1,049,565) | (671,194) | (694,000) | (762,000) | (719,561) | (683,980) | (644,051) |
| Other | - | (29,397) | 299,982 | 30,337 | - | - | - |
| Net change in plan fiduciary net position | (221,970) | 9,163,230 | 12,756,982 | 34,653,337 | (15,753,576) | 2,897,586 | 41,773,655 |
| Plan fiduciary net position - beginning | 512,898,230 | 503,735,000 | 491,273,658 | 456,620,321 | 472,373,897 | 469,685,311 | 427,911,656 |
| Restatement for pension liability | - | - | - | - | - | (209,000) | - |
| Restatement for net OPEB liability | - | - | (295,640) | - | - | - | - |
| Plan fiduciary net position - ending (b) | <u>\$ 512,676,260</u> | <u>\$ 512,898,230</u> | <u>\$ 503,735,000</u> | <u>\$ 491,273,658</u> | <u>\$ 456,620,321</u> | <u>\$ 472,373,897</u> | <u>\$ 469,685,311</u> |
| Net pension liability (a-b) | <u>\$ 100,129,784</u> | <u>\$ 82,483,185</u> | <u>\$ 82,412,000</u> | <u>\$ 68,112,000</u> | <u>\$ 88,059,000</u> | <u>\$ 64,436,998</u> | <u>\$ 53,776,000</u> |
| Plan fiduciary net position as a percentage of total pension liability | 83.66% | 86.15% | 85.94% | 87.82% | 83.83% | 88.00% | 89.73% |
| Covered payroll | \$ 57,970,915 | \$ 57,077,636 | \$ 55,459,000 | \$ 51,059,000 | \$ 46,887,000 | \$ 49,638,000 | \$ 47,956,745 |
| Net pension liability as a percentage of covered payroll | 172.72% | 144.51% | 148.60% | 133.40% | 187.81% | 129.81% | 112.13% |

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

City of Ann Arbor
Required Supplementary Information
City of Ann Arbor Employees' Retirement System
Schedule of Employer Contributions
June 30, 2020

| Fiscal Year Ending June 30, | Actuarially Determined Contribution | Actual Contribution | Contribution Deficiency (Excess) | Covered Payroll | Actual Contribution as a % of Covered Payroll |
|-----------------------------------|---|------------------------|--|--------------------|--|
| 2014 | \$ 11,217,000 | \$ 11,227,290 | \$ (10,290) | \$ 47,956,745 | 23.41% |
| 2015 | 12,327,000 | 13,091,474 | (764,474) | 49,638,000 | 26.37% |
| 2016 | 12,233,000 | 13,352,412 | (1,119,412) | 46,887,000 | 28.48% |
| 2017 | 11,348,853 | 13,253,118 | (1,904,265) | 51,059,000 | 25.96% |
| 2018 | 11,757,000 | 13,446,000 | (1,689,000) | 55,459,000 | 24.24% |
| 2019 | 13,464,778 | 13,621,926 | (157,148) | 57,077,636 | 23.87% |
| 2020 | 14,092,966 | 14,124,165 | (31,199) | 57,970,915 | 24.36% |

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 June 30, 2019

Actuarially determined contribution

Actuarially determined contribution (ADC) 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. The ADC included in this schedule is calculated as the normal cost payment plus the amortized portion of the unfunded actuarial accrued liability.

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 dollar, closed |
| Remaining amortization period | 23 years |
| Asset valuation method | 5-year smoothed market |
| Inflation | 2.5% |
| Salary increases | General: 4.0% - 7.5% |
| | Police: 5.3% - 11% |
| | Fire: 5.4% - 10.8% |
| Investment rate of return | 7% net of pension plan investment expense, including inflation |
| Retirement age | Experience-based table of rates that are specific to the type of eligibility condition |
| Mortality | RP-2014 Healthy Employees and Annuitants, Adjusted back to 2006 Generational Under Projection Scale MP-2017 |

City of Ann Arbor
Required Supplementary Information
City of Ann Arbor Employees' Retirement System
Schedule of Investment Returns
June 30, 2020

| Fiscal Year Ending June 30, | Annual Return (1) |
|-----------------------------------|----------------------|
| 2013 | 12.96% |
| 2014 | 14.01% |
| 2015 | 4.35% |
| 2016 | 0.50% |
| 2017 | 11.93% |
| 2018 | 7.02% |
| 2019 | 6.07% |
| 2020 | 4.45% |

(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, 2020

| Fiscal year ended June 30, | 2020 | 2019 | 2018 | 2017 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| Total OPEB Liability | | | | |
| Service cost | \$ 2,169,920 | \$ 2,623,066 | \$ 3,331,000 | \$ 3,071,000 |
| Interest | 20,212,994 | 17,926,505 | 17,099,000 | 17,058,000 |
| Differences between expected and actual experience | 8,453,222 | 23,161,053 | - | - |
| Changes in assumptions | (22,907,010) | 1,500,000 | - | - |
| Other | (353) | - | 1,181,354 | - |
| Benefit payments | (11,468,614) | (13,171,224) | (14,273,000) | (13,207,000) |
| Net change in total OPEB liability | (3,539,841) | 32,039,400 | 7,338,354 | 6,922,000 |
| Total OPEB liability - beginning | 293,406,754 | 261,367,354 | 254,029,000 | 247,107,000 |
| Total OPEB liability - ending (a) | <u>\$ 289,866,913</u> | <u>\$ 293,406,754</u> | <u>\$ 261,367,354</u> | <u>\$ 254,029,000</u> |
| Plan Fiduciary Net Position | | | | |
| Employer contributions | \$ 12,241,536 | \$ 15,987,768 | \$ 17,724,000 | \$ 16,820,000 |
| Net investment income | 6,722,726 | 11,824,566 | 11,114,000 | 17,225,000 |
| Benefit payments and refunds | (11,468,614) | (13,171,224) | (14,273,000) | (13,207,000) |
| Administrative expense | (177,731) | (116,902) | (97,000) | (130,000) |
| Other | - | - | 354 | (153,000) |
| Net change in plan fiduciary net position | 7,317,917 | 14,524,208 | 14,468,354 | 20,555,000 |
| Plan fiduciary net position - beginning | 186,331,562 | 171,807,354 | 157,339,000 | 136,784,000 |
| Plan fiduciary net position - ending (b) | <u>\$ 193,649,479</u> | <u>\$ 186,331,562</u> | <u>\$ 171,807,354</u> | <u>\$ 157,339,000</u> |
| Net OPEB liability (a-b) | <u>\$ 96,217,434</u> | <u>\$ 107,075,192</u> | <u>\$ 89,560,000</u> | <u>\$ 96,690,000</u> |
| Plan fiduciary net position as a percentage of total OPEB liability | 66.81% | 63.51% | 65.73% | 61.94% |
| Covered payroll | \$ 57,970,915 | \$ 57,077,636 | \$ 55,458,000 | \$ 53,583,000 |
| Net OPEB liability as a percentage of covered payroll | 165.98% | 187.60% | 161.49% | 180.45% |

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

**City of Ann Arbor
Required Supplementary Information
Other Post Employment Benefits
Schedule of Employer Contributions
June 30, 2020**

| Actuarial Valuation Date | Actuarially Determined Contribution | Actual Contribution | Contribution Deficiency (Excess) | Covered Payroll | Actual Contribution as a % of Covered Payroll |
|--------------------------------|---|------------------------|--|--------------------|--|
| 2017 | \$ 11,168,000 | \$ 16,819,824 | \$ (5,651,824) | \$ 53,583,000 | 31.39% |
| 2018 | 9,683,000 | 17,724,000 | (8,041,000) | 55,458,000 | 31.96% |
| 2019 | 9,234,000 | 15,987,768 | (6,753,768) | 57,077,636 | 28.01% |
| 2020 | 12,129,387 | 12,241,536 | (112,149) | 57,970,915 | 21.12% |

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

Notes to Schedule of Employer Contributions

Valuation date June 30, 2019

Actuarially Determined Contribution Actuarially determined contribution (ADC) 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. The ADC included in this schedule is calculated as the normal cost payment plus the amortized portion of the unfunded actuarial accrued liability.

Other information There were no benefit changes during the year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry age

Amortization method Level percentage of projected pay (amortization of the unfunded AAL)

Remaining amortization period 26 years

Asset valuation method 5-year smoothed market

Actuarial assumptions:

Inflation rate 3.5%

Salary increases 3.5%, average, including inflation

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

Mortality Post-Retirement: RP-2014 Healthy Employee Tables, projected with Scale MP-2017 from a base year of 2006.
Pre-Retirement: RP-2014 Healthy Employee Tables, projected with scale MP-2017 from a base year of 2006.

Healthcare cost trend rates Medical/Rx Pre-65: Initial trend of 8.25%, decreasing .25% per year to an ultimate rate of 4.5%.
Medical/Rx Post-65: Initial trend of 6.25%, decreasing .25% per year to an ultimate rate of 4.5%.

City of Ann Arbor
Required Supplementary Information
Other Post Employment Benefits
Schedule of Investment Returns
June 30, 2020

| Fiscal Year Ending June 30, | Annual Return (1) |
|-----------------------------------|----------------------|
| 2017 | 11.78% |
| 2018 | 7.21% |
| 2019 | 6.83% |
| 2020 | 3.52% |

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

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

NONMAJOR SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NONMAJOR SPECIAL REVENUE FUNDS (continued)

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

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

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

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

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

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

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

County Mental Health Millage - to account for the proceeds of a Washtenaw County special millage. The City is using the funds to provide pedestrian safety, affordable housing improvements and climate action initiatives.

Indigent Defense Fund - to account for State grant monies in the Fifteenth District Court related to indigent defense improvement initiatives.

NONMAJOR DEBT SERVICE FUNDS

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

NONMAJOR CAPITAL PROJECTS FUNDS

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

2019-A Capital Improvement Bonds – to account for bond proceeds and construction of pedestrian and road improvements in the downtown area.

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

NONMAJOR PERMANENT FUND

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

City of Ann Arbor
Other Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2020

| | Special Revenue Funds | | | | | | | |
|--|-----------------------|------------------------------------|------------------------------|----------------------|---------------------|---------------------|--|------------------|
| | Energy Projects | Community Television Network | Homeland Security Fund | Major Streets | Local Streets | Court Facilities | Open Space & Parkland Preservation | Bandemer |
| Assets | | | | | | | | |
| Cash and cash equivalents | \$ 32,122 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Equity in pooled cash and investments | 329,457 | 4,173,885 | 356 | 16,440,578 | 5,104,026 | 8,504 | 11,550,219 | 88,350 |
| Investments | - | - | - | - | - | - | - | - |
| Receivables | | | | | | | | |
| Taxes, net | - | - | - | - | - | - | 2 | - |
| Accounts, net | - | 473,009 | - | 101,389 | 197 | - | - | 450 |
| Special assessments | 189,227 | - | - | - | - | - | - | - |
| Accrued interest and other | - | - | - | - | - | - | - | - |
| Due from other units of government | - | - | - | 1,388,804 | 379,397 | - | - | - |
| Total assets | <u>\$ 550,806</u> | <u>\$ 4,646,894</u> | <u>\$ 356</u> | <u>\$ 17,930,771</u> | <u>\$ 5,483,620</u> | <u>\$ 8,504</u> | <u>\$ 11,550,221</u> | <u>\$ 88,800</u> |
| Liabilities | | | | | | | | |
| Accounts payable | \$ - | \$ 4,656 | \$ - | \$ 422,257 | \$ 120,156 | \$ - | \$ 36,913 | \$ - |
| Accrued and other liabilities | 634 | 15,284 | - | 66,123 | 15,858 | - | 921 | - |
| Due to other funds | - | - | - | - | - | - | - | - |
| Due to other units of government | - | - | - | - | - | - | - | - |
| Total liabilities | <u>634</u> | <u>19,940</u> | <u>-</u> | <u>488,380</u> | <u>136,014</u> | <u>-</u> | <u>37,834</u> | <u>-</u> |
| Deferred Inflows of Resources | | | | | | | | |
| Unavailable revenue | <u>189,227</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balances | | | | | | | | |
| Non-spendable | - | - | - | - | - | - | - | - |
| Restricted for | | | | | | | | |
| Culture and recreation | - | - | - | - | - | - | 11,512,387 | - |
| Law enforcement | - | - | 356 | - | - | 8,504 | - | - |
| Road maintenance and repairs | - | - | - | 17,442,391 | 5,347,606 | - | - | - |
| Debt service | - | - | - | - | - | - | - | - |
| Other purposes | 200,000 | 4,626,954 | - | - | - | - | - | - |
| Committed for | | | | | | | | |
| Culture and recreation | - | - | - | - | - | - | - | 88,800 |
| Other purposes | 160,945 | - | - | - | - | - | - | - |
| Assigned to capital projects | - | - | - | - | - | - | - | - |
| Unassigned (deficit) | - | - | - | - | - | - | - | - |
| Total fund balances | <u>360,945</u> | <u>4,626,954</u> | <u>356</u> | <u>17,442,391</u> | <u>5,347,606</u> | <u>8,504</u> | <u>11,512,387</u> | <u>88,800</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 550,806</u> | <u>\$ 4,646,894</u> | <u>\$ 356</u> | <u>\$ 17,930,771</u> | <u>\$ 5,483,620</u> | <u>\$ 8,504</u> | <u>\$ 11,550,221</u> | <u>\$ 88,800</u> |

City of Ann Arbor
Other Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2020

| | Special Revenue Funds | | | | | | | |
|--|-----------------------|---------------------|---|-------------------------------------|---------------------|-----------------------|-------------------------|-------------------|
| | Construction Code | Drug Enforcement | Federal Equitable Sharing Forfeiture | Parks Memorial & Contribution | Metro Expansion | Special Assistance | Open Space Endowment | |
| Assets | | | | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Equity in pooled cash and investments | 6,529,050 | 49,652 | 238,968 | 1,228,384 | 3,034,932 | 11,537 | 922,252 | 119,620 |
| Investments | - | - | - | - | - | - | - | - |
| Receivables | | | | | | | | |
| Taxes, net | - | - | - | - | - | - | - | - |
| Accounts, net | 176,103 | - | - | - | - | 510 | - | - |
| Special assessments | - | - | - | - | - | - | - | - |
| Accrued interest and other | - | - | - | - | - | - | - | - |
| Due from other units of government | - | - | - | - | - | - | - | - |
| Total assets | <u>\$ 6,705,153</u> | <u>\$ 49,652</u> | <u>\$ 238,968</u> | <u>\$ 1,228,384</u> | <u>\$ 3,034,932</u> | <u>\$ 12,047</u> | <u>\$ 922,252</u> | <u>\$ 119,620</u> |
| Liabilities | | | | | | | | |
| Accounts payable | \$ 118,687 | \$ - | \$ 30,007 | \$ 955 | \$ 12,455 | \$ - | \$ - | \$ - |
| Accrued and other liabilities | 59,286 | - | - | - | 8,515 | - | - | - |
| Due to other funds | - | - | - | - | - | - | - | - |
| Due to other units of government | - | - | - | - | - | - | - | - |
| Total liabilities | <u>177,973</u> | <u>-</u> | <u>30,007</u> | <u>955</u> | <u>20,970</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Deferred Inflows of Resources | | | | | | | | |
| Unavailable revenue | <u>172,550</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balances | | | | | | | | |
| Non-spendable | - | - | - | - | - | - | - | - |
| Restricted for | | | | | | | | |
| Culture and recreation | - | - | - | 1,227,429 | - | - | 922,252 | - |
| Law enforcement | - | 49,652 | 208,961 | - | - | - | - | - |
| Road maintenance and repairs | - | - | - | - | 3,013,962 | - | - | - |
| Debt service | - | - | - | - | - | - | - | - |
| Other purposes | 6,354,630 | - | - | - | - | - | - | - |
| Committed for | | | | | | | | |
| Culture and recreation | - | - | - | - | - | - | - | - |
| Other purposes | - | - | - | - | - | 12,047 | - | 119,620 |
| Assigned to capital projects | - | - | - | - | - | - | - | - |
| Unassigned (deficit) | - | - | - | - | - | - | - | - |
| Total fund balances | <u>6,354,630</u> | <u>49,652</u> | <u>208,961</u> | <u>1,227,429</u> | <u>3,013,962</u> | <u>12,047</u> | <u>922,252</u> | <u>119,620</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 6,705,153</u> | <u>\$ 49,652</u> | <u>\$ 238,968</u> | <u>\$ 1,228,384</u> | <u>\$ 3,034,932</u> | <u>\$ 12,047</u> | <u>\$ 922,252</u> | <u>\$ 119,620</u> |

City of Ann Arbor
Other Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2020

| | Special Revenue Funds | | | | | | |
|--|----------------------------|-------------------------------|---------------------------------|--|---------------------|------------------------------------|---------------------|
| | Art in Public Places | Alternative Transportation | Michigan Justice Training | Parks Maint. & Capital Imp. Millage | Major Grants | County Mental Health Millage | Indigent Defense |
| Assets | | | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Equity in pooled cash and investments | - | 873,782 | 18,773 | 5,929,319 | 366,076 | 1,973,048 | 166,721 |
| Investments | - | - | - | - | - | - | - |
| Receivables | | | | | | | |
| Taxes, net | - | 4,488 | - | 1 | - | - | - |
| Accounts, net | - | - | - | - | 208 | - | - |
| Special assessments | - | 4,384 | - | - | - | - | - |
| Accrued interest and other | - | - | - | - | - | - | - |
| Due from other units of government | - | - | - | - | 2,215,693 | - | - |
| Total assets | <u>\$ -</u> | <u>\$ 882,654</u> | <u>\$ 18,773</u> | <u>\$ 5,929,320</u> | <u>\$ 2,581,977</u> | <u>\$ 1,973,048</u> | <u>\$ 166,721</u> |
| Liabilities | | | | | | | |
| Accounts payable | \$ - | \$ 210,259 | \$ - | \$ 438,864 | \$ 2,121,928 | \$ 64,305 | \$ 21,411 |
| Accrued and other liabilities | - | 4,598 | - | 66,264 | 2,024 | - | - |
| Due to other funds | - | - | - | - | - | - | - |
| Due to other units of government | - | - | - | - | - | - | - |
| Total liabilities | <u>-</u> | <u>214,857</u> | <u>-</u> | <u>505,128</u> | <u>2,123,952</u> | <u>64,305</u> | <u>21,411</u> |
| Deferred Inflows of Resources | | | | | | | |
| Unavailable revenue | - | 4,384 | - | - | 2,139,117 | - | - |
| Fund Balances | | | | | | | |
| Non-spendable | - | - | - | - | - | - | - |
| Restricted for | | | | | | | |
| Culture and recreation | - | - | - | 5,424,192 | - | - | - |
| Law enforcement | - | - | 18,773 | - | - | - | - |
| Road maintenance and repairs | - | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - |
| Other purposes | - | - | - | - | - | - | 145,310 |
| Committed for | | | | | | | |
| Culture and recreation | - | - | - | - | - | - | - |
| Other purposes | - | 663,413 | - | - | - | 1,908,743 | - |
| Assigned to capital projects | - | - | - | - | - | - | - |
| Unassigned (deficit) | - | - | - | - | (1,681,092) | - | - |
| Total fund balances | <u>-</u> | <u>663,413</u> | <u>18,773</u> | <u>5,424,192</u> | <u>(1,681,092)</u> | <u>1,908,743</u> | <u>145,310</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ -</u> | <u>\$ 882,654</u> | <u>\$ 18,773</u> | <u>\$ 5,929,320</u> | <u>\$ 2,581,977</u> | <u>\$ 1,973,048</u> | <u>\$ 166,721</u> |

City of Ann Arbor
Other Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2020

| | Debt Service Fund | | Capital Projects Funds | | Permanent Fund | Total Nonmajor Governmental Funds |
|--|----------------------|----------------------|-----------------------------------|------------------------------|-------------------------|-----------------------------------|
| | General Debt Service | Maintenance Facility | 2019-A Capital Improvements Bonds | General Capital Improvements | Elizabeth R. Dean Trust | |
| Assets | | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 32,122 |
| Equity in pooled cash and investments | 553,754 | 974,396 | - | 1,596,080 | 197,173 | 62,478,892 |
| Investments | - | - | 10,356,819 | - | 2,076,202 | 12,433,021 |
| Receivables | | | | | | |
| Taxes, net | 1 | - | - | - | - | 4,492 |
| Accounts, net | - | - | - | - | - | 751,866 |
| Special assessments | - | - | - | - | - | 193,611 |
| Accrued interest and other | - | - | - | - | 10,650 | 10,650 |
| Due from other units of government | - | - | - | 40,812 | - | 4,024,706 |
| Total assets | <u>\$ 553,755</u> | <u>\$ 974,396</u> | <u>\$ 10,356,819</u> | <u>\$ 1,636,892</u> | <u>\$ 2,284,025</u> | <u>\$ 79,929,360</u> |
| Liabilities | | | | | | |
| Accounts payable | \$ - | \$ 248,684 | \$ - | \$ 365,665 | \$ 18,810 | \$ 4,236,012 |
| Accrued and other liabilities | - | 55 | - | 1,138 | - | 240,700 |
| Due to other funds | - | - | 153,519 | - | - | 153,519 |
| Due to other units of government | - | - | 1,940,779 | - | - | 1,940,779 |
| Total liabilities | <u>-</u> | <u>248,739</u> | <u>2,094,298</u> | <u>366,803</u> | <u>18,810</u> | <u>6,571,010</u> |
| Deferred Inflows of Resources | | | | | | |
| Unavailable revenue | - | - | - | - | - | 2,505,278 |
| Fund Balances | | | | | | |
| Non-spendable | - | - | - | - | 1,984,000 | 1,984,000 |
| Restricted for | | | | | | |
| Culture and recreation | - | - | - | - | 281,215 | 19,367,475 |
| Law enforcement | - | - | - | - | - | 286,246 |
| Road maintenance and repairs | - | - | - | - | - | 25,803,959 |
| Debt service | 553,755 | - | - | - | - | 553,755 |
| Other purposes | - | - | - | - | - | 11,326,894 |
| Committed for | | | | | | |
| Culture and recreation | - | - | - | - | - | 88,800 |
| Other purposes | - | - | - | - | - | 2,864,768 |
| Assigned to capital projects | - | 725,657 | 8,262,521 | 1,270,089 | - | 10,258,267 |
| Unassigned (deficit) | - | - | - | - | - | (1,681,092) |
| Total fund balances | <u>553,755</u> | <u>725,657</u> | <u>8,262,521</u> | <u>1,270,089</u> | <u>2,265,215</u> | <u>70,853,072</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 553,755</u> | <u>\$ 974,396</u> | <u>\$ 10,356,819</u> | <u>\$ 1,636,892</u> | <u>\$ 2,284,025</u> | <u>\$ 79,929,360</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, 2020

| | Special Revenue Funds | | | | | | | |
|--|-----------------------|----------------------------------|-------------------------------|--------------------|--------------------|---------------------|--|--------------|
| | Energy Projects | Community Television Grant | Homeland Security Grant | Major Streets | Local Streets | Court Facilities | Open Space & Parkland Preservation | Bandemer |
| Revenues | | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,660,735 | \$ - |
| Licenses, permits and registration | - | 1,877,218 | - | - | - | - | - | - |
| Federal grants | - | - | 44,478 | - | - | - | 511,070 | - |
| State-shared revenues and grants | - | - | - | 9,945,725 | 2,718,333 | - | - | - |
| Local contributions and donations | - | - | - | - | 5,163 | - | 4,000 | - |
| Charges for services | - | - | - | 781,281 | 194,737 | - | - | 870 |
| Fines and forfeitures | - | - | - | - | - | 52,573 | - | - |
| Investment income | 7,956 | 149,870 | 68 | 612,764 | 214,093 | 1,026 | 437,783 | 3,177 |
| Other revenue | 9,133 | 5,765 | - | 330,129 | 949 | - | 879 | 5,700 |
| Total revenues | 17,089 | 2,032,853 | 44,546 | 11,669,899 | 3,133,275 | 53,599 | 3,614,467 | 9,747 |
| Expenditures | | | | | | | | |
| Current | | | | | | | | |
| General government | 61,596 | 1,404,479 | - | - | - | - | - | - |
| Public safety | - | - | 44,478 | - | - | - | - | - |
| Public works | - | - | - | 8,335,144 | 1,978,738 | - | - | - |
| Health and welfare | - | - | - | - | - | - | - | - |
| Community and economic development | - | - | - | - | - | - | - | - |
| Recreation and culture | - | - | - | - | - | - | 1,444,512 | 1,201 |
| Capital outlay | - | - | - | 264,808 | 10,326 | - | 957,314 | - |
| Debt service | | | | | | | | |
| Principal retirement | - | - | - | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - | - | - | - |
| Total expenditures | 61,596 | 1,404,479 | 44,478 | 8,599,952 | 1,989,064 | - | 2,401,826 | 1,201 |
| Excess (deficiency) of revenues over expenditures | (44,507) | 628,374 | 68 | 3,069,947 | 1,144,211 | 53,599 | 1,212,641 | 8,546 |
| Other financing sources (uses) | | | | | | | | |
| Transfers in | 99,996 | 68,133 | - | 560,880 | 43,683 | 171,000 | 1,991 | - |
| Transfers out | (63,438) | (346,724) | - | (3,165,037) | (3,390,103) | (225,000) | (1,168,363) | - |
| Total other financing sources and uses | 36,558 | (278,591) | - | (2,604,157) | (3,346,420) | (54,000) | (1,166,372) | - |
| Net change in fund balance | (7,949) | 349,783 | 68 | 465,790 | (2,202,209) | (401) | 46,269 | 8,546 |
| Fund balance - beginning of year | 368,894 | 4,277,171 | 288 | 16,976,601 | 7,549,815 | 8,905 | 11,466,118 | 80,254 |
| Fund balance - end of year | \$ 360,945 | \$ 4,626,954 | \$ 356 | \$ 17,442,391 | \$ 5,347,606 | \$ 8,504 | \$ 11,512,387 | \$ 88,800 |

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, 2020

| | Special Revenue Funds | | | | | | | |
|--|-----------------------|---------------------|---|--------------------------------------|---------------------|-----------------------|----------------------------|-------------------------------|
| | Construction Code | Drug Enforcement | Federal Equitable Sharing Forfeiture | Parks Memorial & Contributions | Metro Expansion | Special Assistance | Open Space Endowment | Cemetery Perpetual Care |
| Revenues | | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Licenses, permits and registration | 3,955,149 | - | - | - | - | - | - | - |
| Federal grants | - | - | - | - | - | - | - | - |
| State-shared revenues and grants | - | - | - | - | 440,749 | - | - | - |
| Local contributions and donations | - | - | - | 117,220 | - | 11,091 | - | - |
| Charges for services | - | - | - | 57,247 | - | - | - | 10,651 |
| Fines and forfeitures | - | 7,616 | 148,296 | - | - | - | - | - |
| Investment income | 250,197 | 1,801 | 8,765 | 44,614 | 104,894 | 523 | 33,671 | 1,907 |
| Other revenue | 7,663 | - | - | - | 14,786 | - | - | - |
| Total revenues | 4,213,009 | 9,417 | 157,061 | 219,081 | 560,429 | 11,614 | 33,671 | 12,558 |
| Expenditures | | | | | | | | |
| Current | | | | | | | | |
| General government | - | - | - | - | - | - | - | - |
| Public safety | 4,711,903 | 6,500 | 83,972 | - | - | - | - | - |
| Public works | - | - | - | - | 254,027 | - | - | - |
| Health and welfare | - | - | - | - | - | - | - | - |
| Community and economic development | - | - | - | - | - | 14,246 | - | - |
| Recreation and culture | - | - | - | 47,079 | - | - | - | - |
| Capital outlay | - | - | 30,007 | - | - | - | - | - |
| Debt service | | | | | | | | |
| Principal retirement | - | - | - | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - | - | - | - |
| Total expenditures | 4,711,903 | 6,500 | 113,979 | 47,079 | 254,027 | 14,246 | - | - |
| Excess (deficiency) of revenues over expenditures | (498,894) | 2,917 | 43,082 | 172,002 | 306,402 | (2,632) | 33,671 | 12,558 |
| Other financing sources (uses) | | | | | | | | |
| Transfers in | 100,790 | - | - | 21 | 3,570 | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - |
| Total other financing sources and uses | 100,790 | - | - | 21 | 3,570 | - | - | - |
| Net change in fund balance | (398,104) | 2,917 | 43,082 | 172,023 | 309,972 | (2,632) | 33,671 | 12,558 |
| Fund balance - beginning of year | 6,752,734 | 46,735 | 165,879 | 1,055,406 | 2,703,990 | 14,679 | 888,581 | 107,062 |
| Fund balance - end of year | \$ 6,354,630 | \$ 49,652 | \$ 208,961 | \$ 1,227,429 | \$ 3,013,962 | \$ 12,047 | \$ 922,252 | \$ 119,620 |

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, 2020

| | Special Revenue Funds | | | | | | |
|--|----------------------------|-------------------------------|---------------------------------|--|-----------------------|------------------------------------|---------------------|
| | Art in Public Places | Alternative Transportation | Michigan Justice Training | Parks Maint. & Capital Impro. Millage | Major Grants | County Mental Health Millage | Indigent Defense |
| Revenues | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ 6,358,642 | \$ - | \$ 2,342,625 | \$ - |
| Licenses, permits and registration | - | - | - | - | - | - | - |
| Federal grants | - | - | - | - | 83,752 | - | - |
| State-shared revenues and grants | - | - | 19,013 | - | 253,306 | - | 75,664 |
| Local contributions and donations | - | - | - | - | - | - | - |
| Charges for services | - | 4,409 | - | - | - | - | - |
| Fines and forfeitures | - | - | - | - | - | - | - |
| Investment income | - | 31,757 | 209 | 246,762 | 4,812 | 50,437 | 5,039 |
| Other revenue | - | - | - | 3,541 | 13,004 | - | - |
| Total revenues | <u>-</u> | <u>36,166</u> | <u>19,222</u> | <u>6,608,945</u> | <u>354,874</u> | <u>2,393,062</u> | <u>80,703</u> |
| Expenditures | | | | | | | |
| Current | | | | | | | |
| General government | - | 8,994 | - | - | 326,615 | 519,284 | - |
| Public safety | - | - | 16,605 | - | 113,011 | - | - |
| Public works | - | 726,172 | - | - | 12,631 | 334,416 | - |
| Health and welfare | - | - | - | - | - | - | 288,832 |
| Community and economic development | - | - | - | - | - | 286,729 | - |
| Recreation and culture | - | - | - | 4,426,393 | 3,888 | - | - |
| Capital outlay | - | - | - | 1,892,262 | 2,688,985 | 75,921 | - |
| Debt service | | | | | | | |
| Principal retirement | - | - | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - | - | - |
| Total expenditures | <u>-</u> | <u>735,166</u> | <u>16,605</u> | <u>6,318,655</u> | <u>3,145,130</u> | <u>1,216,350</u> | <u>288,832</u> |
| Excess (deficiency) of revenues over expenditures | <u>-</u> | <u>(699,000)</u> | <u>2,617</u> | <u>290,290</u> | <u>(2,790,256)</u> | <u>1,176,712</u> | <u>(208,129)</u> |
| Other financing sources (uses) | | | | | | | |
| Transfers in | - | 635,641 | - | 404,190 | 672,246 | 20,000 | 206,507 |
| Transfers out | (124,392) | - | - | (31,549) | - | (864,996) | - |
| Total other financing sources and uses | <u>(124,392)</u> | <u>635,641</u> | <u>-</u> | <u>372,641</u> | <u>672,246</u> | <u>(844,996)</u> | <u>206,507</u> |
| Net change in fund balance | <u>(124,392)</u> | <u>(63,359)</u> | <u>2,617</u> | <u>662,931</u> | <u>(2,118,010)</u> | <u>331,716</u> | <u>(1,622)</u> |
| Fund balance - beginning of year | 124,392 | 726,772 | 16,156 | 4,761,261 | 436,918 | 1,577,027 | 146,932 |
| Fund balance - end of year | <u>\$ -</u> | <u>\$ 663,413</u> | <u>\$ 18,773</u> | <u>\$ 5,424,192</u> | <u>\$ (1,681,092)</u> | <u>\$ 1,908,743</u> | <u>\$ 145,310</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, 2020

| | Debt Service Fund | | Capital Projects Funds | | Permanent Fund | Total Nonmajor Governmental Funds |
|---|----------------------|----------------------|----------------------------------|------------------------------|-------------------------|-----------------------------------|
| | General Debt Service | Maintenance Facility | 2019-A Capital Improvement Bonds | General Capital Improvements | Elizabeth R. Dean Trust | |
| Revenues | | | | | | |
| Taxes | \$ 2,133 | \$ - | \$ - | \$ - | \$ - | \$ 11,364,135 |
| Licenses, permits and registration | - | - | - | - | - | 5,832,367 |
| Federal grants | - | - | - | - | - | 639,300 |
| State-shared revenues and grants | - | - | - | - | - | 13,452,790 |
| Local contributions and donations | - | - | 895,452 | - | - | 1,032,926 |
| Charges for services | 5,402,027 | - | - | 40,812 | - | 6,492,034 |
| Fines and forfeitures | - | - | - | - | - | 208,485 |
| Investment income | 38,961 | 36,218 | 207,313 | 66,709 | 100,316 | 2,661,642 |
| Other revenue | 19 | - | - | - | - | 391,568 |
| Total revenues | 5,443,140 | 36,218 | 1,102,765 | 107,521 | 100,316 | 42,075,247 |
| Expenditures | | | | | | |
| Current | | | | | | |
| General government | - | 6,042 | - | - | - | 2,327,010 |
| Public safety | - | - | - | - | - | 4,976,469 |
| Public works | - | - | - | 6,470 | - | 11,647,598 |
| Health and welfare | - | - | - | - | - | 288,832 |
| Community and economic development | - | - | 153,478 | - | - | 454,453 |
| Recreation and culture | - | - | - | - | 21,925 | 5,944,998 |
| Capital outlay | - | 878,549 | 5,969,677 | 1,559,845 | - | 14,327,694 |
| Debt service | | | | | | |
| Principal retirement | 6,213,000 | - | - | - | - | 6,213,000 |
| Interest and fiscal charges | 3,747,600 | - | - | - | - | 3,747,600 |
| Total expenditures | 9,960,600 | 884,591 | 6,123,155 | 1,566,315 | 21,925 | 49,927,654 |
| Excess (deficiency) of revenues over expenditures | (4,517,460) | (848,373) | (5,020,390) | (1,458,794) | 78,391 | (7,852,407) |
| Other financing sources (uses) | | | | | | |
| Transfers in | 4,442,566 | - | - | 1,076,976 | 1,480 | 8,509,670 |
| Transfers out | - | - | - | (165,976) | - | (9,545,578) |
| Total other financing sources and uses | 4,442,566 | - | - | 911,000 | 1,480 | (1,035,908) |
| Net change in fund balance | (74,894) | (848,373) | (5,020,390) | (547,794) | 79,871 | (8,888,315) |
| Fund balance - beginning of year | 628,649 | 1,574,030 | 13,282,911 | 1,817,883 | 2,185,344 | 79,741,387 |
| Fund balance - end of year | \$ 553,755 | \$ 725,657 | \$ 8,262,521 | \$ 1,270,089 | \$ 2,265,215 | \$ 70,853,072 |

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Energy Projects
For the Year Ended June 30, 2020

| | Budgeted Amounts | | Actual | Actual Over (Under) Final Budget |
|---|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Charges for services | \$ 53,742 | \$ 53,742 | \$ - | \$ (53,742) |
| Investment income | 5,460 | 5,460 | 7,956 | 2,496 |
| Other revenue | 7,040 | 7,040 | 9,133 | 2,093 |
| Transfers in | 100,000 | 100,000 | 99,996 | (4) |
| Total revenues | <u>166,242</u> | <u>166,242</u> | <u>117,085</u> | <u>(49,157)</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 248,133 | 248,133 | 61,596 | (186,537) |
| Transfers out | 63,938 | 63,938 | 63,438 | (500) |
| Total expenditures | <u>312,071</u> | <u>312,071</u> | <u>125,034</u> | <u>(187,037)</u> |
| Excess (deficiency) of revenues over expenditures | (145,829) | (145,829) | (7,949) | 137,880 |
| Fund balance - beginning of year | <u>368,894</u> | <u>368,894</u> | <u>368,894</u> | <u>-</u> |
| Fund balance - end of year | <u>\$ 223,065</u> | <u>\$ 223,065</u> | <u>\$ 360,945</u> | <u>\$ 137,880</u> |

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Community Television Network
For the Year Ended June 30, 2020

| | Budgeted Amounts | | Actual | Actual Over (Under) Final Budget |
|---|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Licenses and permits | \$ 2,055,000 | \$ 2,055,000 | \$ 1,877,218 | \$ (177,782) |
| Investment income | 76,825 | 76,825 | 149,870 | 73,045 |
| Other revenue | - | - | 5,765 | 5,765 |
| Transfers in | 68,133 | 68,133 | 68,133 | - |
| Total revenues | <u>2,199,958</u> | <u>2,199,958</u> | <u>2,100,986</u> | <u>(98,972)</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 1,699,793 | 1,699,793 | 1,404,479 | (295,314) |
| Capital outlay | 100,000 | 100,000 | - | (100,000) |
| Transfers out | 328,000 | 328,000 | 346,724 | 18,724 |
| Total expenditures | <u>2,127,793</u> | <u>2,127,793</u> | <u>1,751,203</u> | <u>(376,590)</u> |
| Excess (deficiency) of revenues over expenditures | 72,165 | 72,165 | 349,783 | 277,618 |
| Fund balance - beginning of year | <u>4,277,171</u> | <u>4,277,171</u> | <u>4,277,171</u> | <u>-</u> |
| Fund balance - end of year | <u>\$ 4,349,336</u> | <u>\$ 4,349,336</u> | <u>\$ 4,626,954</u> | <u>\$ 277,618</u> |

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Homeland Security Grant
For the Year Ended June 30, 2020

| | Budgeted Amounts | | Actual | Actual Over (Under) Final Budget |
|---|------------------|---------------|---------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Federal grants | \$ - | \$ 44,478 | \$ 44,478 | \$ - |
| Investment income | - | - | 68 | 68 |
| | <u>-</u> | <u>44,478</u> | <u>44,546</u> | <u>68</u> |
| Total revenues | - | 44,478 | 44,546 | 68 |
| Expenditures | | | | |
| Current | | | | |
| Public safety | - | 44,478 | 44,478 | - |
| | <u>-</u> | <u>44,478</u> | <u>44,478</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | - | - | 68 | 68 |
| Fund balance - beginning of year | <u>288</u> | <u>288</u> | <u>288</u> | <u>-</u> |
| Fund balance - end of year | <u>\$ 288</u> | <u>\$ 288</u> | <u>\$ 356</u> | <u>\$ 68</u> |

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Major Streets
For the Year Ended June 30, 2020

| | Budgeted Amounts | | Actual | Actual |
|---|----------------------|----------------------|----------------------|---------------------------------|
| | Original | Final | | Over (Under) Final Budget |
| Revenues | | | | |
| State-shared revenue | \$ 9,826,420 | \$ 9,826,420 | \$ 9,945,725 | \$ 119,305 |
| Charges for services | 771,600 | 777,766 | 781,281 | 3,515 |
| Interest income | 291,356 | 291,356 | 612,764 | 321,408 |
| Other revenue | 325,150 | 325,150 | 330,129 | 4,979 |
| Transfers in | 181,238 | 526,638 | 560,880 | 34,242 |
| | <u>11,395,764</u> | <u>11,747,330</u> | <u>12,230,779</u> | <u>483,449</u> |
| Total revenues | | | | |
| Expenditures | | | | |
| Current | | | | |
| Public works | 11,624,459 | 10,451,616 | 8,335,144 | (2,116,472) |
| Capital outlay | 165,000 | 165,000 | 264,808 | 99,808 |
| Transfers out | 1,255,783 | 3,165,468 | 3,165,037 | (431) |
| | <u>13,045,242</u> | <u>13,782,084</u> | <u>11,764,989</u> | <u>(2,017,095)</u> |
| Total expenditures | | | | |
| Excess (deficiency) of revenues over expenditures | (1,649,478) | (2,034,754) | 465,790 | 2,500,544 |
| Fund balance - beginning of year | <u>16,976,601</u> | <u>16,976,601</u> | <u>16,976,601</u> | <u>-</u> |
| Fund balance - end of year | <u>\$ 15,327,123</u> | <u>\$ 14,941,847</u> | <u>\$ 17,442,391</u> | <u>\$ 2,500,544</u> |

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Local Streets
For the Year Ended June 30, 2020

| | Budgeted Amounts | | Actual | Actual Over (Under) Final Budget |
|---|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| State-shared revenues and grants | \$ 3,242,815 | \$ 3,242,815 | \$ 2,718,333 | \$ (524,482) |
| Local contributions | - | - | 5,163 | 5,163 |
| Charges for services | 197,230 | 197,230 | 194,737 | (2,493) |
| Interest income | 112,116 | 112,116 | 214,093 | 101,977 |
| Other revenue | - | - | 949 | 949 |
| Transfers in | 43,678 | 43,678 | 43,683 | 5 |
| | <u>3,595,839</u> | <u>3,595,839</u> | <u>3,176,958</u> | <u>(418,881)</u> |
| Total revenues | | | | |
| Expenditures | | | | |
| Current | | | | |
| Public works | 5,343,455 | 2,354,517 | 1,978,738 | (375,779) |
| Capital outlay | - | - | 10,326 | 10,326 |
| Transfers out | 252,384 | 3,390,129 | 3,390,103 | (26) |
| | <u>5,595,839</u> | <u>5,744,646</u> | <u>5,379,167</u> | <u>(365,479)</u> |
| Total expenditures | | | | |
| Excess (deficiency) of revenues over expenditures | (2,000,000) | (2,148,807) | (2,202,209) | (53,402) |
| Fund balance - beginning of year | <u>7,549,815</u> | <u>7,549,815</u> | <u>7,549,815</u> | <u>-</u> |
| Fund balance - end of year | <u>\$ 5,549,815</u> | <u>\$ 5,401,008</u> | <u>\$ 5,347,606</u> | <u>\$ (53,402)</u> |

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Court Facilities
For the Year Ended June 30, 2020

| | Budgeted Amounts | | Actual | Actual Over (Under) Final Budget |
|---|------------------------|-------------------------|------------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Fines and forfeitures | \$ 90,000 | \$ 90,000 | \$ 52,573 | \$ (37,427) |
| Investment income | - | - | 1,026 | 1,026 |
| Transfers in | <u>135,000</u> | <u>171,000</u> | <u>171,000</u> | <u>-</u> |
| Total revenues | 225,000 | 261,000 | 224,599 | (36,401) |
| Expenditures | | | | |
| Transfers out | <u>225,000</u> | <u>225,000</u> | <u>225,000</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | - | 36,000 | (401) | (36,401) |
| Fund balance - beginning of year | <u>8,905</u> | <u>8,905</u> | <u>8,905</u> | <u>-</u> |
| Fund balance - end of year | <u><u>\$ 8,905</u></u> | <u><u>\$ 44,905</u></u> | <u><u>\$ 8,504</u></u> | <u><u>\$ (36,401)</u></u> |

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Open Space & Parkland Preservation
For the Year Ended June 30, 2020

| | Budgeted Amounts | | Actual | Actual Over (Under) Final Budget |
|---|----------------------|----------------------|----------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 2,632,919 | \$ 2,632,919 | \$ 2,660,735 | \$ 27,816 |
| Federal grants | - | 511,070 | 511,070 | - |
| Local contributions and donations | - | - | 4,000 | 4,000 |
| Investment income | 236,084 | 236,084 | 437,783 | 201,699 |
| Other revenue | - | - | 879 | 879 |
| Transfers in | 1,991 | 1,991 | 1,991 | - |
| | <u>2,870,994</u> | <u>3,382,064</u> | <u>3,616,458</u> | <u>234,394</u> |
| Expenditures | | | | |
| Current | | | | |
| Recreation and culture | 258,856 | 1,459,599 | 1,444,512 | (15,087) |
| Capital outlay | - | 988,236 | 957,314 | (30,922) |
| Transfers out | 1,168,363 | 1,168,363 | 1,168,363 | - |
| | <u>1,427,219</u> | <u>3,616,198</u> | <u>3,570,189</u> | <u>(46,009)</u> |
| Excess (deficiency) of revenues over expenditures | 1,443,775 | (234,134) | 46,269 | 280,403 |
| Fund balance - beginning of year | <u>11,466,118</u> | <u>11,466,118</u> | <u>11,466,118</u> | <u>-</u> |
| Fund balance - end of year | <u>\$ 12,909,893</u> | <u>\$ 11,231,984</u> | <u>\$ 11,512,387</u> | <u>\$ 280,403</u> |

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Bandemer
For the Year Ended June 30, 2020

| | Budgeted Amounts | | Actual | Actual Over (Under) Final Budget |
|---|------------------|------------------|------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Charges for services | \$ - | \$ - | \$ 870 | \$ 870 |
| Investment income | 1,406 | 1,406 | 3,177 | 1,771 |
| Other revenue | 7,650 | 7,650 | 5,700 | (1,950) |
| Total revenues | <u>9,056</u> | <u>9,056</u> | <u>9,747</u> | <u>691</u> |
| Expenditures | | | | |
| Current | | | | |
| Recreation and culture | 1,287 | 1,287 | 1,201 | (86) |
| Capital outlay | 4,844 | 4,844 | - | (4,844) |
| Total expenditures | <u>6,131</u> | <u>6,131</u> | <u>1,201</u> | <u>(4,930)</u> |
| Excess (deficiency) of revenues over expenditures | 2,925 | 2,925 | 8,546 | 5,621 |
| Fund balance - beginning of year | <u>80,254</u> | <u>80,254</u> | <u>80,254</u> | <u>-</u> |
| Fund balance - end of year | <u>\$ 83,179</u> | <u>\$ 83,179</u> | <u>\$ 88,800</u> | <u>\$ 5,621</u> |

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Construction Code
For the Year Ended June 30, 2020

| | Budgeted Amounts | | Actual | Actual Over (Under) Final Budget |
|---|-------------------------|-------------------------|-------------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Licenses and permits | \$ 4,146,850 | \$ 4,146,850 | \$ 3,955,149 | \$ (191,701) |
| Investment income | 121,565 | 121,565 | 250,197 | 128,632 |
| Other revenue | 1,200 | 1,200 | 7,663 | 6,463 |
| Transfers in | 100,790 | 100,790 | 100,790 | - |
| Total revenues | <u>4,370,405</u> | <u>4,370,405</u> | <u>4,313,799</u> | <u>(56,606)</u> |
| Expenditures | | | | |
| Current | | | | |
| Public safety | 4,572,406 | 5,298,837 | 4,711,903 | (586,934) |
| Capital outlay | 271,922 | 271,922 | - | (271,922) |
| Total expenditures | <u>4,844,328</u> | <u>5,570,759</u> | <u>4,711,903</u> | <u>(858,856)</u> |
| Excess (deficiency) of revenues over expenditures | (473,923) | (1,200,354) | (398,104) | 802,250 |
| Fund balance - beginning of year | <u>6,752,734</u> | <u>6,752,734</u> | <u>6,752,734</u> | <u>-</u> |
| Fund balance - end of year | <u>\$ 6,278,811</u> | <u>\$ 5,552,380</u> | <u>\$ 6,354,630</u> | <u>\$ 802,250</u> |

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Drug Enforcement
For the Year Ended June 30, 2020

| | Budgeted Amounts | | Actual | Actual Over (Under) Final Budget |
|---|------------------|-----------|-----------|---|
| | Original | Final | | |
| Revenues | | | | |
| Fines and forfeitures | \$ 500 | \$ 7,616 | \$ 7,616 | \$ - |
| Investment income | 1,614 | 1,614 | 1,801 | 187 |
| Total revenues | 2,114 | 9,230 | 9,417 | 187 |
| Expenditures | | | | |
| Current | | | | |
| Public safety | 24,225 | 31,341 | 6,500 | (24,841) |
| Excess (deficiency) of revenues over expenditures | (22,111) | (22,111) | 2,917 | 25,028 |
| Fund balance - beginning of year | 46,735 | 46,735 | 46,735 | - |
| Fund balance - end of year | \$ 24,624 | \$ 24,624 | \$ 49,652 | \$ 25,028 |

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Federal Equitable Sharing Forfeiture
For the Year Ended June 30, 2020

| | Budgeted Amounts | | Actual | Actual Over (Under) Final Budget |
|---|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Fines and forfeitures | \$ 10,000 | \$ 148,296 | \$ 148,296 | \$ - |
| Investment income | <u>2,393</u> | <u>2,393</u> | <u>8,765</u> | <u>6,372</u> |
| Total revenues | <u>12,393</u> | <u>150,689</u> | <u>157,061</u> | <u>6,372</u> |
| Expenditures | | | | |
| Current | | | | |
| Public safety | 75,003 | 213,299 | 83,972 | (129,327) |
| Capital outlay | <u>-</u> | <u>-</u> | <u>30,007</u> | <u>30,007</u> |
| Total expenditures | <u>75,003</u> | <u>213,299</u> | <u>113,979</u> | <u>(99,320)</u> |
| Excess (deficiency) of revenues over expenditures | (62,610) | (62,610) | 43,082 | 105,692 |
| Fund balance - beginning of year | <u>165,879</u> | <u>165,879</u> | <u>165,879</u> | <u>-</u> |
| Fund balance - end of year | <u>\$ 103,269</u> | <u>\$ 103,269</u> | <u>\$ 208,961</u> | <u>\$ 105,692</u> |

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Parks & Memorial Contributions
For the Year Ended June 30, 2020

| | Budgeted Amounts | | Actual | Actual Over (Under) Final Budget |
|---|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Local contributions and donations | \$ 27,500 | \$ 129,120 | \$ 117,220 | \$ (11,900) |
| Charges for services | 75,000 | 75,000 | 57,247 | (17,753) |
| Investment income | 16,431 | 16,431 | 44,614 | 28,183 |
| Transfers in | 21 | 21 | 21 | - |
| Total revenues | <u>118,952</u> | <u>220,572</u> | <u>219,102</u> | <u>(1,470)</u> |
| Expenditures | | | | |
| Current | | | | |
| Recreation and culture | 33,931 | 75,826 | 47,079 | (28,747) |
| Transfers out | <u>115,000</u> | <u>115,000</u> | <u>-</u> | <u>(115,000)</u> |
| Total expenditures | <u>148,931</u> | <u>190,826</u> | <u>47,079</u> | <u>(143,747)</u> |
| Excess (deficiency) of revenues over expenditures | (29,979) | 29,746 | 172,023 | 142,277 |
| Fund balance - beginning of year | <u>1,055,406</u> | <u>1,055,406</u> | <u>1,055,406</u> | <u>-</u> |
| Fund balance - end of year | <u>\$ 1,025,427</u> | <u>\$ 1,085,152</u> | <u>\$ 1,227,429</u> | <u>\$ 142,277</u> |

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Metro Expansion
For the Year Ended June 30, 2020

| | Budgeted Amounts | | Actual | Actual Over (Under) Final Budget |
|---|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| State-shared revenue and grants | \$ 390,000 | \$ 390,000 | \$ 440,749 | \$ 50,749 |
| Investment income | 45,812 | 45,812 | 104,894 | 59,082 |
| Other revenue | - | - | 14,786 | 14,786 |
| Transfers in | 3,570 | 3,570 | 3,570 | - |
| | <u>439,382</u> | <u>439,382</u> | <u>563,999</u> | <u>124,617</u> |
| Expenditures | | | | |
| Current | | | | |
| Public works | <u>436,495</u> | <u>436,495</u> | <u>254,027</u> | <u>(182,468)</u> |
| Excess (deficiency) of revenues over expenditures | 2,887 | 2,887 | 309,972 | 307,085 |
| Fund balance - beginning of year | <u>2,703,990</u> | <u>2,703,990</u> | <u>2,703,990</u> | <u>-</u> |
| Fund balance - end of year | <u>\$ 2,706,877</u> | <u>\$ 2,706,877</u> | <u>\$ 3,013,962</u> | <u>\$ 307,085</u> |

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Special Assistance
For the Year Ended June 30, 2020

| | Budgeted Amounts | | Actual | Actual Over (Under) Final Budget |
|---|------------------|-----------------|------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Local contributions | \$ 5,000 | \$ 5,000 | \$ 11,091 | \$ 6,091 |
| Investment income | <u>204</u> | <u>204</u> | <u>523</u> | <u>319</u> |
| Total revenues | 5,204 | 5,204 | 11,614 | 6,410 |
| Expenditures | | | | |
| Current | | | | |
| Community and economic development | <u>16,000</u> | <u>16,000</u> | <u>14,246</u> | <u>(1,754)</u> |
| Excess (deficiency) of revenues over expenditures | (10,796) | (10,796) | (2,632) | 8,164 |
| Fund balance - beginning of year | <u>14,679</u> | <u>14,679</u> | <u>14,679</u> | <u>-</u> |
| Fund balance - end of year | <u>\$ 3,883</u> | <u>\$ 3,883</u> | <u>\$ 12,047</u> | <u>\$ 8,164</u> |

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Open Space Endowment
For the Year Ended June 30, 2020

| | Budgeted Amounts | | Actual | Actual Over (Under) Final Budget |
|---|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Interest income | \$ 16,026 | \$ 16,026 | \$ 33,671 | \$ 17,645 |
| Expenditures | | | | |
| Current | | | | |
| Recreation and culture | 15,000 | 15,000 | - | (15,000) |
| Excess (deficiency) of revenues over expenditures | 1,026 | 1,026 | 33,671 | 32,645 |
| Fund balance - beginning of year | 888,581 | 888,581 | 888,581 | - |
| Fund balance - end of year | <u>\$ 889,607</u> | <u>\$ 889,607</u> | <u>\$ 922,252</u> | <u>\$ 32,645</u> |

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Cemetery Perpetual Care
For the Year Ended June 30, 2020

| | Budgeted Amounts | | Actual | Actual Over (Under) Final Budget |
|---|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Charges for services | \$ 3,000 | \$ 3,000 | \$ 10,651 | \$ 7,651 |
| Investment income | <u>2,106</u> | <u>2,106</u> | <u>1,907</u> | <u>(199)</u> |
| Total revenues | <u>5,106</u> | <u>5,106</u> | <u>12,558</u> | <u>7,452</u> |
| Excess (deficiency) of revenues over expenditures | 5,106 | 5,106 | 12,558 | 7,452 |
| Fund balance - beginning of year | <u>107,062</u> | <u>107,062</u> | <u>107,062</u> | <u>-</u> |
| Fund balance - end of year | <u>\$ 112,168</u> | <u>\$ 112,168</u> | <u>\$ 119,620</u> | <u>\$ 7,452</u> |

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Art in Public Places
For the Year Ended June 30, 2020

| | Budgeted Amounts | | Actual | Actual Over (Under) Final Budget |
|---|------------------|------------|------------|---|
| | Original | Final | | |
| Expenditures | | | | |
| Transfers out | \$ 130,000 | \$ 130,000 | \$ 124,392 | \$ (5,608) |
| Excess (deficiency) of revenues over expenditures | (130,000) | (130,000) | (124,392) | 5,608 |
| Fund balance - beginning of year | 124,392 | 124,392 | 124,392 | - |
| Fund balance - end of year | \$ (5,608) | \$ (5,608) | \$ - | \$ 5,608 |

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Alternative Transportation
For the Year Ended June 30, 2020

| | Budgeted Amounts | | Actual | Actual Over (Under) Final Budget |
|---|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Charges for services | \$ - | \$ - | \$ 4,409 | \$ 4,409 |
| Investment income | 12,714 | 12,714 | 31,757 | 19,043 |
| Transfers in | 635,655 | 635,655 | 635,641 | (14) |
| Total revenues | <u>648,369</u> | <u>648,369</u> | <u>671,807</u> | <u>23,438</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 21,455 | 21,455 | 8,994 | (12,461) |
| Public works | <u>926,724</u> | <u>829,822</u> | <u>726,172</u> | <u>(103,650)</u> |
| Total expenditures | <u>948,179</u> | <u>851,277</u> | <u>735,166</u> | <u>(116,111)</u> |
| Excess (deficiency) of revenues over expenditures | (299,810) | (202,908) | (63,359) | 139,549 |
| Fund balance - beginning of year | <u>726,772</u> | <u>726,772</u> | <u>726,772</u> | <u>-</u> |
| Fund balance - end of year | <u>\$ 426,962</u> | <u>\$ 523,864</u> | <u>\$ 663,413</u> | <u>\$ 139,549</u> |

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Michigan Justice Training
For the Year Ended June 30, 2020

| | Budgeted Amounts | | Actual | Actual Over (Under) Final Budget |
|---|------------------|------------------|------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| State-shared revenue | \$ 21,000 | \$ 21,000 | \$ 19,013 | \$ (1,987) |
| Investment income | <u>268</u> | <u>268</u> | <u>209</u> | <u>(59)</u> |
| Total revenues | 21,268 | 21,268 | 19,222 | (2,046) |
| Expenditures | | | | |
| Current | | | | |
| Public safety | <u>21,000</u> | <u>21,000</u> | <u>16,605</u> | <u>(4,395)</u> |
| Excess (deficiency) of revenues over expenditures | 268 | 268 | 2,617 | 2,349 |
| Fund balance - beginning of year | <u>16,156</u> | <u>16,156</u> | <u>16,156</u> | <u>-</u> |
| Fund balance - end of year | <u>\$ 16,424</u> | <u>\$ 16,424</u> | <u>\$ 18,773</u> | <u>\$ 2,349</u> |

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Parks Maintenance & Capital Improvement Millage
For the Year Ended June 30, 2020

| | Budgeted Amounts | | Actual | Actual Over (Under) Final Budget |
|---|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 6,294,827 | \$ 6,294,827 | \$ 6,358,642 | \$ 63,815 |
| Investment income | 119,695 | 119,695 | 246,762 | 127,067 |
| Other revenue | 1,100 | 1,100 | 3,541 | 2,441 |
| Transfers in | 223,315 | 504,190 | 404,190 | (100,000) |
| Total revenues | <u>6,638,937</u> | <u>6,919,812</u> | <u>7,013,135</u> | <u>93,323</u> |
| Expenditures | | | | |
| Current | | | | |
| Recreation and culture | 6,592,771 | 5,183,834 | 4,426,393 | (757,441) |
| Capital outlay | - | 1,833,957 | 1,892,262 | 58,305 |
| Transfers out | - | - | 31,549 | 31,549 |
| Total expenditures | <u>6,592,771</u> | <u>7,017,791</u> | <u>6,350,204</u> | <u>(667,587)</u> |
| Excess (deficiency) of revenues over expenditures | 46,166 | (97,979) | 662,931 | 760,910 |
| Fund balance - beginning of year | <u>4,761,261</u> | <u>4,761,261</u> | <u>4,761,261</u> | <u>-</u> |
| Fund balance - end of year | <u>\$ 4,807,427</u> | <u>\$ 4,663,282</u> | <u>\$ 5,424,192</u> | <u>\$ 760,910</u> |

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Major Grants
For the Year Ended June 30, 2020

| | Budgeted Amounts | | Actual | Actual Over (Under) Final Budget |
|---|-------------------|-----------------------|-----------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Federal grants | \$ - | \$ 83,835 | \$ 83,752 | \$ (83) |
| State-shared revenue and grants | - | 253,306 | 253,306 | - |
| Investment income | - | - | 4,812 | 4,812 |
| Other revenue | - | 42,991 | 13,004 | (29,987) |
| Transfers in | - | 172,795 | 672,246 | 499,451 |
| | <u>-</u> | <u>552,927</u> | <u>1,027,120</u> | <u>474,193</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | - | 340,879 | 326,615 | (14,264) |
| Public safety | - | 20,701 | 113,011 | 92,310 |
| Public works | - | 12,629 | 12,631 | 2 |
| Recreation and culture | - | 16,545 | 3,888 | (12,657) |
| Capital outlay | - | 2,688,985 | 2,688,985 | - |
| | <u>-</u> | <u>3,079,739</u> | <u>3,145,130</u> | <u>65,391</u> |
| Excess (deficiency) of revenues over expenditures | - | (2,526,812) | (2,118,010) | 408,802 |
| Fund balance - beginning of year | <u>436,918</u> | <u>436,918</u> | <u>436,918</u> | <u>-</u> |
| Fund balance - end of year | <u>\$ 436,918</u> | <u>\$ (2,089,894)</u> | <u>\$ (1,681,092)</u> | <u>\$ 408,802</u> |

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
County Mental Health Millage
For the Year Ended June 30, 2020

| | Budgeted Amounts | | Actual | Actual Over (Under) Final Budget |
|---|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 2,200,000 | \$ 2,200,000 | \$ 2,342,625 | \$ 142,625 |
| Investment income | - | - | 50,437 | 50,437 |
| Transfers in | - | 20,000 | 20,000 | - |
| | <u>2,200,000</u> | <u>2,220,000</u> | <u>2,413,062</u> | <u>193,062</u> |
| Total revenues | | | | |
| Expenditures | | | | |
| Current | | | | |
| General government | 605,000 | 625,000 | 519,284 | (105,716) |
| Public works | 335,000 | 335,000 | 334,416 | (584) |
| Community and economic development | 220,000 | 220,000 | 286,729 | 66,729 |
| Capital outlay | 175,000 | 175,000 | 75,921 | (99,079) |
| Transfers out | 865,000 | 865,000 | 864,996 | (4) |
| | <u>2,200,000</u> | <u>2,220,000</u> | <u>2,081,346</u> | <u>(138,654)</u> |
| Total expenditures | | | | |
| Excess (deficiency) of revenues over expenditures | - | - | 331,716 | 331,716 |
| Fund balance - beginning of year | <u>1,577,027</u> | <u>1,577,027</u> | <u>1,577,027</u> | <u>-</u> |
| Fund balance - end of year | <u>\$ 1,577,027</u> | <u>\$ 1,577,027</u> | <u>\$ 1,908,743</u> | <u>\$ 331,716</u> |

City of Ann Arbor
Other Supplementary Information
Budgetary Comparison Schedule
Michigan Indigent Defense
For the Year Ended June 30, 2020

| | Budgeted Amounts | | Actual | Actual Over (Under) Final Budget |
|---|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| State-shared revenue and grants | \$ 197,123 | \$ 75,664 | \$ 75,664 | \$ - |
| Investment income | - | - | 5,039 | 5,039 |
| Transfers in | - | 206,507 | 206,507 | - |
| | <u>197,123</u> | <u>282,171</u> | <u>287,210</u> | <u>5,039</u> |
| Total revenues | 197,123 | 282,171 | 287,210 | 5,039 |
| Expenditures | | | | |
| Current | | | | |
| Health and welfare | <u>197,123</u> | <u>288,832</u> | <u>288,832</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | - | (6,661) | (1,622) | 5,039 |
| Fund balance - beginning of year | <u>146,932</u> | <u>146,932</u> | <u>146,932</u> | <u>-</u> |
| Fund balance - end of year | <u>\$ 146,932</u> | <u>\$ 140,271</u> | <u>\$ 145,310</u> | <u>\$ 5,039</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 – 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, 2020

| | Central Store | Fleet Services | Information Technology | Project Management | Risk | Wheeler Center | Total |
|---|---------------------|----------------------|---------------------------|-----------------------|---------------------|-------------------|----------------------|
| Assets | | | | | | | |
| Current assets | | | | | | | |
| Cash | \$ - | \$ - | \$ - | \$ 200 | \$ 98 | \$ - | \$ 298 |
| Equity in pooled cash and investments | 2,071,705 | 14,272,319 | 4,484,366 | 3,052,139 | 10,800,469 | 453,510 | 35,134,508 |
| Accounts receivable, net | - | - | 41,895 | 192,237 | - | 229 | 234,361 |
| Inventories | 642,576 | 480,821 | - | - | - | - | 1,123,397 |
| Prepaid items | - | - | 258,511 | - | 2,106,884 | - | 2,365,395 |
| Total current assets | <u>2,714,281</u> | <u>14,753,140</u> | <u>4,784,772</u> | <u>3,244,576</u> | <u>12,907,451</u> | <u>453,739</u> | <u>38,857,959</u> |
| Noncurrent assets | | | | | | | |
| Capital assets, net of accumulated depreciation | - | 11,916,506 | - | - | - | - | 11,916,506 |
| Capital assets not being depreciated | 6,948 | 90,005 | 453,930 | 73,247 | - | - | 624,130 |
| Total noncurrent assets | <u>6,948</u> | <u>12,006,511</u> | <u>453,930</u> | <u>73,247</u> | <u>-</u> | <u>-</u> | <u>12,540,636</u> |
| Total assets | <u>2,721,229</u> | <u>26,759,651</u> | <u>5,238,702</u> | <u>3,317,823</u> | <u>12,907,451</u> | <u>453,739</u> | <u>51,398,595</u> |
| Liabilities | | | | | | | |
| Current liabilities | | | | | | | |
| Accounts payable | 31,011 | 116,742 | 314,673 | 65,551 | 641,890 | 49,363 | 1,219,230 |
| Accrued and other liabilities | - | - | 890 | - | - | - | 890 |
| Deposits | - | - | 19,152 | 665,658 | - | - | 684,810 |
| Estimated claims payable, current | - | - | - | - | 484,775 | - | 484,775 |
| Total current liabilities | <u>31,011</u> | <u>116,742</u> | <u>334,715</u> | <u>731,209</u> | <u>1,126,665</u> | <u>49,363</u> | <u>2,389,705</u> |
| Noncurrent liabilities | | | | | | | |
| Estimated claims payable, net | - | - | - | - | 2,073,732 | - | 2,073,732 |
| Total liabilities | <u>31,011</u> | <u>116,742</u> | <u>334,715</u> | <u>731,209</u> | <u>3,200,397</u> | <u>49,363</u> | <u>4,463,437</u> |
| Net Position | | | | | | | |
| Net investment in capital assets | 6,948 | 12,006,511 | 453,930 | 73,247 | - | - | 12,540,636 |
| Unrestricted | 2,683,270 | 14,636,398 | 4,450,057 | 2,513,367 | 9,707,054 | 404,376 | 34,394,522 |
| Total net position | <u>\$ 2,690,218</u> | <u>\$ 26,642,909</u> | <u>\$ 4,903,987</u> | <u>\$ 2,586,614</u> | <u>\$ 9,707,054</u> | <u>\$ 404,376</u> | <u>\$ 46,935,158</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, 2020

| | Central Stores | Fleet Services | Information Technology | Project Management | Risk | Wheeler Center | Total |
|---|---------------------|----------------------|---------------------------|-----------------------|---------------------|-------------------|----------------------|
| Operating revenue | | | | | | | |
| Charges for services | \$ 977,538 | \$ 8,232,097 | \$ 8,379,499 | \$ 3,305,671 | \$ 31,171,052 | \$ 607,103 | \$ 52,672,960 |
| Total operating revenue | <u>977,538</u> | <u>8,232,097</u> | <u>8,379,499</u> | <u>3,305,671</u> | <u>31,171,052</u> | <u>607,103</u> | <u>52,672,960</u> |
| Operating expenses | | | | | | | |
| Personnel services | 190,203 | 1,522,186 | 3,953,047 | 2,245,828 | 772,128 | 43,214 | 8,726,606 |
| Municipal service charge | 31,488 | 173,772 | 672,276 | 154,848 | 572,340 | 24,264 | 1,628,988 |
| Information technology charges | 9,108 | 99,666 | 491,192 | 389,675 | 50,268 | 1,638 | 1,041,547 |
| Other expenses | 663,404 | 1,818,216 | 3,061,892 | 454,626 | 27,899,240 | 380,348 | 34,277,726 |
| Depreciation | 2,253 | 2,222,564 | 176,487 | 12,827 | - | - | 2,414,131 |
| Total operating expenses | <u>896,456</u> | <u>5,836,404</u> | <u>8,354,894</u> | <u>3,257,804</u> | <u>29,293,976</u> | <u>449,464</u> | <u>48,088,998</u> |
| Operating income | <u>81,082</u> | <u>2,395,693</u> | <u>24,605</u> | <u>47,867</u> | <u>1,877,076</u> | <u>157,639</u> | <u>4,583,962</u> |
| Nonoperating revenue | | | | | | | |
| Investment income | <u>76,586</u> | <u>526,097</u> | <u>172,702</u> | <u>103,049</u> | <u>472,728</u> | <u>15,515</u> | <u>1,366,677</u> |
| Income before contributions and transfers | 157,668 | 2,921,790 | 197,307 | 150,916 | 2,349,804 | 173,154 | 5,950,639 |
| Capital contributions | - | 498,873 | - | - | - | - | 498,873 |
| Transfers in | 12,645 | 72,819 | 168,866 | 72,187 | - | 2,068 | 328,585 |
| Transfers out | <u>(46,848)</u> | <u>(691,744)</u> | <u>(80,793)</u> | <u>(56,004)</u> | <u>(4,065,026)</u> | <u>-</u> | <u>(4,940,415)</u> |
| Change in net position | 123,465 | 2,801,738 | 285,380 | 167,099 | (1,715,222) | 175,222 | 1,837,682 |
| Net position - beginning of year | <u>2,566,753</u> | <u>23,841,171</u> | <u>4,618,607</u> | <u>2,419,515</u> | <u>11,422,276</u> | <u>229,154</u> | <u>45,097,476</u> |
| Net position - end of year | <u>\$ 2,690,218</u> | <u>\$ 26,642,909</u> | <u>\$ 4,903,987</u> | <u>\$ 2,586,614</u> | <u>\$ 9,707,054</u> | <u>\$ 404,376</u> | <u>\$ 46,935,158</u> |

City of Ann Arbor
Other Supplementary Information
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2020

| | Central Stores | Fleet Services | Information Technology | Project Management | Risk | Wheeler Center | Total |
|---|---------------------|----------------------|---------------------------|-----------------------|----------------------|-------------------|----------------------|
| Cash flows from operating activities | | | | | | | |
| Payments to suppliers | \$ (818,653) | \$ (2,423,156) | \$ (3,872,329) | \$ (697,046) | \$ (27,981,316) | \$ (365,020) | \$ (36,157,520) |
| Payments to employees | (190,203) | (1,522,186) | (3,953,047) | (2,245,828) | (772,128) | (43,214) | (8,726,606) |
| Payments received for interfund services | 977,538 | 8,232,424 | 8,383,057 | 3,218,294 | 31,171,052 | 607,272 | 52,589,637 |
| Net cash provided (used) by operating activities | <u>(31,318)</u> | <u>4,287,082</u> | <u>557,681</u> | <u>275,420</u> | <u>2,417,608</u> | <u>199,038</u> | <u>7,705,511</u> |
| Cash flows from noncapital financing activities | | | | | | | |
| Transfer from other funds | 12,645 | 72,819 | 168,866 | 72,187 | - | 2,068 | 328,585 |
| Transfers to other funds | (46,848) | (691,744) | (80,793) | (56,004) | (4,065,026) | - | (4,940,415) |
| Net cash provided (used) by noncapital financing activities | <u>(34,203)</u> | <u>(618,925)</u> | <u>88,073</u> | <u>16,183</u> | <u>(4,065,026)</u> | <u>2,068</u> | <u>(4,611,830)</u> |
| Cash flows from capital and related financing activities | | | | | | | |
| Contributions received to be used for capital purchases | - | 498,873 | - | - | - | - | 498,873 |
| Purchases/construction of capital assets | - | (5,545,965) | (100,956) | (66,177) | - | - | (5,713,098) |
| Proceeds from sale of capital assets | - | 1,224,708 | - | - | - | - | 1,224,708 |
| Net cash used by capital and related financing activities | <u>-</u> | <u>(3,822,384)</u> | <u>(100,956)</u> | <u>(66,177)</u> | <u>-</u> | <u>-</u> | <u>(3,989,517)</u> |
| Cash flows from investing activities | | | | | | | |
| Interest received | 76,586 | 526,097 | 172,702 | 103,049 | 472,728 | 15,515 | 1,366,677 |
| Net change in cash and cash equivalents | 11,065 | 371,870 | 717,500 | 328,475 | (1,174,690) | 216,621 | 470,841 |
| Cash and cash equivalents - beginning of year | 2,060,640 | 13,900,449 | 3,766,866 | 2,723,864 | 11,975,257 | 236,889 | 34,663,965 |
| Cash and cash equivalents - end of year | <u>\$ 2,071,705</u> | <u>\$ 14,272,319</u> | <u>\$ 4,484,366</u> | <u>\$ 3,052,339</u> | <u>\$ 10,800,567</u> | <u>\$ 453,510</u> | <u>\$ 35,134,806</u> |
| Reconciliation of operating income to net cash provided (used) by operating activities | | | | | | | |
| Operating income | \$ 81,082 | \$ 2,395,693 | \$ 24,605 | \$ 47,867 | \$ 1,877,076 | \$ 157,639 | \$ 4,583,962 |
| Adjustments to reconcile operating income to net cash from operating activities | | | | | | | |
| Depreciation and amortization expense | 2,253 | 2,222,564 | 176,487 | 12,827 | - | - | 2,414,131 |
| Changes in assets and liabilities | | | | | | | |
| Receivables (net) | - | 327 | 3,558 | (87,377) | - | 169 | (83,323) |
| Inventories | (96,615) | 5,514 | - | - | - | - | (91,101) |
| Prepaid items | - | - | 179,099 | - | 601,402 | - | 780,501 |
| Accounts payable | (18,038) | (337,016) | 180,193 | (20,345) | (81,361) | 41,230 | (235,337) |
| Accrued and other liabilities | - | - | 257 | - | - | - | 257 |
| Deposits | - | - | (6,518) | 322,448 | - | - | 315,930 |
| Estimated claims payable | - | - | - | - | 20,491 | - | 20,491 |
| Net cash provided (used) by operating activities | <u>\$ (31,318)</u> | <u>\$ 4,287,082</u> | <u>\$ 557,681</u> | <u>\$ 275,420</u> | <u>\$ 2,417,608</u> | <u>\$ 199,038</u> | <u>\$ 7,705,511</u> |

FIDUCIARY FUNDS

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.

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.

Treasurer's Delinquent Tax – to account for the receipt and distribution of delinquent property taxes collected on behalf of others.

Treasurer's Current Tax – to account for the receipt and distribution for property taxes collected on behalf of others.

City of Ann Arbor
Other Supplementary Information
Combining Statement of Fiduciary Net Position
June 30, 2020

| | Private-purpose | Pension and Other Employee | | Custodial Funds | | Total |
|---|--------------------------------|----------------------------------|--------------------------------------|-------------------|----------------|-----------------------|
| | Trust Fund | Benefits Trust Funds | | Treasurer's | Treasurer's | |
| | Police and Fire Relief Fund | Employee Retirement System | Retiree Health Care Trust Fund | Delinquent Tax | Current Tax | |
| Assets | | | | | | |
| Cash | \$ - | \$ - | \$ - | \$ - | \$ 9,769 | \$ 9,769 |
| Equity in pooled cash and investments | 2,839 | 4,691,388 | 666,784 | 33,706 | 66 | 5,394,783 |
| Investments, at fair value: | | | | | | |
| Equities | - | 315,097,718 | 110,026,592 | - | - | 425,124,310 |
| Fixed income | - | 131,533,566 | 56,613,125 | - | - | 188,146,691 |
| Other | 687,514 | 66,736,877 | 26,251,663 | - | - | 93,676,054 |
| Receivables | | | | | | |
| Accrued interest and other | - | 351,502 | 212,931 | - | - | 564,433 |
| Due from other units of government | - | - | - | - | 24,165 | 24,165 |
| Due from other funds | - | 71,696 | - | - | - | 71,696 |
| Capital assets, net | - | 335,810 | - | - | - | 335,810 |
| Total assets | <u>690,353</u> | <u>518,818,557</u> | <u>193,771,095</u> | <u>33,706</u> | <u>34,000</u> | <u>713,347,711</u> |
| Deferred Outflows of Resources | | | | | | |
| Deferred amount of pension expense related to net pension liability | - | 76,593 | - | - | - | 76,593 |
| Deferred amount of OPEB expense related to net OPEB liability | - | 81,290 | - | - | - | 81,290 |
| Total deferred outflows of resources | <u>-</u> | <u>157,883</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>157,883</u> |
| Liabilities | | | | | | |
| Accounts payable and accrued liabilities | - | 3,419,001 | 121,616 | \$ - | \$ - | 3,540,617 |
| Due to other units of government | - | - | - | 33,706 | 34,000 | 67,706 |
| Mortgage payable, due in one year | - | 32,637 | - | - | - | 32,637 |
| Mortgage payable, due in more than one year | - | 69,747 | - | - | - | 69,747 |
| Net pension liability | - | 655,027 | - | - | - | 655,027 |
| Net OPEB liability | - | 488,184 | - | - | - | 488,184 |
| Total liabilities | <u>-</u> | <u>4,664,596</u> | <u>121,616</u> | <u>33,706</u> | <u>34,000</u> | <u>4,853,918</u> |
| Deferred Inflows of Resources | | | | | | |
| Deferred amount on net pension liability | - | 11,200 | - | - | - | 11,200 |
| Deferred amount on net OPEB liability | - | 5,122 | - | - | - | 5,122 |
| Total deferred inflows of resources | <u>-</u> | <u>16,322</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>16,322</u> |
| Net Position | | | | | | |
| Restricted for police and fire relief | 690,353 | - | - | - | - | 690,353 |
| Restricted for pensions | - | 514,295,522 | - | - | - | 514,295,522 |
| Restricted for other employee benefits | - | - | 193,649,479 | - | - | 193,649,479 |
| Total net position | <u>\$ 690,353</u> | <u>\$ 514,295,522</u> | <u>\$ 193,649,479</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 708,635,354</u> |

City of Ann Arbor
Other Supplementary Information
Combining Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2020

| | Private-purpose | Pension and Other Employee | | Custodial Funds | | Total |
|--|--------------------------------|----------------------------------|--------------------------------------|-------------------|----------------|----------------|
| | Trust Fund | Benefits Trust Funds | | Treasurer's | Treasurer's | |
| | Police and Fire Relief Fund | Employee Retirement System | Retiree Health Care Trust Fund | Delinquent Tax | Current Tax | |
| Additions | | | | | | |
| Investment earnings | | | | | | |
| Appreciation in fair value of investments | \$ - | \$ 22,227,520 | \$ 3,493,224 | \$ - | \$ - | \$ 25,720,744 |
| Interest and dividends | 11,258 | 1,517,227 | 3,431,382 | - | - | 4,959,867 |
| Total investment income | 11,258 | 23,744,747 | 6,924,606 | - | - | 30,680,611 |
| Investment management fees | - | (568,029) | (203,401) | - | - | (771,430) |
| Net investment income from investing activities | 11,258 | 23,176,718 | 6,721,205 | - | - | 29,909,181 |
| From securities lending activities | | | | | | |
| Gross earnings | - | 6,129 | 5,515 | - | - | 11,644 |
| Borrower rebates received (paid) | - | (3,844) | (3,354) | - | - | (7,198) |
| Securities lending fees | - | (683) | (640) | - | - | (1,323) |
| Net investment income from securities and lending activities | - | 1,602 | 1,521 | - | - | 3,123 |
| Total net investment income | 11,258 | 23,178,320 | 6,722,726 | - | - | 29,912,304 |
| Contributions | | | | | | |
| Employer | - | 14,611,893 | 12,241,536 | - | - | 26,853,429 |
| Plan member | - | 3,439,428 | - | - | - | 3,439,428 |
| Total contributions | - | 18,051,321 | 12,241,536 | - | - | 30,292,857 |
| Property tax collections for other governments | - | - | - | 94,539 | 253,894,564 | 253,989,103 |
| Total additions | 11,258 | 41,229,641 | 18,964,262 | 94,539 | 253,894,564 | 314,194,264 |
| Deductions | | | | | | |
| Benefits | - | 38,377,862 | 11,468,614 | - | - | 49,846,476 |
| Refunds of contributions | - | 1,233,082 | - | - | - | 1,233,082 |
| Administrative expenses | - | 749,478 | 177,731 | - | - | 927,209 |
| Payments of property tax to other governments | - | - | - | 94,539 | 253,894,564 | 253,989,103 |
| Total deductions | - | 40,360,422 | 11,646,345 | 94,539 | 253,894,564 | 305,995,870 |
| Change in net position | 11,258 | 869,219 | 7,317,917 | - | - | 8,198,394 |
| Net position - beginning of year | 679,095 | 513,426,303 | 186,331,562 | - | - | 700,436,960 |
| Net position - end of year | \$ 690,353 | \$ 514,295,522 | \$ 193,649,479 | \$ - | \$ - | \$ 708,635,354 |

City of Ann Arbor
Other Supplementary Information
Balance Sheet
Component Unit - SmartZone Local Development Finance Authority
June 30, 2020

| | <u>SmartZone Local Development Finance Authority</u> |
|--|--|
| Assets | |
| Equity in pooled cash and investments | \$ 4,957,634 |
| Loans receivable | <u>522,250</u> |
| Total assets | <u>\$ 5,479,884</u> |
| Liabilities | |
| Accounts payable | \$ 711,509 |
| Unearned revenue | <u>522,250</u> |
| Total liabilities | 1,233,759 |
| Fund Balance | |
| Committed for community and economic development | <u>4,246,125</u> |
| Total liabilities and fund balance | <u>\$ 5,479,884</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, 2020

| | <u>SmartZone Local Development Finance Authority</u> |
|---|--|
| Revenues | |
| Taxes | \$ 4,417,262 |
| Investment income | 180,966 |
| Other revenue | <u>19,533</u> |
| Total revenues | 4,617,761 |
| Expenditures | |
| Current | |
| Community and economic development | <u>3,850,086</u> |
| Excess (deficiency) of revenues over expenditures | 767,675 |
| Fund balance - beginning of year | <u>3,478,450</u> |
| Fund balance - end of year | <u><u>\$ 4,246,125</u></u> |

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

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|-----------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-----------------------|-------------------------|-------------------------|
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | \$ 672,899,397 | \$ 684,183,914 | \$ 698,805,464 | \$ 701,333,045 | \$ 697,791,106 | \$ 696,101,749 | \$ 700,165,724 | \$ 701,307,637 | \$ 664,619,342 | \$ 653,605,138 |
| Restricted | 66,772,308 | 66,605,173 | 59,433,488 | 56,297,832 | 56,287,227 | 57,396,259 | 55,228,918 | 57,546,687 | 66,516,345 | 71,507,486 |
| Unrestricted (1) | 15,649,176 | 23,913,683 | 32,017,583 | 41,320,644 | 1,632,309 | 526,827 | (430,810) | (92,031,983) | (64,115,536) | (81,833,606) |
| Total governmental activities net position | \$ 755,320,881 | \$ 774,702,770 | \$ 790,256,535 | \$ 798,951,521 | \$ 755,710,642 | \$ 754,024,835 | \$ 754,963,832 | \$ 666,822,341 | \$ 667,020,151 | \$ 643,279,018 |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | \$ 164,731,782 | \$ 183,625,625 | \$ 189,069,070 | \$ 190,241,413 | \$ 193,410,202 | \$ 198,917,535 | \$ 210,361,709 | \$ 216,805,278 | \$ 234,555,667 | \$ 251,130,814 |
| Restricted | 17,374,027 | 21,926,274 | 28,947,807 | 30,332,684 | 32,368,111 | 33,715,282 | 32,956,794 | 33,448,566 | 33,863,408 | 33,752,565 |
| Unrestricted | 56,356,293 | 49,549,547 | 49,841,922 | 61,803,420 | 61,336,547 | 66,341,759 | 70,350,912 | 66,043,566 | 66,288,021 | 76,353,673 |
| Total business-type activities net position | \$ 238,462,102 | \$ 255,101,446 | \$ 267,858,799 | \$ 282,377,517 | \$ 287,114,860 | \$ 298,974,576 | \$ 313,669,415 | \$ 316,297,410 | \$ 334,707,096 | \$ 361,237,052 |
| Primary government | | | | | | | | | | |
| Net investment in capital assets | \$ 837,631,179 | \$ 867,809,539 | \$ 887,874,534 | \$ 891,574,458 | \$ 891,201,308 | \$ 895,019,284 | \$ 910,527,433 | \$ 918,112,915 | \$ 899,175,009 | \$ 904,735,952 |
| Restricted | 84,146,335 | 88,531,447 | 88,381,295 | 86,630,516 | 88,655,338 | 91,111,541 | 88,185,712 | 90,995,253 | 100,379,753 | 105,260,051 |
| Unrestricted | 72,005,469 | 73,463,230 | 81,859,505 | 103,124,064 | 62,968,856 | 66,868,586 | 69,920,102 | (25,988,417) | 2,172,485 | (5,479,933) |
| Total primary government net position | \$ 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 | \$ 1,001,727,247 | \$ 1,004,516,070 |

(1) Unrestricted net position is a negative balance primarily due to the large liabilities related to the City's pension and OPEB plans.

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)

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|-----------------------|
| General Revenues and Other Changes in Net Assets | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Property taxes, levied for general purposes | \$ 58,050,469 | \$ 48,856,539 | \$ 49,380,189 | \$ 50,671,753 | \$ 51,977,008 | \$ 53,396,465 | \$ 54,617,165 | \$ 56,134,197 | \$ 58,071,684 | \$ 60,987,539 |
| Property taxes, levied for designated purpose | 7,131,115 | 15,958,495 | 16,753,667 | 17,236,996 | 17,626,382 | 18,145,558 | 18,501,675 | 19,233,238 | 22,078,216 | 23,034,375 |
| Property taxes, levied for debt services | 2,265,030 | 668,745 | 569,490 | 2,129 | 2,129 | 2,340 | 2,129 | 2,091 | 2,117 | 2,134 |
| State-shared revenues and grants (unrestricted) | 9,582,165 | 9,748,477 | 9,771,731 | 10,050,793 | 10,317,088 | 10,215,633 | 10,712,412 | 11,034,159 | 11,493,427 | 11,845,757 |
| Investment income | 2,523,944 | 2,567,568 | (410,361) | 1,621,594 | 1,262,302 | 1,558,594 | 10,347 | 655,430 | 5,269,825 | 6,303,600 |
| Transfers | 241,009 | 3,410,739 | 3,690,616 | 3,574,088 | 4,831,153 | 460,882 | 5,173,955 | 2,093,810 | 2,002,648 | (1,405,575) |
| Other | 835,982 | 2,428,146 | 145,399 | 5,235,131 | 150,905 | 320,426 | 500,138 | 162,745 | 351,982 | - |
| Total governmental activities | <u>80,629,714</u> | <u>83,638,709</u> | <u>79,900,731</u> | <u>88,392,484</u> | <u>86,166,967</u> | <u>84,099,898</u> | <u>89,517,821</u> | <u>89,315,670</u> | <u>99,269,899</u> | <u>100,767,830</u> |
| Business-type activities: | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Property taxes, levied for general purposes | 11,171,676 | 11,030,550 | 11,154,045 | 11,470,474 | 11,728,679 | 12,072,979 | 12,306,559 | 12,638,680 | 13,064,727 | 13,728,287 |
| Investment income | 515,730 | 1,188,581 | (245,003) | 1,241,705 | 1,293,959 | 1,774,739 | (11,349) | 472,977 | 4,361,262 | 5,037,480 |
| Transfers | (241,009) | (2,428,146) | (3,690,616) | (3,574,088) | (4,831,153) | (460,884) | (5,173,955) | (2,093,810) | (2,002,648) | 1,405,575 |
| Other | - | 484,311 | (504,477) | (673,069) | 67,250 | 59,648 | 98,767 | 35,500 | 13,750 | - |
| Total business-type activities | <u>11,446,397</u> | <u>10,275,296</u> | <u>6,713,949</u> | <u>8,465,022</u> | <u>8,258,735</u> | <u>13,446,482</u> | <u>7,220,022</u> | <u>11,053,347</u> | <u>15,437,091</u> | <u>20,171,342</u> |
| Total primary government | <u>\$ 92,076,111</u> | <u>\$ 93,914,005</u> | <u>\$ 86,614,680</u> | <u>\$ 96,857,506</u> | <u>\$ 94,425,702</u> | <u>\$ 97,546,380</u> | <u>\$ 96,737,843</u> | <u>\$ 100,369,017</u> | <u>\$ 114,706,990</u> | <u>\$ 120,939,172</u> |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | \$ 13,621,286 | \$ 20,151,589 | \$ 14,467,864 | \$ 8,934,992 | \$ 2,651,367 | \$ (1,685,817) | \$ 939,007 | \$ (5,138,851) | \$ 958,062 | \$ (23,741,133) |
| Business-type activities | 16,360,667 | 16,639,344 | 13,607,633 | 16,506,064 | 13,466,712 | 11,859,714 | 14,694,838 | 20,573,654 | 18,409,686 | 26,529,956 |
| Total primary government | <u>\$ 29,981,953</u> | <u>\$ 36,790,933</u> | <u>\$ 28,075,497</u> | <u>\$ 25,441,056</u> | <u>\$ 16,118,079</u> | <u>\$ 10,173,897</u> | <u>\$ 15,633,845</u> | <u>\$ 15,434,803</u> | <u>\$ 19,367,748</u> | <u>\$ 2,788,823</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)

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| General Fund | | | | | | | | | | |
| Nonspendable | \$ 1,032,509 | \$ 960,336 | \$ 915,645 | \$ 853,157 | \$ 765,634 | \$ 619,311 | \$ 540,869 | \$ 462,384 | \$ 386,772 | \$ 286,295 |
| Committed | - | - | - | - | - | - | - | - | - | 498,352 |
| Assigned | 2,024,490 | 243,308 | 810,595 | 7,446,598 | 4,482,510 | 9,185,273 | 6,414,602 | 7,714,673 | 5,537,411 | 7,292,712 |
| Unassigned | 10,525,445 | 14,093,650 | 14,392,859 | 14,279,454 | 17,235,156 | 15,330,765 | 16,243,676 | 11,143,139 | 19,713,016 | 19,554,234 |
| Total General Fund | \$ 13,582,444 | \$ 15,297,294 | \$ 16,119,099 | \$ 22,579,209 | \$ 22,483,300 | \$ 25,135,349 | \$ 23,199,147 | \$ 19,320,196 | \$ 25,637,199 | \$ 27,631,593 |
| All Other Governmental Funds | | | | | | | | | | |
| Nonspendable | \$ 1,984,000 | \$ 1,985,800 | \$ 1,984,000 | \$ 1,984,000 | \$ 1,984,000 | \$ 1,984,000 | \$ 1,984,000 | \$ 1,984,000 | \$ 1,984,000 | \$ 1,984,000 |
| Restricted | 85,121,367 | 63,432,711 | 56,701,167 | 55,346,230 | 55,120,246 | 56,176,316 | 53,939,042 | 55,440,810 | 64,482,671 | 64,888,488 |
| Committed | - | 4,617,556 | 6,088,188 | 3,203,628 | 3,984,155 | 4,584,590 | 5,494,990 | 929,257 | 2,674,688 | 2,953,568 |
| Assigned | 2,251,551 | 2,285,397 | 2,346,846 | 2,699,330 | 2,642,775 | 5,832,928 | 6,327,002 | 3,709,223 | 16,674,824 | 10,258,267 |
| Unassigned | - | - | - | - | - | - | - | - | - | (1,681,092) |
| Total all other governmental funds | \$ 89,356,918 | \$ 72,321,464 | \$ 67,120,201 | \$ 63,233,188 | \$ 63,731,176 | \$ 68,577,834 | \$ 67,745,034 | \$ 62,063,290 | \$ 85,816,183 | \$ 78,403,231 |

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)

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|------------------------|------------------------|-----------------------|---------------------|--------------------|---------------------|-----------------------|-----------------------|----------------------|-----------------------|
| Revenues | | | | | | | | | | |
| Taxes | \$ 67,446,614 | \$ 65,483,779 | \$ 66,692,158 | \$67,910,079 | \$69,605,308 | \$71,544,363 | \$73,118,985 | \$75,369,504 | \$80,152,017 | \$84,024,048 |
| Special Assessments/improvement charges | 103,790 | 48,843 | 43,102 | 44,636 | 52,373 | - | 93,373 | 63,746 | 136,227 | 74,263 |
| Licenses, fees & permits | 6,125,839 | 6,279,934 | 6,537,092 | 6,683,485 | 7,619,826 | 7,371,840 | 7,710,797 | 8,927,341 | 8,678,516 | 7,617,172 |
| Federal grants | 4,950,416 | 1,567,185 | 3,366,834 | 1,953,212 | 1,033,789 | 890,919 | 1,166,724 | 1,127,905 | 588,922 | 741,582 |
| State shared revenues and grants | 18,156,777 | 21,367,804 | 19,916,609 | 20,428,435 | 20,792,519 | 21,858,259 | 22,633,985 | 25,024,215 | 27,075,412 | 27,806,745 |
| Charges for services | 12,642,161 | 13,721,017 | 12,050,841 | 13,732,847 | 14,034,309 | 15,515,836 | 14,770,842 | 16,437,936 | 17,632,847 | 15,418,166 |
| Fines & penalties | 4,863,239 | 4,606,580 | 4,483,090 | 4,483,484 | 4,601,589 | 4,596,544 | 4,704,380 | 4,283,940 | 4,611,776 | 3,770,147 |
| Interest and penalties | 516,159 | 828 | 11,189 | 800 | 211 | - | 2,604 | - | - | - |
| Investment income | 1,851,927 | 2,057,540 | (305,700) | 1,162,205 | 928,186 | 1,190,815 | 3,926 | 535,299 | 4,145,380 | 4,829,585 |
| Rental | 421,742 | 463,191 | 653,879 | 587,361 | 637,366 | 634,819 | 661,086 | 735,822 | 761,445 | 778,765 |
| Contributions and donations | 280,971 | 369,920 | 295,289 | 521,305 | 981,965 | 334,247 | 3,343,936 | 3,775,006 | 2,439,867 | 1,537,299 |
| Intra-governmental sales | 361,245 | 208,243 | 157,956 | 266,970 | 213,511 | 2,627,905 | 297,201 | 306,526 | 412,620 | 267,765 |
| Miscellaneous | 1,181,503 | 719,712 | 1,529,283 | 1,182,138 | 678,652 | 594,470 | 432,973 | 402,002 | 512,211 | 990,079 |
| Total Revenues | 118,902,383 | 116,894,576 | 115,431,622 | 118,956,957 | 121,179,604 | 127,160,017 | 128,940,812 | 136,989,242 | 147,147,240 | 147,855,616 |
| Expenditures | | | | | | | | | | |
| General government | 14,058,718 | 15,034,085 | 14,659,352 | 14,372,873 | 14,501,593 | 14,257,197 | 15,153,388 | 17,140,624 | 16,845,714 | 17,063,537 |
| Public Safety | 43,678,573 | 43,139,586 | 42,347,919 | 43,123,100 | 45,217,288 | 47,189,457 | 48,503,006 | 48,947,304 | 51,918,701 | 52,532,154 |
| Public Works | 17,617,067 | 18,969,637 | 19,015,177 | 17,789,296 | 17,869,057 | 18,863,228 | 19,366,244 | 24,532,861 | 18,974,405 | 23,051,857 |
| Community and economic development | 3,863,957 | 3,677,716 | 1,918,460 | 2,118,053 | 2,808,976 | 3,007,207 | 2,169,450 | 2,146,752 | 2,879,621 | 3,615,970 |
| Culture and recreation | 9,653,540 | 9,996,650 | 10,142,639 | 11,360,700 | 12,567,890 | 12,072,443 | 13,197,781 | 13,172,050 | 13,091,727 | 14,387,053 |
| Public transportation | 10,106,607 | 8,913,232 | 9,233,757 | 9,494,422 | 9,735,605 | 10,038,406 | 10,269,099 | 10,524,383 | 10,864,768 | 11,697,544 |
| Capital outlay | 46,974,519 | 29,176,152 | 26,764,896 | 14,971,769 | 14,237,971 | 18,043,661 | 21,162,097 | 24,016,528 | 16,964,124 | 24,171,714 |
| Debt service: | | | | | | | | | | |
| Principal | 3,410,000 | 3,320,000 | 4,055,000 | 7,550,000 | 4,150,000 | 4,148,000 | 4,793,000 | 5,189,000 | 5,393,000 | 6,213,000 |
| Interest | 5,302,317 | 5,117,493 | 5,045,229 | 5,072,356 | 4,920,544 | 4,080,504 | 3,448,031 | 3,558,867 | 2,430,211 | 3,747,600 |
| Payment to Refunding Bond Escrow Agent | - | - | - | - | - | - | 555,599 | - | 646,298 | - |
| Total expenditures | 154,665,298 | 137,344,551 | 133,182,429 | 125,852,569 | 126,008,924 | 131,700,103 | 138,617,695 | 149,228,369 | 140,008,569 | 156,480,429 |
| Excess of revenues over (under) expenditures | (35,762,915) | (20,449,975) | (17,750,807) | (6,895,612) | (4,829,320) | (4,540,086) | (9,676,883) | (12,239,127) | 7,138,671 | (8,624,813) |
| Other Financing Sources (Uses): | | | | | | | | | | |
| Transfers in | 7,170,739 | 9,620,472 | 10,917,731 | 15,619,817 | 13,294,382 | 21,803,130 | 15,062,028 | 11,198,070 | 10,617,994 | 18,916,182 |
| Transfers out | (6,023,714) | (6,519,432) | (6,803,026) | (11,131,060) | (7,679,086) | (9,467,278) | (8,186,997) | (8,546,388) | (7,850,752) | (15,709,927) |
| Sale of property, plant and equipment | 45,361 | 2,809,085 | 30,563 | 4,979,951 | 3,598 | 16,350 | 32,850 | 26,750 | 36,500 | - |
| Payment to refunded bond escrow agent | - | (2,714,429) | - | - | (16,486,836) | (18,439,571) | (24,509,365) | - | (39,206,297) | - |
| Issuance of debt | - | 2,670,000 | 9,085,000 | - | 16,235,000 | 17,710,000 | 24,030,000 | - | 57,305,000 | - |
| Bond premium (discount) | - | 33,375 | 141,075 | - | (135,652) | 416,162 | 479,365 | - | 2,789,032 | - |
| Total other financing sources (uses) | 1,192,386 | 5,899,071 | 13,371,343 | 9,468,708 | 5,231,406 | 12,038,793 | 6,907,881 | 2,678,432 | 23,691,477 | 3,206,255 |
| Net change in fund balances | \$ (34,570,529) | \$ (14,550,904) | \$ (4,379,464) | \$ 2,573,096 | \$ 402,086 | \$ 7,498,707 | \$ (2,769,002) | \$ (9,560,695) | \$ 30,830,148 | \$ (5,418,558) |
| Debt service as a percentage of noncapital expenditures | 8.8% | 8.7% | 9.4% | 12.0% | 8.5% | 8.0% | 8.2% | 7.8% | 7.3% | 8.1% |

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

| Fiscal Year Ended June 30, | Real Property | Personal Property | Less: Tax-exempt Property (4) | Total Taxable Value (2) | Total Assessed Value (2) | True Cash Value (2) | Total Direct Tax Rate |
|-------------------------------------|------------------|----------------------|-------------------------------------|----------------------------|-----------------------------|------------------------|-----------------------------|
| 2011 | \$ 4,447,791,127 | \$ 220,760,700 | | \$ 4,668,551,827 | \$ 5,495,289,700 | \$ 10,990,579,400 | 16.8164 |
| 2012 | 4,422,577,957 | 212,313,200 | | 4,634,891,157 | 5,268,205,900 | 10,536,411,800 | 16.4660 |
| 2013 | 4,473,471,542 | 209,747,000 | | 4,683,218,542 | 5,294,974,640 | 10,589,949,280 | 16.5720 |
| 2014 | 4,614,295,892 | 225,575,000 | | 4,839,870,892 | 5,482,051,470 | 10,964,102,940 | 16.4501 |
| 2015 | 4,739,348,866 | 230,309,300 | | 4,969,658,166 | 5,447,340,500 | 10,894,681,000 | 16.4501 |
| 2016 | 4,870,231,067 | 240,179,600 | | 5,110,410,667 | 6,118,573,700 | 12,237,147,400 | 16.4436 |
| 2017 | 5,035,021,720 | 258,429,800 | | 5,293,451,520 | 6,643,622,400 | 13,287,244,800 | 16.3003 |
| 2018 | 5,242,521,458 | 253,065,300 | | 5,495,586,758 | 7,134,355,100 | 14,268,710,200 | 16.1390 |
| 2019 | 5,520,841,160 | 248,582,500 | | 5,769,423,660 | 7,527,133,730 | 15,054,267,460 | 15.8885 |
| 2020 | 5,865,433,792 | 263,015,400 | | 6,128,449,192 | 5,495,289,700 | 10,990,579,400 | 15.7131 |

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 | | | | | | | Total Direct Tax Rate | Overlapping Rates | | | | | Total |
|-------------------------------------|-------------|-------------------------------|-------------------|-----------------|-------------------|--------------|--------|---------------------|-----------------------|---|----------------------------|----------------------------|------------------|-----------------------------|---------|
| | | General Operating | Refuse Collection | Transportation* | Employee Benefits | Debt Service | Parks | Major Street Repair | | Ann Arbor Area Transportation Authority | Ann Arbor Public Schools** | Ann Arbor District Library | Washtenaw County | Washtenaw Community College | |
| Principal Residence Exemption (PRE) | 2011 | 6.1682 | 2.4670 | 2.0560 | 2.0560 | 0.5000 | 1.5748 | 1.9944 | 16.8164 | - | 17.6315 | 1.5500 | 5.7448 | 3.6856 | 45.4283 |
| Non-PRE | 2011 | 6.1682 | 2.4670 | 2.0560 | 2.0560 | 0.5000 | 1.5748 | 1.9944 | 16.8164 | - | 31.0971 | 1.5500 | 5.7448 | 3.6856 | 58.8939 |
| Principal Residence Exemption (PRE) | 2012 | 6.1682 | 2.4670 | 2.0560 | 2.0560 | 0.1496 | 1.5748 | 1.9944 | 16.4660 | - | 18.1329 | 1.5500 | 5.7518 | 3.6376 | 45.5383 |
| Non-PRE | 2012 | 6.1682 | 2.4670 | 2.0560 | 2.0560 | 0.1496 | 1.5748 | 1.9944 | 16.4660 | - | 31.4245 | 1.5500 | 5.7518 | 3.6376 | 58.8299 |
| Principal Residence Exemption (PRE) | 2013 | 6.1682 | 2.4670 | 2.0560 | 2.0560 | 0.1250 | 1.5748 | 2.1250 | 16.5720 | - | 18.1329 | 1.5500 | 5.7654 | 3.6376 | 45.6579 |
| Non-PRE | 2013 | 6.1682 | 2.4670 | 2.0560 | 2.0560 | 0.1250 | 1.5748 | 2.1250 | 16.5720 | - | 31.4245 | 1.5500 | 5.7654 | 3.6376 | 58.9495 |
| Principal Residence Exemption (PRE) | 2014 | 6.1682 | 2.4670 | 2.0560 | 2.0560 | 0.0000 | 1.5779 | 2.1250 | 16.4501 | - | 17.7937 | 1.5500 | 5.7801 | 3.4576 | 45.0315 |
| Non-PRE | 2014 | 6.1682 | 2.4670 | 2.0560 | 2.0560 | 0.0000 | 1.5779 | 2.1250 | 16.4501 | - | 31.4245 | 1.5500 | 5.7801 | 3.4576 | 58.6623 |
| Principal Residence Exemption (PRE) | 2015 | 6.1682 | 2.4670 | 2.0560 | 2.0560 | 0.0000 | 1.5779 | 2.1250 | 16.4501 | 0.7000 | 17.9172 | 1.5500 | 6.2838 | 3.4576 | 46.3587 |
| Non-PRE | 2015 | 6.1682 | 2.4670 | 2.0560 | 2.0560 | 0.0000 | 1.5779 | 2.1250 | 16.4501 | 0.7000 | 31.4245 | 1.5500 | 6.2838 | 3.4576 | 59.8660 |
| Principal Residence Exemption (PRE) | 2016 | 6.1657 | 2.4660 | 2.0552 | 2.0552 | 0.0000 | 1.5773 | 2.1242 | 16.4436 | 0.7000 | 17.7692 | 1.6500 | 6.3058 | 3.4576 | 46.3262 |
| Non-PRE | 2016 | 6.1657 | 2.4660 | 2.0552 | 2.0552 | 0.0000 | 1.5773 | 2.1242 | 16.4436 | 0.7000 | 31.3913 | 1.6500 | 6.3058 | 3.4576 | 59.9483 |
| Principal Residence Exemption (PRE) | 2017 | 6.1120 | 2.4445 | 2.0373 | 2.0373 | 0.0000 | 1.5635 | 2.1057 | 16.3003 | 0.6943 | 17.4740 | 1.9000 | 6.2432 | 3.4360 | 46.0478 |
| Non-PRE | 2017 | 6.1120 | 2.4445 | 2.0373 | 2.0373 | 0.0000 | 1.5635 | 2.1057 | 16.3003 | 0.6943 | 30.9674 | 1.9000 | 6.2432 | 3.4360 | 59.5412 |
| Principal Residence Exemption (PRE) | 2018 | 6.0343 | 2.4134 | 2.0114 | 2.0114 | 0.0000 | 1.5435 | 2.1250 | 16.1390 | 0.6860 | 20.7173 | 1.8913 | 6.2122 | 3.4267 | 49.0725 |
| Non-PRE | 2018 | 6.0343 | 2.4134 | 2.0114 | 2.0114 | 0.0000 | 1.5435 | 2.1250 | 16.1390 | 0.6860 | 33.9566 | 1.8913 | 6.2122 | 3.4267 | 62.3118 |
| Principal Residence Exemption (PRE) | 2019 | 5.9407 | 2.3759 | 1.9802 | 1.9802 | 0.0000 | 1.5195 | 2.0920 | 15.8885 | 0.6773 | 20.4255 | 1.8663 | 7.1532 | 3.3978 | 49.4086 |
| Non-PRE | 2019 | 5.9407 | 2.3759 | 1.9802 | 1.9802 | 0.0000 | 1.5195 | 2.0920 | 15.8885 | 0.6773 | 34.2813 | 1.8663 | 7.1532 | 3.3978 | 63.2644 |
| Principal Residence Exemption (PRE) | 2020 | 5.8884 | 2.3549 | 1.9627 | 1.9627 | 0.0000 | 1.5463 | 1.9981 | 15.7131 | 0.6936 | 20.1954 | 1.8519 | 7.1093 | 3.3763 | 48.9396 |
| Non-PRE | 2020 | 5.8884 | 2.3549 | 1.9627 | 1.9627 | 0.0000 | 1.5463 | 1.9981 | 15.7131 | 0.6936 | 34.2267 | 1.8519 | 7.1093 | 3.3763 | 62.9709 |

* Represents millage collected for Ann Arbor Transportation Authority.

** Includes Washtenaw Intermediate School Ann Arbor District millage of 5.3285 mills and State Education Tax of 6.0 mills on both Principal Residence and Non-Principal Residence properties. On Non-Principal Residence properties, an additional 18mills is included for School Operating Tax. On Principal Residence properties, 3.9687 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 | 2020 | | | 2011 | | |
|--|---------------------|-----------------------|------|--|-----------------------|------|--|
| | | Taxable Value | Rank | Percentage of Total City Taxable Value | Taxable Value | Rank | Percentage of Total City Taxable Value |
| Briarwood Shopping Complex | Shopping Center | \$ 42,437,419 | 1 | 0.69% | \$ 38,722,000 | 1 | 0.83% |
| BVK HSRE Ann Arbor, LLC | Apartments | 41,998,000 | 2 | 0.69% | | | |
| CPI Foundry, LLC | Apartments | 40,845,790 | 3 | 0.67% | | | |
| Brixmor (formerly AMCAP) Arborland LLC | Shopping Center | 39,865,651 | 4 | 0.65% | 30,999,300 | 3 | 0.66% |
| Campus Investors 601 Forest | Apartments | 33,315,389 | 5 | 0.54% | | | |
| DTE Electric Company | Utility | 28,622,700 | 6 | 0.47% | | | |
| Packard Square, LLC | Apartments | 28,040,646 | 7 | 0.46% | | | |
| CCSHP Ann Arbor Two, LLC (Six11) | Apartments | 27,181,527 | 8 | 0.44% | | | |
| CCSHP Ann Arbor I, LLC (The Yard) | Apartments | 26,705,378 | 9 | 0.44% | | | |
| Orion North Star, LLC (Winwood) | Apartments | 25,545,523 | 10 | 0.42% | | | |
| Detroit Edison | Utility | | | | 33,406,333 | 2 | 0.72% |
| HUB Eisenhower Property (Transwestern) | Office Building | | | | 27,631,600 | 4 | 0.59% |
| Ann Arbor Campus Housing, LLC | Apartments | | | | 27,282,500 | 5 | 0.58% |
| McMullen Properties LLC | Office Building | | | | 20,875,176 | 6 | 0.45% |
| McKinley Associates | Apartments & Office | | | | 18,640,326 | 7 | 0.40% |
| Windwood Dr Ann Arbor | Apartments | | | | 17,250,000 | 8 | 0.37% |
| Maple Village Shopping | Shopping Center | | | | 16,337,300 | 9 | 0.35% |
| 4 Eleven Lofts | Apartments | | | | 15,012,700 | 10 | 0.32% |
| Total | | \$ 334,558,023 | | 5.46% | \$ 246,157,235 | | 5.27% |

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 |
| 2011 | \$ 78,565,863 | \$ 76,336,483 | 97.16% | \$ 2,121,932 | \$ 95,006 | \$ 78,553,420 | 99.98% |
| 2012 | 75,840,849 | 74,102,021 | 97.71% | 1,651,831 | 55,121 | 75,808,973 | 99.96% |
| 2013 | 77,169,289 | 76,009,075 | 98.50% | 1,055,355 | 63,350 | 77,127,780 | 99.95% |
| 2014 | 79,385,502 | 78,341,354 | 98.68% | 925,652 | 61,101 | 79,328,107 | 99.93% |
| 2015 | 81,742,181 | 80,666,319 | 98.68% | 819,344 | 206,946 | 81,692,609 | 99.94% |
| 2016 | 83,995,895 | 83,115,705 | 98.95% | 733,314 | 72,910 | 83,921,929 | 99.91% |
| 2017 | 86,216,588 | 85,305,863 | 98.94% | 753,004 | 43,685 | 86,102,553 | 99.87% |
| 2018 | 88,485,078 | 87,698,238 | 99.11% | 670,466 | 23,305 | 88,392,008 | 99.89% |
| 2019 | 91,688,677 | 90,786,330 | 99.02% | 772,637 | 18,151 | 91,577,118 | 99.88% |
| 2020 | 96,323,717 | 95,370,692 | 99.01% | 774,399 | 410 | 96,145,501 | 99.81% |

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 | | | |
| 2011 | \$ 121,565 | \$ 310 | \$ 3,500 | \$ 21,315 | \$ - | \$ 98,412 | \$ 12,317 | \$ 257,419 | 1.81% | \$ 2,259 |
| 2012 | 118,053 | 220 | 3,500 | 19,190 | - | 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 | - | 14,550 | 192 | 128,643 | 9,932 | 273,102 | 1.58% | 2,397 |
| 2015 | 115,624 | 35 | - | 12,140 | 106 | 159,195 | 13,827 | 300,927 | 1.63% | 2,641 |
| 2016 | 111,919 | 15 | - | 9,855 | 63 | 177,852 | 14,721 | 314,425 | 1.63% | 2,760 |
| 2017 | 108,284 | - | - | 7,623 | 21 | 181,546 | 16,187 | 313,661 | 1.51% | 2,753 |
| 2018 | 103,060 | - | - | 5,689 | - | 180,204 | 15,778 | 304,731 | 1.38% | 2,675 |
| 2019 | 119,183 | - | - | 3,761 | - | 168,805 | 15,232 | 306,981 | 1.39% | 2,694 |
| 2020 | 112,790 | - | - | 2,533 | - | 160,418 | 14,474 | 290,215 | 1.32% | 2,547 |

Note: For fiscal years 2019 & 2020 percent of personal income, the divisor used was for 2018 since 2019 & 2020 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 | | | | |
| 2011 | \$ 142,880 | \$ 1,516 | \$ 310 | \$ 141,054 | 3.06% | \$ 1,238 | |
| 2012 | 137,243 | 1,318 | 230 | 135,695 | 2.96% | 1,191 | |
| 2013 | 139,717 | 1,243 | 150 | 138,324 | 2.98% | 1,214 | |
| 2014 | 134,275 | 1,142 | 60 | 133,073 | 2.77% | 1,168 | |
| 2015 | 127,764 | 1,123 | 35 | 126,606 | 2.57% | 1,111 | |
| 2016 | 121,774 | 1,087 | 15 | 120,672 | 2.38% | 1,059 | |
| 2017 | 115,907 | 1,071 | - | 114,836 | 2.19% | 1,008 | |
| 2018 | 108,748 | 477 | - | 108,271 | 1.98% | 950 | |
| 2019 | 122,944 | 629 | - | 122,315 | 2.13% | 1,074 | |
| 2020 | 115,323 | 554 | - | 114,769 | 1.88% | 1,007 | |

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, 2020
(dollars in thousands)
(Unaudited)

| Government Unit | Net Debt Outstanding | Estimated Percentage Applicable | Estimated Share of Overlapping Debt |
|--|----------------------------|---------------------------------------|--|
| DIRECT DEBT | | | |
| General obligation bonds | \$ 112,790 | 100.00% | \$ 112,790 |
| City direct debt | <u>\$ 112,790</u> | | <u>\$ 112,790</u> |
| OVERLAPPING DEBT | | | |
| Ann Arbor School District | \$ 272,990 | 64.31% | \$ 175,560 |
| Washtenaw Intermediate School District | 44,570 | 35.24% | 15,706 |
| Washtenaw Community College | 7,465 | 35.75% | 2,669 |
| Washtenaw County at Large | 30,573 | 34.95% | 10,685 |
| Overlapping debt | <u>\$ 355,598</u> | | <u>204,620</u> |
| Total direct & overlapping debt | | | <u>\$ 317,410</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 2020

| | |
|---|-----------------------|
| Assessed value of real and personal property | \$ 8,217,852,850 |
| Debt limit (10% of assessed value) | 821,785,285 |
| Debt applicable to limit: | |
| Net direct debt | 112,790,000 |
| Less: Special Assessment bonds (general obligation portion) | - |
| Total net debt applicable to limit | <u>112,790,000</u> |
| Legal debt margin | <u>\$ 708,995,285</u> |

| | Fiscal Year | | | | | | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Debt limit | \$ 549,528,970 | \$ 526,820,590 | \$ 529,497,464 | \$ 548,205,147 | \$ 544,734,050 | \$ 611,857,370 | \$ 664,362,240 | \$ 752,713,373 | 752,713,373 | 821,785,285 |
| Total net debt applicable to limit | 120,935,000 | 121,015,000 | 127,272,000 | 119,588,000 | 115,624,000 | 111,919,000 | 108,284,000 | 112,790,000 | 112,790,000 | 112,790,000 |
| Legal debt margin | <u>\$ 428,593,970</u> | <u>\$ 405,805,590</u> | <u>\$ 402,225,464</u> | <u>\$ 428,617,147</u> | <u>\$ 429,110,050</u> | <u>\$ 499,938,370</u> | <u>\$ 556,078,240</u> | <u>\$ 639,923,373</u> | <u>\$ 639,923,373</u> | <u>\$ 639,923,373</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 22.01% | 22.97% | 24.04% | 21.81% | 21.23% | 18.29% | 16.30% | 14.98% | 14.98% | 13.72% |

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: | | | | | | | |
| 2011 | \$ 21,364,070 | \$ 13,058,877 | \$ 8,305,193 | \$ 4,045,000 | \$ 1,738,552 | \$ 5,783,552 | 1.4 |
| 2012 | 22,301,008 | 12,562,435 | 9,738,573 | 4,584,250 | 1,669,928 | 6,254,178 | 1.6 |
| 2013 | 23,688,291 | 12,850,445 | 10,837,846 | 3,123,721 | 1,106,529 | 4,230,250 | 2.6 |
| 2014 | 23,018,750 | 12,839,911 | 10,178,839 | 2,695,000 | 1,137,321 | 3,832,321 | 2.7 |
| 2015 | 22,948,029 | 13,933,617 | 9,014,412 | 2,410,000 | 1,262,901 | 3,672,901 | 2.5 |
| 2016 | 24,338,898 | 14,787,495 | 9,551,403 | 3,400,000 | 1,257,924 | 4,657,924 | 2.1 |
| 2017 | 26,610,731 | 14,584,734 | 12,025,997 | 3,905,001 | 764,316 | 4,669,317 | 2.6 |
| 2018 | 27,138,806 | 15,164,072 | 11,974,734 | 3,155,000 | 770,420 | 3,925,420 | 3.1 |
| 2019 | 28,343,557 | 19,493,471 | 8,850,086 | 3,250,000 | 754,316 | 4,004,316 | 2.2 |
| 2020 | 26,544,979 | 15,147,801 | 11,397,178 | 3,310,000 | 728,050 | 4,038,050 | 2.8 |
| Sewage Disposal System: | | | | | | | |
| 2011 | 21,810,673 | 10,120,854 | 11,689,819 | 2,355,000 | 1,990,078 | 4,345,078 | 2.7 |
| 2012 | 21,593,098 | 10,177,877 | 11,415,221 | 2,696,000 | 1,851,394 | 4,547,394 | 2.5 |
| 2013 | 21,377,410 | 10,585,422 | 10,791,988 | 2,688,460 | 1,772,419 | 4,460,879 | 2.4 |
| 2014 | 23,200,088 | 10,713,654 | 12,486,434 | 2,305,000 | 1,416,666 | 3,721,666 | 3.4 |
| 2015 | 22,878,298 | 11,484,606 | 11,393,692 | 2,225,000 | 2,658,665 | 4,883,665 | 2.3 |
| 2016 | 25,025,055 | 12,431,395 | 12,593,660 | 2,995,000 | 3,145,865 | 6,140,865 | 2.1 |
| 2017 | 27,336,885 | 12,213,885 | 15,123,000 | 4,427,831 | 2,779,118 | 7,206,949 | 2.1 |
| 2018 | 28,515,463 | 12,512,815 | 16,002,648 | 6,358,045 | 3,105,990 | 9,464,035 | 1.7 |
| 2019 | 34,230,942 | 14,380,749 | 19,850,193 | 8,075,000 | 3,014,702 | 11,089,702 | 1.8 |
| 2020 | 33,971,553 | 13,050,573 | 20,920,980 | 7,965,000 | 2,850,467 | 10,815,467 | 1.9 |

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> |
|-------------|-----------------------|--------------------------------|---|---------------------------|--|----------------------------------|------------------------------------|
| 2011 | 113,932 | \$ 14,204,286 | \$ 40,821 | 27.8 | 16.5 | 16,440 | 6.5 |
| 2012 | 113,934 | 15,161,590 | 43,202 | 27.8 | 16.5 | 16,544 | 8.6 |
| 2013 | 113,934 | 15,560,767 | 43,927 | 27.8 | 16.5 | 16,545 | 6.8 |
| 2014 | 113,934 | 17,260,080 | 48,365 | 27.8 | 16.5 | 16,588 | 5.7 |
| 2015 | 113,934 | 18,446,608 | 51,400 | 27.8 | 16.5 | 16,901 | 4.2 |
| 2016 | 113,934 | 19,261,779 | 52,814 | 27.8 | 16.5 | 16,815 | 3.5 |
| 2017 | 113,934 | 20,715,000 | 56,348 | 27.8 | 16.5 | 17,435 | 2.9 |
| 2018 | 113,934 | 22,021,358 | 59,363 | 27.8 | 16.5 | 17,669 | 3.6 |
| 2019 | 113,934 | N/A | N/A | 27.8 | 16.5 | 17,950 | 3.5 |
| 2020 | 113,934 | N/A | N/A | 27.8 | 16.5 | 17,898 | 10.7 |

Sources:

- (1) U. S. Census Bureau
- (2) Bureau of Economic Analysis, Ann Arbor Metropolitan Statistical Area, MAIN04 Personal Income and Employment Summary
<http://www.bea.gov/>
 *Note: 2019 & 2020 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 2020
http://stats.bls.gov/eag/eag.mi_annarbor_msa.htm

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

| Employers | 2020 | | | 2011 | | |
|---|---------------|------|--|---------------|------|--|
| | Employees | Rank | Percentage of Total Top City Employers | Employees | Rank | Percentage of Total Top City Employers |
| University of Michigan | 34,495 | 1 | 64.27% | 27,003 | 1 | 44.34% |
| Trinity Health System (formerly St. Joseph's Health System) | 7,585 | 2 | 14.13% | 5,304 | 3 | 8.71% |
| U.S. Government | 3,062 | 3 | 5.71% | | | |
| Ann Arbor Public Schools | 2,225 | 4 | 4.15% | 3,578 | 4 | 5.88% |
| Integrated Health Associates, Inc. | 1,576 | 5 | 2.94% | | | |
| Washtenaw County | 1,322 | 6 | 2.46% | | | |
| Thompson-Reuters | 1,155 | 7 | 2.15% | 1,339 | 6 | 2.20% |
| Domino's Pizza | 812 | 8 | 1.51% | | | |
| NSF International | 722 | 9 | 1.35% | 710 | 7 | 1.17% |
| City of Ann Arbor | 715 | 10 | 1.33% | 550 | 10 | 0.90% |
| Univ. of Mich Hospitals & Health System | | | | 19,614 | 2 | 32.21% |
| Washtenaw Community College | | | | 576 | 9 | 0.95% |
| Veterans Administration Medical Center | | | | 1,600 | 5 | 2.63% |
| Borders Group, Inc. | | | | 619 | 8 | 1.02% |
| Total | 53,669 | | 100.00% | 60,893 | | 100.00% |

Source: Crain's Detroit Business, December 30, 2019 Edition, 2020 Book of Lists (Big Picture: Washtenaw County's Largest Employers)

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

| Function/Program | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|--------------------------------|------|------|------|------|------|------|------|------|------|------|
| General government | | | | | | | | | | |
| Financial Services | 48 | 45 | 48 | 61 | 61 | 61 | 60 | 61 | 61 | 61 |
| Community Services | 33 | 34 | 32 | 34 | 57 | 59 | 63 | 65 | 67 | 71 |
| Parks & Recreation | 20 | 20 | 20 | 24 | 24 | 24 | 24 | 23 | 37 | 38 |
| City Administrator Services | 31 | 30 | 31 | 34 | 34 | 34 | 34 | 37 | 63 | 65 |
| Mayor & Council | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 |
| Police | | | | | | | | | | |
| Officers | 150 | 118 | 118 | 119 | 122 | 122 | 122 | 122 | 124 | 128 |
| Civilians | 27 | 46 | 28 | 27 | 27 | 27 | 27 | 27 | 26 | 26 |
| Fire | | | | | | | | | | |
| Firefighters & Officers | 89 | 81 | 81 | 85 | 86 | 86 | 86 | 86 | 84 | 84 |
| Civilians | | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 3 | 3 |
| Public Services | | | | | | | | | | |
| Project Management | 15 | 13 | 13 | 12 | 12 | 16 | 16 | 17 | 30 | 30 |
| Water | 26 | 26 | 26 | 26 | 26 | 26 | 26 | 27 | 27 | 27 |
| Wastewater Treatment | 35 | 35 | 35 | 35 | 35 | 35 | 35 | 35 | 36 | 36 |
| Field Operations | 129 | 126 | 124 | 120 | 120 | 117 | 117 | 117 | 90 | 90 |
| Other | 75 | 74 | 74 | 61 | 61 | 59 | 62 | 63 | 36 | 40 |
| 15th District Court | 37 | 36 | 34 | 34 | 34 | 34 | 34 | 35 | 35 | 35 |
| Retirement System | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Downtown Development Authority | 3 | 4 | 4 | 4 | 4 | 4 | 4 | 6 | 6 | 6 |
| City Attorney | 13 | 13 | 12 | 12 | 12 | 12 | 13 | 13 | 13 | 13 |
| Per Budget Book | 736 | 706 | 686 | 694 | 721 | 722 | 729 | 740 | 743 | 759 |

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 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|--------|--------|--------|--------|---------|---------|---------|---------|--------|--------|
| Police | | | | | | | | | | |
| Physical arrests | 2,630 | 2,610 | 2,395 | 1,462 | 1,461 | 1,542 | 1,289 | 1,467 | 1,678 | 1,178 |
| Parking violations | 86,780 | 95,990 | 87,898 | 92,184 | 108,759 | 118,041 | 117,221 | 102,981 | 99,079 | 69,605 |
| Traffic violations | 16,729 | 10,638 | 14,676 | 14,053 | 12,205 | 12,548 | 11,022 | 9,515 | 8,748 | 7,889 |
| Fire | | | | | | | | | | |
| Emergency responses | 5,808 | 5,843 | 6,180 | 6,646 | 6,572 | 6,947 | 7,234 | 7,214 | 8,504 | 8,293 |
| Fire extinguished | 281 | 431 | 418 | 283 | 220 | 259 | 205 | 206 | 260 | 258 |
| Inspections (1st inspections) | 913 | 1,962 | 1,769 | 1,164 | 1,218 | 1,339 | 1,182 | 1,257 | 1,140 | 767 |
| Refuse Collection | | | | | | | | | | |
| Refuse collected (tons/day) | NA | 71.25 | 72.30 | 72.84 | 72.87 | 72.52 | 73.21 | 151.22 | 140.69 | 135.03 |
| Recyclables collected (tons/day) | 30.82 | 37.10 | 38.13 | 39.54 | 40.17 | 40.31 | 40.27 | 36.32 | 35.89 | 34.36 |
| Other Public works | | | | | | | | | | |
| Street resurfacing and reconstruction | 4.72 | 6.20 | 6.60 | 5.286 | 6.13 | 5.905 | 3.91 | 3.71 | 7.35 | 7.2 |
| Capital Preventative Maintenance (miles) (a) | | | | 0 | 2.12 | 7.696 | 55.387 | 42.444 | 1.69 | 21.85 |
| Potholes repaired (tons) | 500.00 | 392.78 | 359.35 | 636.50 | 570.92 | 482.32 | 397.60 | 648.43 | 733.88 | 596.00 |
| Parks and Recreation | | | | | | | | | | |
| Athletic field permits issued | 1,067 | 1,032 | 956 | 929 | 866 | 733 | 692 | 987 | 629 | 456 |
| Community center admissions | 11,500 | 11,500 | 11,500 | 12,000 | 12,000 | 12,500 | 19,750 | 19,750 | 21,524 | 23,950 |
| Water | | | | | | | | | | |
| Connections | 28,266 | 28,333 | 28,376 | 28,387 | 28,418 | 28,452 | 28,496 | 28,565 | 28,592 | 28,674 |
| Water main breaks | 96 | 72 | 102 | 120 | 91 | 65 | 73 | 66 | 106 | 59 |
| Average daily consumption (millions of gallons) | 13.782 | 14.600 | 14.870 | 14.091 | 13.576 | 13.824 | 13.902 | 14.080 | 13.580 | 12.836 |
| Peak daily consumption (millions of gallons) | 21.415 | 27.115 | 28.100 | 23.120 | 19.174 | 20.131 | 21.262 | 21.717 | 22.820 | 18.668 |
| Wastewater | | | | | | | | | | |
| Average daily sewage treatment (millions of gallons) | 17.680 | 18.100 | 16.700 | 17.758 | 16.999 | 16.810 | 17.900 | 18.300 | 18.095 | 18.190 |

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 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|--------|--------|-------|--------|--------|--------|--------|--------|--------|-------|
| Police | | | | | | | | | | |
| Station | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Zone Offices | 2 | 2 | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 1 |
| Patrol units | 37 | 36 | 36 | 37 | 35 | 35 | 36 | 35 | 35 | 35 |
| Fire Stations | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Refuse Collection | | | | | | | | | | |
| Collection Trucks | 27 | 26 | 27 | 27 | 27 | 26 | 26 | 27 | 28 | 28 |
| Other Public works | | | | | | | | | | |
| Streets (miles) | 295.13 | 295.13 | 296.7 | 296.83 | 296.83 | 296.83 | 296.83 | 297.65 | 297.65 | 298 |
| Streetlights | 7,134 | 7,139 | 7,194 | 7,194 | 7,497 | 7,562 | 7,567 | 7,572 | 7,592 | 7,721 |
| Traffic signals | 158 | 158 | 158 | 158 | 159 | 159 | 159 | 159 | 159 | 159 |
| Parks and Recreation | | | | | | | | | | |
| Acreage | 2,045 | 2,045 | 2,095 | 2,074 | 2,074 | 2,110 | 2,110 | 2,110 | 2,187 | 2,195 |
| Playgrounds | 77 | 77 | 77 | 77 | 77 | 79 | 79 | 80 | 80 | 80 |
| Baseball/softball diamonds | 34 | 34 | 34 | 34 | 34 | 34 | 34 | 34 | 34 | 34 |
| Soccer/football fields | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 |
| Community centers | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Water | | | | | | | | | | |
| Water mains (miles) | 472 | 464.0 | 501 | 489.5 | 488 | 455 | 456 | 459 | 461 | 461 |
| Fire hydrants | 2,909 | 2,960 | 3,711 | 3,733 | 3,741 | 3,178 | 3,239 | 3,887 | 3,947 | 3,370 |
| Storage Capacity (millions of gallons) | 19.0 | 19.0 | 19.0 | 19.0 | 19.0 | 19.0 | 19.0 | 19.0 | 19.0 | 19.0 |
| Wastewater | | | | | | | | | | |
| Sanitary sewers (miles) | 364 | 363.7 | 369 | 362 | 362 | 362 | 362 | 364 | 367 | 375 |
| Storm sewers (miles) | 320.1 | 322.4 | 264 | 264 | 266 | 294 | 294 | 328 | 298 | 290 |
| Treatment capacity (millions of gallons) | 48.0 | 48.0 | 48.0 | 48.0 | 48.0 | 48.0 | 48.0 | 48.0 | 48.0 | 48.0 |

Source: Various services areas within City of Ann Arbor



December 2, 2020

To the Honorable Mayor and Members of City Council
City of Ann Arbor
301 E. Huron St.
Ann Arbor, MI 48104

We have audited the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ann Arbor (the City) as of and for the year ended June 30, 2020. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit.

Our communication includes the following:

- I. Auditors' Communication of Significant Matters with Those Charged with Governance
- II. Matters for Management's Consideration

Matters for management's consideration are not required to be communicated but we believe are valuable for management.

We discussed these matters with various personnel in the City during the audit and with management. We would also be pleased to meet with you to discuss these matters at your convenience.

This information is intended solely for the information and use of the City Council and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Ann Arbor, Michigan

Appendix I

Auditors' Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated June 1, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in the footnotes of the financial statements. The City has adopted the following Governmental Accounting Standards Board Statements effective July 1, 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 criteria generally is on (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.
- Statement No. 92, *Omnibus 2020* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following: (1) The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports (2) Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan. (3) The applicability of Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits. (4) The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements. (5) Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition. (6) Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers. (7) Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. (8) Terminology used to refer to derivative instruments.
- Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic and provides postponement of effective dates for certain GASB Statements.

We noted no transactions entered into by the City during the year for which there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.
- Net pension liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.
- Incurred but not reported health benefits. Management's estimate is derived by using historical claims and information provided by the City's third party administrator.
- Net OPEB liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.
- Compensated absences. Management's estimate of accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- The landfill liability is based on information provided by a third party consultant and discounted to net present value using the current Treasury note rate.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

Accounting Standards

The Governmental Accounting Standards Board has released additional Statements. Details regarding these Statements are described in Note 1 of the financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial and communicate them to the appropriate level of management. Management has corrected all such misstatements.

The following material misstatements were detected as a result of our audit procedures and corrected by management:

To record deferred inflows of resources related to Washtenaw County payments received after 60 days of year end of \$2,398,595 and to record unearned revenue received from the Michigan Department of Transportation (MDOT) of \$738,589 related to an MDOT overpayment in the Street, Bridge, and Sidewalk Repair Millage Fund.

There were no known uncorrected misstatements that were more than trivial.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Emphasis of Matters in Independent Auditors' Report

Adoption of New Accounting Standards

As described in Note 1 to the financial statements, during the year ended June 30, 2020, the City adopted GASB Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

Other Reports

Other information that is required to be reported to you is included in the: Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance For Each Major Federal Program; Independent Auditors' Report on Internal Control Over Compliance; Independent Auditors' Report on Schedule of Expenditures of Federal Awards Required by the Uniform Grant Guidance; and the Schedule of Findings and Questioned Costs. Please read all information included in those reports to ensure you are aware of relevant information.

Report on Required Supplementary Information

We applied certain limited procedures to management's discussion and analysis and the remaining required supplementary information (RSI) as described in the table of contents of the financial statements that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Report on Other Supplementary Information

We were engaged to report on other supplementary information as described in the table of contents of the financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Comprehensive Annual Financial Report

The City's audited financial statements are included in their comprehensive annual financial report. Our responsibility for the other information contained in the comprehensive annual financial report does not extend beyond the financial information identified in our audit report. We do not have an obligation to perform any procedures to corroborate the other information contained in the introductory section and statistical section. However, we read the other information and considered whether such information, or the manner of its presentation, was materially inconsistent with information, or the manner of its presentation, appearing in the financial statements. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, was materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

Appendix II

Matters for Management's Consideration

In planning and performing our audit of the financial statements of the City of Ann Arbor as of and for the year ended June 30, 2020, we considered City's internal control over financial reporting (internal control) as a basis for designing audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

However, during our audit we became aware of the following matter for management's consideration that is an opportunity for strengthening internal controls and maintaining more accurate financial records. This letter does not affect our report dated December 2, 2020, on the financial statements of the City of Ann Arbor. Our comment and recommendation is:

Review of Performance Bond Listing

As a part of our audit, we reviewed the performance bond listing for unusual or old items. We identified balances in excess of \$500,000 in performance bonds that were initiated in years ranging from 1994 to 2016 that likely need to be closed out. While it is possible that some of these performance bonds truly remain open, it is likely that many should be refunded or brought in as revenue to the City.

We suggest a thorough review of each performance bond by an individual with appropriate knowledge to determine the status of each performance bond and refund or bring the performance bond into revenue accordingly.

City of Ann Arbor

Single Audit

June 30, 2020



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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditors' Report

Honorable Mayor and Members of City Council
City of Ann Arbor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ann Arbor, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Ann Arbor's basic financial statements, and have issued our report thereon dated December 2, 2020. Our report includes a reference to other auditors who audited the financial statements of the Ann Arbor Housing Commission, as described in our report on the City of Ann Arbor's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Ann Arbor's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Ann Arbor's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Ann Arbor's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Ann Arbor's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the

determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Ann Arbor's Response to Findings and Corrective Action Plan

The City of Ann Arbor's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The City of Ann Arbor's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Yeo & Yeo, P.C.

Ann Arbor, MI

December 2, 2020



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Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditors' Report

Honorable Major and Members of City Council
City of Ann Arbor

Report on Compliance for Each Major Federal Program

We have audited the City of Ann Arbor's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Ann Arbor's major federal programs for the year ended June 30, 2020. The City of Ann Arbor's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Our report includes a reference to other auditors who audited the financial statements of the Ann Arbor Housing Commission, as described in our report on the City of Ann Arbor's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

City of Ann Arbor's basic financial statements include the operations of the Ann Arbor Housing Commission, which received \$17,342,146 in federal awards, which is not include in the schedule of expenditures of federal awards during the year ended June 30, 2020. Our audit, described below, did not include the operations of the Ann Arbor Housing Commission because the Ann Arbor Housing Commission engaged other auditors to perform an audit of compliance.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Ann Arbor's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Ann Arbor's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Ann Arbor's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Ann Arbor complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the City of Ann Arbor is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Ann Arbor's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Ann Arbor's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ann Arbor, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Ann Arbor's basic financial statements. We issued our report thereon dated December 2, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

Ann Arbor, MI
December 2, 2020

City of Ann Arbor
Schedule of Expenditures of Federal Awards
For the Year ended June 30, 2020

| | <u>Federal CFDA Number</u> | <u>Federal or Pass - Through Grant Number</u> | <u>Federal Expenditures</u> |
|--|------------------------------------|---|---------------------------------|
| <u>U.S. Department of Agriculture</u> | | | |
| Agricultural Conservation Easement Program | 10.931 | 54-5D21-15-01JMB | \$ 511,070 |
| <u>U.S. Department of Justice</u> | | | |
| Domestic Violence Supplemental Grant | 16.590 | 2016-WE-AX-0031 | 63,134 |
| <u>U.S. Department of Transportation</u> | | | |
| Highway Research Planning and Construction - Dhu Varren Sidewalk Gaps | 20.205 | SGMA1900 (681) | 76,584 |
| Highway Research Planning and Construction - Eisenhower Pky-Plaza Rd RRFB (19-5224) | 20.205 | HSIP 1900 (661) | 25,698 |
| Total Highway Research Planning and Construction Cluster | | | 102,282 |
| Ann Arbor Underage Drinking Enforcement | 20.616 | AL-19-13 | 19,917 |
| Total U.S. Department of Transportation | | | 122,199 |
| <u>U.S. Department of Homeland Security</u> | | | |
| Passed through the State Department of State Police, Emergency Management Division: | | | |
| 2019 Emergency Management Performance Grant | 97.042 | EMC-2019-EP-00004 | 44,478 |
| Hazard Mitigation-Allen Creek | 97.039 | P4195.16 | 2,016,738 |
| Total U.S. Department of Homeland Security | | | 2,061,216 |
| <u>Executive Office of the President</u> | | | |
| Passed through MSP, Washtenaw County: | | | |
| High Intensity Drug Trafficking Areas Program | 95.001 | N/A | 701 |
| Total Federal Expenditures of Federal Awards | | | \$ 2,758,320 |

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

City of Ann Arbor
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2020

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Ann Arbor under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of City of Ann Arbor, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Ann Arbor

The City's reporting entity is defined in Note 1 of the City's comprehensive annual financial report. The City's financial statements include the operations of the Ann Arbor Housing Commission, a discretely-presented component unit, which received federal awards that are not included in the Schedule for the year ended June 30, 2020, as this entity was separately audited.

Note 2 - Summary of Significant Accounting Policies

Expenditures

Expenditures reported on the Schedule are reported on the modified accrual or accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in the Uniform Guidance, OMB Circular A-87 *Cost Principles for State, Local and Indian Tribal Governments*, where certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

The City of Ann Arbor has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 - Other Federal Revenue

The City is an indirect beneficiary of federal funds that are expended directly by the Michigan Department of Transportation. These expenditures (which totaled \$21,329 for the year ended June 30, 2020) are included in the single audit for the State of Michigan.

Note 4 - Reconciliation to the Financial Statements

| | |
|---|---------------------|
| Federal grants per governmental fund statements | \$ 741,582 |
| Deferred inflows of resources related to federal grants | <u>2,016,738</u> |
| Total expenditures of federal awards | <u>\$ 2,758,320</u> |

Note 5 - Subrecipients

No amounts were provided to subrecipients.

City of Ann Arbor
Schedule of Findings and Questioned Costs
June 30, 2020

Section I – Summary of Auditors’ Results

Financial Statements

Type of report the auditor issued on whether the financial statements were prepared in accordance with Generally Accepted Accounting Principles: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified yes X none reported

Type of auditors’ report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of major federal programs:

| <i>CFDA Number(s)</i> | <i>Name of Federal Program or Cluster</i> |
|-----------------------|---|
| 97.039 | Hazard Mitigation |

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes X no

City of Ann Arbor
Schedule of Findings and Questioned Costs
June 30, 2020

Section II – Government Auditing Standards Findings

2020-001 – Material Weakness – Audit Adjustments

Specific requirement: Management is responsible for reporting reliable financial data in accordance with Generally Accepted Accounting Principles.

Condition: Material journal entries were proposed by the auditors to properly account for revenue recognition in relation to revenue that has not been earned or is not yet available. These misstatements were not detected by the City's internal control over financial reporting in a timely manner. These entries proposed by the auditors were considered quantitatively material to the Street, Bridge, and Sidewalk Repair Millage Fund. The first journal entry was for \$2,398,595 to record deferred inflows of resources instead of revenues related to a receivable from Washtenaw County that had not been received within 60 days of year end. The second journal entry was for \$738,589 to record unearned revenue instead of revenues related to a Michigan Department of Transportation overpayment.

Cause: Material journal entries were not detected by the City's internal control over financial reporting, partly due to delayed payments by other governments, which historically was received within 60 days of year end.

Effect: Had the journal entries not been recorded, the financial statements would have been materially misstated.

Recommendation: We recommend the City review all outstanding receivables for governmental funds once the 60-day time period subsequent to year end has occurred, and move those revenues into deferred inflows if they are uncollected. The City should take care in recording unexpected receipts, including researching the source in order to record it properly as revenue or unearned revenue.

Views of responsible officials: Management has considered, agreed with, and posted the journal entries.

Corrective action plan: See attached.

Section III – Federal Award Findings

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2020.

City of Ann Arbor
Summary Schedule of Prior Audit Findings
June 30, 2020

Section IV – Prior Audit Findings

Government Auditing Standards Findings

There were no *Government Auditing Standards* findings for the year ended June 30, 2019.

Federal Award Findings

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2019.



CITY OF ANN ARBOR, MICHIGAN

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December 2, 2020

Yeo & Yeo, CPAs
1450 Eisenhower Pl.
Ann Arbor, MI 48108

RE: Audit June 30, 2020

Please note the following corrective action plan relating to the material weakness in the City's audit as of June 30, 2020:

2020-001 – Material Weakness – Audit Adjustments

The corrective action plan is to add to an item to our annual audit checklist to look for any recorded receivables that were not actually received 60 days following year-end. The Chief of Staff of Public Services has been notified of this weakness, ensuring that they are aware of City policies regarding the 60-day rule. The Accounting Services Manager will be the one who will be responsible to ensure that this item is reviewed for future audits when using the audit checklist. This plan has been put in place as of today, December 2, 2020, and will be completed 60 days following year end for all future years.

Thank you for your attention to this matter.

Very Truly Yours,

Karleen Kudej, Accounting Services Manager
City of Ann Arbor