

City of
Ann Arbor,
Michigan



Comprehensive
Annual Financial
Report

Year Ended
June 30, 2012

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CITY OF ANN ARBOR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

County of Washtenaw
State of Michigan

Fiscal Year Ended June 30, 2012



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

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INTRODUCTORY SECTION



December 12, 2012

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, Michigan, for the year ended June 30, 2012, is submitted. Staff in the Accounting Services Unit prepared the report, with assistance from the Pension System, Downtown Development Authority, Housing Commission and other City staff. The City has the responsibility for all disclosure and accuracy of material contained in this report.

State law requires that all local governments, subject to certain size criteria, publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the City of Ann Arbor CAFR for the fiscal year ended June 30, 2012.

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

Rehmann Robson, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Ann Arbor financial statements for the year ended June 30, 2012. 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 compliment the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

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

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

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

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

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

Recently the City has been recognized nationally for many of the services provided by the City to the citizens of Ann Arbor. The City was included as 7th by Milken Institute, in their recent article, *Best U.S. Small City for Aging*. The City has been recognized nationally by U.S. News & World Report as 3rd in their list of *Top 10 U.S. Cities for Well Being*. Other recognition includes recognition by Frommer’s in their list of *20 Best Summer Vacation Destinations*. This recognition demonstrates the commitment to excellence the City strives to provide in each area of service provided to the citizens.

Local Economy

The City is endowed with several major corporations located within its boundaries such as Truven Health Analytics and Google. In addition, Ann Arbor is home to one of the largest employers in the County, the University of Michigan that employs 27,003 people. Ann Arbor is also known for its excellent technology infrastructure that has attracted several large technology firms to the area.

The City is surrounded by three higher educational centers: the University of Michigan, Concordia College, and Cleary College. Additionally, located within a 10-mile radius are two other higher educational centers. Over 69% of the residents have completed four or more years of college.

The City of Ann Arbor has the largest population base in Washtenaw County and serves as the County Seat. The 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 \$52,711. Personal income in the City has risen in recent years, which is an indication of a healthy economy.

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

The City of Ann Arbor is starting to see economic improvements take traction in its local economy. The local area unemployment rate declined to 6.2% as of June 2012, receipts from sales taxes are increasing modestly, and residential property values are increasing in some neighborhoods.

In addition to a sluggish environment for revenues, the City continues to experience increased costs related to inflation, energy costs, and the amortization of financial market losses from fiscal 2008 and 2009 in its pension system. Pension costs are expected to continue to increase for the next two years since the losses are amortized over five years. After that time a more modest increase in pension costs is anticipated. The City continues to constrain its increase in total costs through efficiencies, collaborative opportunities, and fiscal discipline in 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. In 2011, the former City Administrator retired and a new Administrator, Steven D. Powers, was hired. Under the new Administrator, the City's financial policies have not changed and an emphasis on strategic planning is being implemented.

During this lackluster economic environment, the City will strive to maintain an assigned and unassigned general fund balance in a minimum range of 8% to 12%. If it is necessary to use these funds, subsequent budgets will be planned for additions to restore fund balance. The City continues to develop strategies to contain increased active employee health care and pension costs. A funding mechanism for retiree healthcare costs is in place. The City is also striving to budget a consistent level of capital outlay sufficient to maintain current infrastructure.

Relevant Financial Policies

The City has adopted and adheres to several financial management policies governing debt, investments, fund balance, pension funding, other postemployment benefits funding and capital improvements. These policies govern the management of resources including use of one time funds, sale and defeasance of bonds, and investment strategy.

Major Initiatives

Argo Cascades

The City recently completed the construction of the Argo Cascades, a boat bypass channel around Argo Dam. For the first time since 1830 this section of river is free-flowing with the portage removed and transformed into a series of nine drops and pools for people in tubes, rafts, canoes and kayaks to enjoy. This section of river and trail located in the heart of Ann Arbor has become a popular recreational destination for our community and surrounding communities, driving more visitors to Ann Arbor.

Wastewater Treatment Plant

The Ann Arbor wastewater treatment plant (WWTP) receives and treats approximately 19.0 million gallons of wastewater per day from the City of Ann Arbor and Pittsfield, Scio, and Ann Arbor townships. Due to aging and deteriorating facilities, two renovation projects, the Facilities Renovations Project and the Residuals Handling Improvements Project, have been implemented to ensure long-term treatment capacity and reliability. Bonds were issued in fiscal 2012 to initiate the Facilities Renovations Project since the Residuals Handling Improvements are nearing completion.

Facilities Renovation Project (construction cost = \$82,000,000)

This project consists of upgrading, rehabilitating and/or replacing the aging and deteriorating facilities at the WWTP. The WWTP consists of an older West Plant (constructed in the 1930's) and a newer East Plant (constructed in the late 1970's).

The Facilities Renovations Project is split into two phases, thereby providing significant construction and financial benefits. The first phase is the Storage Building Demolition and Improvements Project, which includes demolition of the Solids Re-aeration Tank and the Old Solids Storage Building, as well as some minor electrical modifications. The second phase of the Facilities Renovations Project includes complete replacement of the older West Plant, improvements to the newer East Plant and replacement of the plant electrical grid and stand-by generators.

Residuals Handling Improvements Project (construction cost = \$45,000,000)

This project replaces the worn and inefficient residual solids processing equipment and renovates the existing structure that houses the processing equipment. Additional items such as odor management and treatment are also being addressed as part of this project.

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, 2011. This was the twenty-sixth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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


In addition, the City of Ann Arbor also received the GFOA's *Distinguished Budget Presentation Award* for its annual budget document for fiscal year 2012. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

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

Sincerely,



Steven D. Powers,
City Administrator



Tom Crawford,
Chief Financial Officer

CITY OF ANN ARBOR, MICHIGAN

ELECTED AND APPOINTED OFFICIALS

John Hieftje, Mayor

Council Members

Sandi Smith
Toni Derezinski
Stephen Kunselman
Margie Teall
Mike Anglin

Sabra Briere
Jane Lumm
Christopher Taylor
Marcia Higgins
Carsten Hohnke

Steve Powers
City Administrator

Tom Crawford
Chief Financial Officer

Karen M. Lancaster
Accounting Services Manager

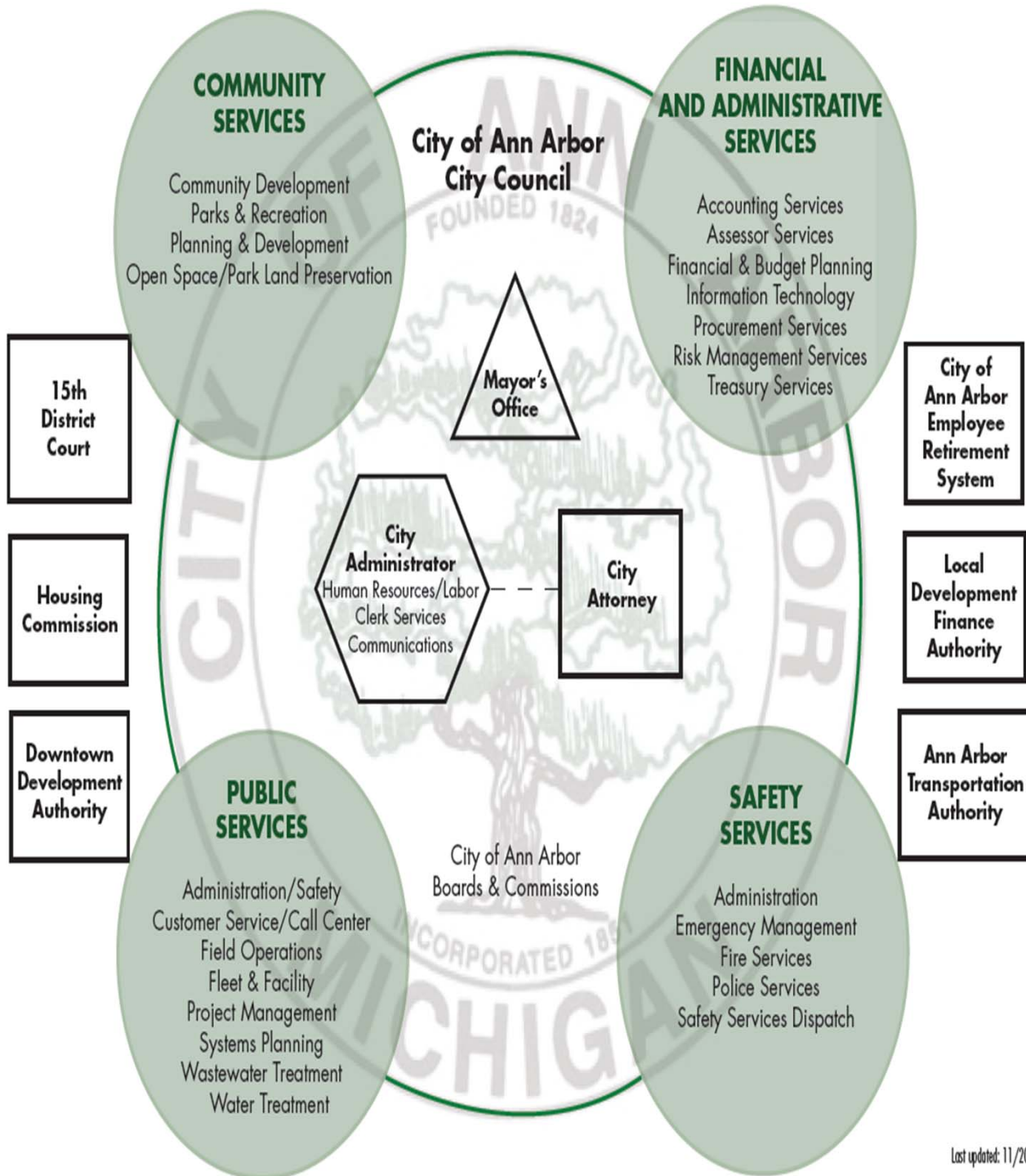
Matthew V. Horning
City Treasurer

Stephen K. Postema
City Attorney

Jacqueline Beaudry
City Clerk

CITY OF ANN ARBOR, MICHIGAN

Organizational Chart



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, 2011

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



Linda C. Davison

President

Jeffrey R. Egan

Executive Director

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

December 12, 2012

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Ann Arbor, Michigan*, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Ann Arbor Housing Commission, which represents 41.8% of the assets and 38.8% of the revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report was furnished to us and our opinion, insofar as it relates to the amounts included for the Ann Arbor Housing Commission, 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 Controller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ann Arbor, Michigan as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and each major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated December 12, 2012, on our consideration of the City of Ann Arbor, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of funding progress and employer contributions for the pension and other postemployment benefit plans, as noted 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining fund financial statements and schedule are presented for purposes of additional analysis and are 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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 it.

A handwritten signature in cursive script that reads "Lehmann Lobson".

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF ANN ARBOR, MICHIGAN

Management's Discussion and Analysis

As management of the City of Ann Arbor, Michigan, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

- The City's assets exceed its liabilities by \$1,029,804,216 at year-end. Of this amount:
 - \$867,809,539 is invested in capital assets, net of related debt;
 - \$88,531,447 is restricted for specific purposes;
 - \$73,463,230 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors, subject to the purpose of the fund in which they are located. This balance is comprised of \$23,913,683 in governmental activities and \$49,549,547 in business-type activities.
- The City's total net assets increased by \$36,790,933 during the year, primarily due to increases in capital assets.
- The City's total debt decreased by \$2,279,530 (new issues less retirements) during the current fiscal year.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$87,618,758. The decrease of \$14,550,904 in fund balance is primarily due to spending of bond funds for the construction of the Fifth Avenue underground parking structure as well as the street repair millage fund.
- Of the fund balance amount, \$14,093,650 is unassigned and may be used to meet the government's ongoing obligations to citizens and creditors, \$2,528,705 is assigned and \$4,617,556 is committed and may be used subject to the purpose of the fund in which they are located, and the remaining amount of \$66,378,847 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 (\$15,297,294), street repair millage special revenue fund (\$25,015,313) and DDA Build America parking bond capital projects fund (\$1,433,725) account for 48% of total fund balance including restricted amounts. The remaining amount is represented across the other 37 nonmajor funds.
- The general fund recognized an increase to fund balance of \$1,577,246. At the end of the current fiscal year, unassigned general fund balance was 19% of the total general fund expenditures.
- The City's new Fifth Avenue underground parking structure and other infrastructure improvements in the surrounding area, accounted for in the DDA Build America parking bond capital projects fund, were completed and opened to the public in July 2012.

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

CITY OF ANN ARBOR, MICHIGAN

Management's Discussion and Analysis

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

- Governmental activities - All of the City's basic services such as police, fire, public works, and general administration are included in the governmental activities. Property taxes, fees and charges, state shared revenues, and state and federal grants finance most of these activities.
- Business-type activities - Business-type activity areas include water, sewer and stormwater systems, parking facilities, market, golf courses, 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.

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 40 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, street repair millage special revenue, and DDA Build America parking bond capital projects funds. Data from the other 37 governmental funds are combined in a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds

The City maintains 14 individual proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The enterprise fund financial statements provide separate information for the water, sanitary sewer, parking system, market, golf courses, airport, stormwater system, and solid waste, each of which are considered major funds of the City. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its central stores, fleet services, information technology, project management, insurance funds and Wheeler Center. 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.

CITY OF ANN ARBOR, MICHIGAN

Management's Discussion and Analysis

Fiduciary funds

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

Additional Information

Notes to the financial statements

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

Other information

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

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

Financial Analysis of the City as a Whole

The government-wide financial analysis focuses on the net assets and changes in net assets of the City's governmental and business-type activities. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As the following table demonstrates, the City's assets exceeded its liabilities by \$1,029,804,216 at June 30, 2012 compared to \$993,782,983 at June 30, 2011.

| | Net Assets | | | | | |
|----------------------------------------------------|-------------------------|-----------------------|--------------------------|-----------------------|-------------------------|-----------------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Current and other assets | \$ 136,481,479 | \$ 141,996,009 | \$ 83,147,865 | \$ 87,286,566 | \$ 219,629,344 | \$ 229,282,575 |
| Capital assets, net | 805,902,343 | 782,764,328 | 304,404,520 | 287,507,235 | 1,110,306,863 | 1,070,271,563 |
| Total assets | 942,383,822 | 924,760,337 | 387,552,385 | 374,793,801 | 1,329,936,207 | 1,299,554,138 |
| Long-term liabilities | 146,886,332 | 154,757,062 | 124,768,123 | 124,699,898 | 271,654,455 | 279,456,960 |
| Other liabilities | 20,794,720 | 15,452,094 | 7,682,816 | 11,631,801 | 28,477,536 | 27,083,895 |
| Total liabilities | 167,681,052 | 170,209,156 | 132,450,939 | 136,331,699 | 300,131,991 | 306,540,855 |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 684,183,914 | 672,899,397 | 183,625,625 | 164,731,782 | 867,809,539 | 837,631,179 |
| Restricted | 66,605,173 | 66,772,308 | 21,926,274 | 17,374,027 | 88,531,447 | 84,146,335 |
| Unrestricted | 23,913,683 | 14,879,476 | 49,549,547 | 56,356,293 | 73,463,230 | 71,235,769 |
| Total net assets | \$ 774,702,770 | \$ 754,551,181 | \$ 255,101,446 | \$ 238,462,102 | \$ 1,029,804,216 | \$ 993,013,283 |

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.

CITY OF ANN ARBOR, MICHIGAN

Management's Discussion and Analysis

An additional portion of the City's net assets at June 30, 2012 (\$88,531,447) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$73,463,230 may be used to meet the government's ongoing obligations to citizens and creditors, subject to the restrictions of the fund. The increase in restricted net assets from \$84,146,335 in 2011 to \$88,531,447 in 2012 is primarily due to the increase in the amounts restricted for debt service in the water and sewer enterprise funds to comply with bond covenants.

Long-term liabilities have decreased from 2011 to 2012 due to repayment of existing bond issues.

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

| | Change in Net Assets | | | | | |
|-------------------------------------------|-------------------------|-----------------------|--------------------------|-----------------------|-------------------------|-----------------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 25,783,159 | \$ 24,662,890 | \$ 57,554,273 | \$ 58,642,928 | \$ 83,337,432 | \$ 83,305,818 |
| Operating grants | 13,210,386 | 9,635,060 | - | - | 13,210,386 | 9,635,060 |
| Capital grants | 346,046 | 3,621,001 | 1,256,394 | 951,818 | 1,602,440 | 4,572,819 |
| General revenues: | | | | | | |
| Property taxes | 65,483,779 | 67,446,614 | 11,030,550 | 11,171,676 | 76,514,329 | 78,618,290 |
| State shared revenues and grants | 9,748,477 | 9,582,165 | - | - | 9,748,477 | 9,582,165 |
| Investment income | 2,567,568 | 2,523,944 | 1,188,581 | 515,730 | 3,756,149 | 3,039,674 |
| Other | 3,410,739 | 835,982 | 484,311 | - | 3,895,050 | 835,982 |
| Total revenues | 120,550,154 | 118,307,656 | 71,514,109 | 71,282,152 | 192,064,263 | 189,589,808 |
| Expenses | | | | | | |
| Governmental activities: | | | | | | |
| General government | 15,236,105 | 14,794,159 | - | - | 15,236,105 | 14,794,159 |
| Public safety | 40,649,428 | 42,049,504 | - | - | 40,649,428 | 42,049,504 |
| Public works | 19,889,391 | 20,468,502 | - | - | 19,889,391 | 20,468,502 |
| Community and economic development | 2,931,838 | 3,781,557 | - | - | 2,931,838 | 3,781,557 |
| Culture and recreation | 10,071,912 | 9,935,578 | - | - | 10,071,912 | 9,935,578 |
| Public transportation | 8,913,232 | 9,362,712 | - | - | 8,913,232 | 9,362,712 |
| Debt service | 5,134,805 | 5,260,736 | - | - | 5,134,805 | 5,260,736 |
| Unallocated depreciation | - | 44,331 | - | - | - | 44,331 |
| Business-type activities: | | | | | | |
| Water | - | - | 16,976,630 | 17,338,241 | 16,976,630 | 17,338,241 |
| Sewer | - | - | 14,569,815 | 14,443,929 | 14,569,815 | 14,443,929 |
| Parking | - | - | 2,708,673 | 2,678,011 | 2,708,673 | 2,678,011 |
| Market | - | - | 168,977 | 156,059 | 168,977 | 156,059 |
| Golf courses | - | - | 1,554,083 | 1,649,866 | 1,554,083 | 1,649,866 |
| Airport | - | - | 568,629 | 744,629 | 568,629 | 744,629 |
| Stormwater | - | - | 4,336,523 | 3,945,211 | 4,336,523 | 3,945,211 |
| Solid waste | - | - | 11,563,289 | 13,724,530 | 11,563,289 | 13,724,530 |
| Total expenses | 102,826,711 | 105,697,079 | 52,446,619 | 54,680,476 | 155,273,330 | 160,377,555 |
| Change in net assets, before transfers | 17,723,443 | 12,610,577 | 19,067,490 | 16,601,676 | 36,790,933 | 29,212,253 |
| Transfers | 2,428,146 | 241,009 | (2,428,146) | (241,009) | - | - |
| Change in net assets | 20,151,589 | 12,851,586 | 16,639,344 | 16,360,667 | 36,790,933 | 29,212,253 |
| Net assets: | | | | | | |
| Beginning of year | 754,551,181 | 741,699,595 | 238,462,102 | 222,101,435 | 993,013,283 | 963,801,030 |
| End of year | \$ 774,702,770 | \$ 754,551,181 | \$ 255,101,446 | \$ 238,462,102 | \$ 1,029,804,216 | \$ 993,013,283 |

CITY OF ANN ARBOR, MICHIGAN

Management's Discussion and Analysis

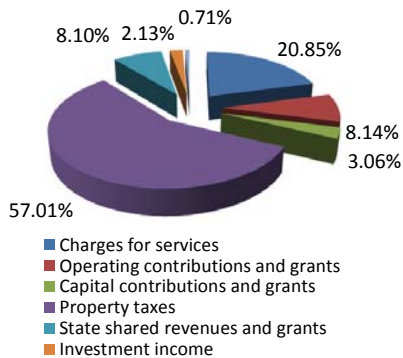
The City's net assets increased by \$36,790,933 during the current fiscal year and \$29,212,253 in the prior fiscal year.

Governmental activities increased the City's net assets by \$20,151,589, accounting for a 55% increase of the City's total growth in the net assets. During fiscal year 2011, governmental activities increased by \$12,851,586, which was a 44% increase of the total growth for fiscal year 2011.

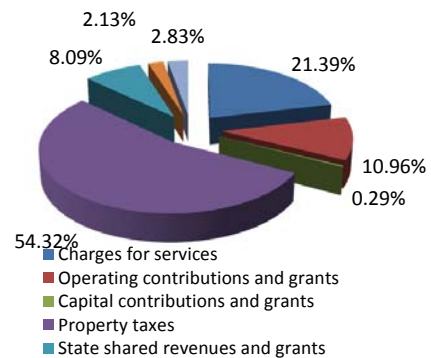
Revenues for governmental activities increased \$2,242,498 from 2011 to 2012. Key elements are as follows:

- Property taxes declined 3.0% in fiscal year 2012 and 4.0% in fiscal year 2011 due to decreasing property values.
- Charges for services increased 5.0% in fiscal year 2012 compared to an 18.6% decrease in fiscal year 2011. This is attributable to increased charges for services for increased volume of fire inspections, building permits and hydropower services. Also, new fees for enhancements to the Argo Liveries began in spring of fiscal year 2012.
- Capital contributions and grants decreased 90% in fiscal year 2012 due to fewer grants received. In fiscal year 2011, this item increased by 192% due to an increase from the Federal Farm and Ranch Land Protection Grant for purchase of property in the City's Greenbelt.
- Other revenue increased 308% due to the sale of property at First and Washington.

2011 Governmental Activities - Revenues by Source



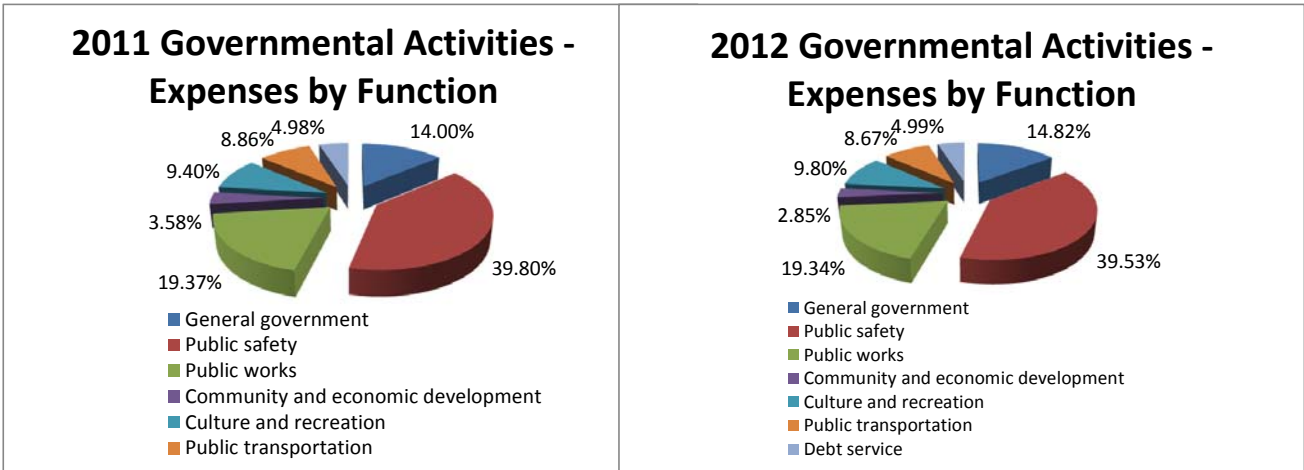
2012 Governmental Activities - Revenue by Source



Expenses for governmental activities decreased \$2,870,368 from 2011 to 2012. Key elements are as follows:

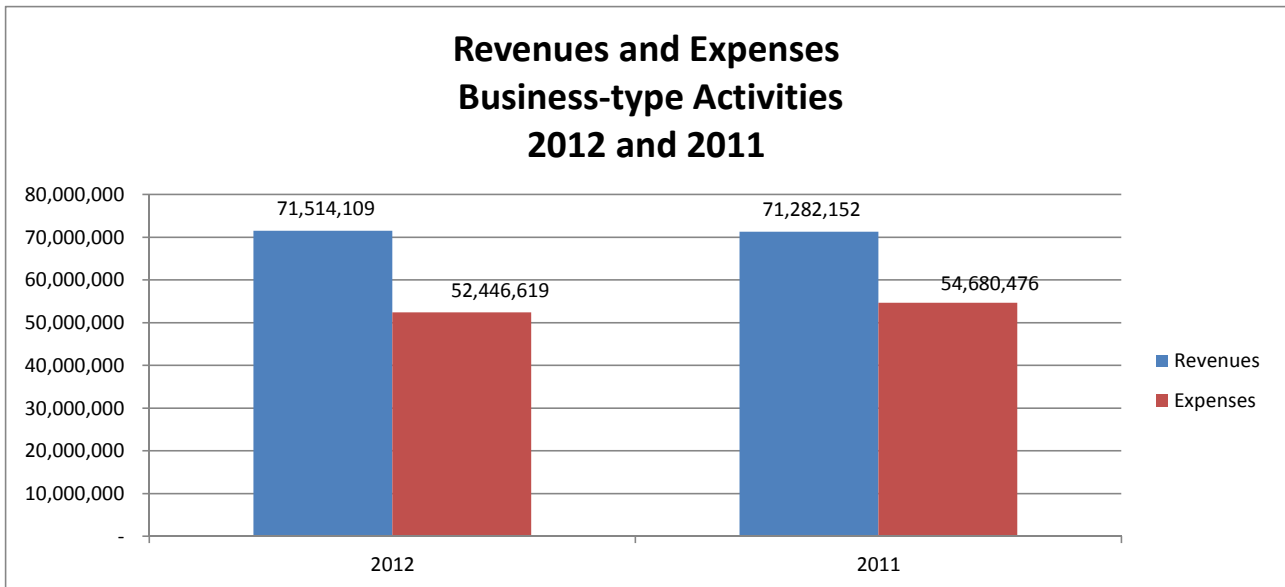
- Expenses for community and economic development decreased primarily due to fewer federal grants for Community Development Block Grants and HOME programs. The City is now part of the Urban County program and all new grants are administered by Washtenaw County.
- Public transportation is a pass-through of tax revenue collected to the Ann Arbor Transportation Authority. As tax revenues are down, this pass-through also decreased.

Management's Discussion and Analysis



Business-type activities increased the City's net assets by \$16,639,344 for fiscal year 2012 and by \$16,360,667 for fiscal year 2011, accounting for 45% and 56% 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 remained relatively flat between fiscal year 2012 and 2011.
- Expenses decreased \$2,233,857, or 4%, in fiscal year 2012 primarily due to a one-time cost in the prior year in the solid waste enterprise fund. In fiscal year 2011, expenses increased \$3,422,335, or 6.6%, primarily due to increases in materials and supplies in the solid waste fund and professional fees in the stormwater enterprise fund due to more stormwater project activities.



CITY OF ANN ARBOR, MICHIGAN

Management's Discussion and Analysis

Financial Analysis of the Government's Funds

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

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$87,618,758 at June 30, 2012 versus \$102,169,662 at June 30, 2011, a decrease of \$14,550,904. Of the total fund balance amount, \$14,093,650 at June 30, 2012 is unassigned fund balance, which indicates this money is available for spending at the government's discretion. At June 30, 2011, \$10,525,445 was unassigned.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$14,093,650 at June 30, 2012. At June 30, 2011, the unassigned fund balance was \$10,525,445. Total fund balance was \$15,297,294 and \$13,582,444 at June 30, 2012 and 2011, respectively. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 19 percent at June 30, 2012 of total general fund expenditures. Unassigned fund balance was 15.5 percent at June 30, 2011 of total general fund expenditures. The fund balance of the City's general fund increased by \$1,577,246 during the current fiscal year in comparison to an increase of \$127,667 for the prior fiscal year. For fiscal year 2012, this is attributable to one-time cost savings, and higher than expected state-shared revenues as well as charges for services.

The street repair millage special revenue fund balance decreased by \$4,192,318 in fiscal year 2012 compared to a decrease of \$734,235 in fiscal year 2011. This decrease is attributable to planned use of fund balance for construction projects including funds that were set aside for the Stadium Bridge project but were able to be repurposed after a grant was received. The DDA Build America parking bond capital projects fund balance decreased \$13,207,535 in fiscal year 2012 compared to a decrease of \$20,147,644 in fiscal year 2011. As this is a bonded construction project, the funds will continue to be depleted as the remaining items for the new underground parking structure are finished. The parking structure went into service this summer.

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

Unrestricted net assets of the water, sanitary sewer, storm sewer, parking system, market, golf courses, solid waste and airport at the end of the year amounted to \$49,549,547. All funds had an increase in net assets for the year totaling \$16,639,344. Other factors concerning the finances of these funds have been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Differences between the original and final budgets for expenditures resulted in a 2.6% increase in fiscal year 2012 compared to a 2.3% increase in fiscal year 2011. The general fund revenues and other financing sources exceeded expenditures and other financing uses by \$1,577,246. The net increase in the general fund balance was \$4,313,335 more than the final budget (which was a net decrease in fund balance \$2,736,089).

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2012 was \$1,110,306,863 compared to \$1,070,271,563 at June 30, 2011 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, improvements, machinery and equipment, intangible assets, vehicles, and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was 3.74% compared to 6.34% in fiscal year 2011. Major capital asset events during the fiscal year 2012 included an increase in improvements (\$16,917,634) for water and sewer improvements, an increase in construction work in progress (\$25,994,539) for the underground parking structure and the wastewater treatment plant, and an increase in infrastructure (\$17,251,315) for road improvements. Additional information on the City's capital assets can be found in note 7 of the notes to the financial statements.

CITY OF ANN ARBOR, MICHIGAN

Management's Discussion and Analysis

| | Capital Assets (net of depreciation) | | | | | |
|-----------------------------------|--------------------------------------|-----------------------|--------------------------|-----------------------|-------------------------|-------------------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Land | \$ 59,792,982 | \$ 58,110,657 | \$ 8,532,678 | \$ 8,596,604 | \$ 68,325,660 | \$ 66,707,261 |
| Construction in progress | 101,931,072 | 86,079,059 | 94,433,232 | 84,290,706 | 196,364,304 | 170,369,765 |
| Buildings | 42,791,827 | 43,420,815 | 82,776,093 | 86,400,446 | 125,567,920 | 129,821,261 |
| Improvements other than buildings | 7,436,791 | 5,093,725 | 113,258,153 | 102,024,548 | 120,694,944 | 107,118,273 |
| Machinery and equipment | 3,217,823 | 2,947,562 | 4,742,722 | 5,598,535 | 7,960,545 | 8,546,097 |
| Vehicles | 2,989,651 | 3,588,559 | 661,642 | 596,396 | 3,651,293 | 4,184,955 |
| Intangible assets | 938,872 | 1,173,590 | - | - | 938,872 | 1,173,590 |
| Infrastructure | 586,803,325 | 582,350,361 | - | - | 586,803,325 | 582,350,361 |
| Total capital assets, net | \$ 805,902,343 | \$ 782,764,328 | \$ 304,404,520 | \$ 287,507,235 | \$ 1,110,306,863 | \$ 1,070,271,563 |

Long-term debt. At the end of the current fiscal year, the City had total bonded and related debt outstanding of \$239,934,641. Of that amount, \$118,565,000 comprises bonded 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 and revolving loans).

The City's total bonded and related debt decreased by \$2,317,723 or 0.96% during the fiscal year. Further information regarding the City's outstanding debt can be found in note 12 of the notes to the financial statements.

| | General Obligation and Revenue Bonds | | | | | |
|--------------------------|--------------------------------------|-----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| General obligation bonds | \$ 118,345,000 | \$ 122,215,000 | \$ 19,190,000 | \$ 21,315,000 | \$ 137,535,000 | \$ 143,530,000 |
| Special assessment bonds | 220,000 | 310,000 | - | - | 220,000 | 310,000 |
| Revenue bonds | - | - | 82,005,000 | 88,140,000 | 82,005,000 | 88,140,000 |
| Revolving loans | - | - | 20,174,641 | 10,272,364 | 20,174,641 | 10,272,364 |
| Total bonded debt | \$ 118,565,000 | \$ 122,525,000 | \$ 121,369,641 | \$ 119,727,364 | \$ 239,934,641 | \$ 242,252,364 |

State statutes limit the amount of the general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City is \$526,820,590, which is significantly in excess of the City's outstanding general obligation debt.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for fiscal year 2013:

- Property tax revenues are budgeted to increase 0.70%.
- Average salary costs were budgeted to remain flat.
- Healthcare costs were projected to increase 5.38%.
- Pension costs are projected to increase 8.85%.

Contacting the City's Financial Management

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF ANN ARBOR, MICHIGAN

Statement of Net Assets

June 30, 2012

| | Primary Government | | | Component Units |
|--------------------------------------------------------------------------|-------------------------|--------------------------|-------------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total | |
| Assets | | | | |
| Cash | \$ 1,029,949 | \$ 10,055,892 | \$ 11,085,841 | \$ 4,108,798 |
| Equity in pooled cash and investments | 122,904,496 | 57,995,594 | 180,900,090 | 891,877 |
| Investments, at fair value | 1,912,944 | 179,803 | 2,092,747 | 8,514,442 |
| Receivables | 6,205,932 | 12,139,253 | 18,345,185 | 4,406,562 |
| Internal balances | 1,019,279 | (1,019,279) | - | - |
| Other assets | 2,388,089 | 3,796,602 | 6,184,691 | 68,132 |
| Capital assets not being depreciated | 161,724,054 | 102,965,910 | 264,689,964 | 844,637 |
| Capital assets being depreciated, net | 644,178,289 | 201,438,610 | 845,616,899 | 5,449,206 |
| Net pension asset | 1,020,790 | - | 1,020,790 | - |
| Total assets | 942,383,822 | 387,552,385 | 1,329,936,207 | 24,283,654 |
| Liabilities | | | | |
| Accounts payable and accrued liabilities | 19,567,579 | 5,951,763 | 25,519,342 | 4,264,276 |
| Accrued interest payable | 1,227,141 | 1,731,053 | 2,958,194 | - |
| Unearned revenue | - | - | - | 961,007 |
| Long-term liabilities: | | | | |
| Due within one year | 5,168,105 | 9,917,244 | 15,085,349 | 32,941 |
| Due in more than one year | 128,861,925 | 114,753,182 | 243,615,107 | 11,438 |
| Other noncurrent liability - net other postemployment benefit obligation | 12,856,302 | 97,697 | 12,953,999 | - |
| Total liabilities | 167,681,052 | 132,450,939 | 300,131,991 | 5,269,662 |
| Net assets | | | | |
| Invested in capital assets, net of related debt | 684,183,914 | 183,625,625 | 867,809,539 | 6,293,843 |
| Restricted for: | | | | |
| Debt service | 91,019 | 10,295,877 | 10,386,896 | - |
| Equipment replacement | - | 11,450,595 | 11,450,595 | - |
| Endowment (non-expendable) | 1,984,000 | - | 1,984,000 | - |
| Highway and streets | 41,193,079 | - | 41,193,079 | - |
| Culture and recreation | 17,663,681 | - | 17,663,681 | - |
| Other purposes | 5,673,394 | - | 5,673,394 | 1,430,356 |
| Landfill | - | 179,802 | 179,802 | - |
| Unrestricted | 23,913,683 | 49,549,547 | 73,463,230 | 11,289,793 |
| Total net assets | \$ 774,702,770 | \$ 255,101,446 | \$ 1,029,804,216 | \$ 19,013,992 |

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

CITY OF ANN ARBOR, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2012

| Functions / Programs | Expenses | Program Revenues | | | Net (Expense) Revenue |
|---------------------------------------|-----------------------|----------------------|------------------------------------|----------------------------------|------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Primary government | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 15,236,105 | \$ 7,371,102 | \$ 1,535,532 | \$ - | \$ (6,329,471) |
| Public safety | 40,649,428 | 9,559,178 | 1,544,459 | - | (29,545,791) |
| Public works | 19,889,391 | 3,303,537 | 9,446,092 | - | (7,139,762) |
| Community/economic development | 2,931,838 | 35,269 | 434,880 | 33,426 | (2,428,263) |
| Culture and recreation | 10,071,912 | 2,383,032 | 249,423 | 312,620 | (7,126,837) |
| Public transportation | 8,913,232 | 92,518 | - | - | (8,820,714) |
| Interest on long-term debt | 5,134,805 | 3,038,523 | - | - | (2,096,282) |
| Total governmental activities | 102,826,711 | 25,783,159 | 13,210,386 | 346,046 | (63,487,120) |
| Business-type activities: | | | | | |
| Water | 16,976,630 | 22,017,955 | - | 1,256,394 | 6,297,719 |
| Sewer | 14,569,815 | 21,103,955 | - | - | 6,534,140 |
| Parking | 2,708,673 | 2,877,149 | - | - | 168,476 |
| Market | 168,977 | 253,850 | - | - | 84,873 |
| Golf courses | 1,554,083 | 1,304,135 | - | - | (249,948) |
| Airport | 568,629 | 834,238 | - | - | 265,609 |
| Stormwater | 4,336,523 | 5,712,581 | - | - | 1,376,058 |
| Solid waste | 11,563,289 | 3,450,410 | - | - | (8,112,879) |
| Total business-type activities | 52,446,619 | 57,554,273 | - | 1,256,394 | 6,364,048 |
| Total primary government | \$ 155,273,330 | \$ 83,337,432 | \$ 13,210,386 | \$ 1,602,440 | \$ (57,123,072) |
| Component units | | | | | |
| Housing Commission | \$ 15,111,011 | \$ 845,263 | \$ 13,189,335 | \$ 146,573 | \$ (929,840) |
| Smart Zone LDFA | 1,456,619 | - | - | - | (1,456,619) |
| Downtown Development Authority | 19,988,623 | 17,026,279 | - | - | (2,962,344) |
| Total component units | \$ 36,556,253 | \$ 17,871,542 | \$ 13,189,335 | \$ 146,573 | \$ (5,348,803) |

Continued...

CITY OF ANN ARBOR, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2012

| | Primary Government | | | Component Units |
|-------------------------------------------------|----------------------------|-----------------------------|------------------|--------------------|
| | Governmental Activities | Business-type Activities | Total | |
| Changes in net assets | | | | |
| Net (expense) revenue | \$ (63,487,120) | \$ 6,364,048 | \$ (57,123,072) | \$ (5,348,803) |
| General revenues: | | | | |
| Property taxes | 65,483,779 | 11,030,550 | 76,514,329 | 5,163,909 |
| State shared revenues and grants (unrestricted) | 9,748,477 | - | 9,748,477 | - |
| Unrestricted investment earnings | 2,567,568 | 1,188,581 | 3,756,149 | 131,197 |
| Other | 3,410,739 | 484,311 | 3,895,050 | 104,240 |
| Transfers - internal activities | 2,428,146 | (2,428,146) | - | - |
| Total general revenues and transfers | 83,638,709 | 10,275,296 | 93,914,005 | 5,399,346 |
| Change in net assets | 20,151,589 | 16,639,344 | 36,790,933 | 50,543 |
| Net assets, beginning of year, as restated | 754,551,181 | 238,462,102 | 993,013,283 | 18,963,449 |
| Net assets, end of year | \$ 774,702,770 | \$ 255,101,446 | \$ 1,029,804,216 | \$ 19,013,992 |

Concluded

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

FUND FINANCIAL STATEMENTS

CITY OF ANN ARBOR, MICHIGAN

Balance Sheet
Governmental Funds
 June 30, 2012

| | General Fund | Street Repair Millage Fund | DDA Build America Parking Bond 2009 Fund | Other Governmental Funds | Total Governmental Funds |
|--------------------------------------------|----------------------|----------------------------|------------------------------------------|--------------------------|--------------------------|
| Assets | | | | | |
| Cash | \$ 458,120 | \$ - | \$ - | \$ 566,342 | \$ 1,024,462 |
| Equity in pooled cash and investments | 13,821,310 | 30,840,830 | 4,470,632 | 42,912,444 | 92,045,216 |
| Investments, at fair value | - | - | - | 1,912,944 | 1,912,944 |
| Receivables: | | | | | |
| Taxes | 80,372 | 1,921 | - | 96,168 | 178,461 |
| Accounts | 852,340 | 146,404 | - | 555,157 | 1,553,901 |
| Special assessments | 8,847 | 11,651 | - | 144,679 | 165,177 |
| Accrued interest and dividends | - | - | - | 11,806 | 11,806 |
| Improvement charges | - | 4,678 | - | 745 | 5,423 |
| Loans | - | - | - | 43,193 | 43,193 |
| Due from other funds | 583,303 | - | - | - | 583,303 |
| Due from other governments | 2,022,920 | - | - | 2,078,989 | 4,101,909 |
| Prepaid items | 1,786 | - | - | 1,800 | 3,586 |
| Advances to other funds | 943,659 | - | - | - | 943,659 |
| Inventories, at cost | 14,891 | - | - | - | 14,891 |
| Total assets | \$ 18,787,548 | \$ 31,005,484 | \$ 4,470,632 | \$ 48,324,267 | \$ 102,587,931 |
| Liabilities | | | | | |
| Accounts payable | \$ 781,796 | \$ 5,899,812 | \$ - | \$ 1,229,825 | \$ 7,911,433 |
| Accrued liabilities | 1,845,496 | 82,462 | - | 307,617 | 2,235,575 |
| Due to other funds | - | - | - | 507,683 | 507,683 |
| Due to other governments | 343,635 | - | 3,036,907 | 31,935 | 3,412,477 |
| Deposits | 415,682 | - | - | - | 415,682 |
| Deferred revenue | 103,645 | 7,897 | - | 374,781 | 486,323 |
| Total liabilities | 3,490,254 | 5,990,171 | 3,036,907 | 2,451,841 | 14,969,173 |
| Fund balances | | | | | |
| Nonspendable | 960,336 | - | - | 1,985,800 | 2,946,136 |
| Restricted | - | 25,015,313 | 1,433,725 | 36,983,673 | 63,432,711 |
| Committed | - | - | - | 4,617,556 | 4,617,556 |
| Assigned | 243,308 | - | - | 2,285,397 | 2,528,705 |
| Unassigned | 14,093,650 | - | - | - | 14,093,650 |
| Total fund balances | 15,297,294 | 25,015,313 | 1,433,725 | 45,872,426 | 87,618,758 |
| Total liabilities and fund balances | \$ 18,787,548 | \$ 31,005,484 | \$ 4,470,632 | \$ 48,324,267 | \$ 102,587,931 |

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

CITY OF ANN ARBOR, MICHIGAN

Reconciliation

Fund Balances for Governmental Funds
to Net Assets of Governmental Activities
June 30, 2012

| | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| Fund balances of governmental funds | \$ 87,618,758 |
| Amounts reported for <i>governmental activities</i> in the statement of net assets are different because: | |
| Capital assets have not been included as financial resources in governmental fund activity. | 975,787,672 |
| Accumulated depreciation of capital assets. | (176,227,109) |
| Long-term debt and compensated absences are not due and payable in the current period and therefore have not been included in the governmental funds including: | |
| Bonds payable | (118,565,000) |
| Contracts payable | (3,500,000) |
| Compensated absences | (11,404,280) |
| Unfunded other postemployment benefit liability | (12,856,302) |
| Unamortized bond discounts | 292,143 |
| Unamortized deferred loss on refunding | 54,429 |
| Accrued interest payable for the current portion of interest due on bonds has not been reported in the governmental funds. | (1,227,141) |
| Deferred revenue in governmental funds is susceptible to full accrual on the entity-wide statements. | 486,323 |
| Net pension asset has not been included as a financial resource in governmental funds | 1,020,790 |
| Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net assets. | 33,222,487 |
| Net assets of governmental activities | <u>\$ 774,702,770</u> |

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

CITY OF ANN ARBOR, MICHIGAN

Statement of Revenue, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2012

| | General | Street Repair Millage | DDA Build America Parking Bond 2009 | Nonmajor Governmental Funds | Total Governmental Funds |
|------------------------------------------------------|----------------------|-----------------------|-------------------------------------|-----------------------------|--------------------------|
| Revenues | | | | | |
| Taxes | \$ 48,856,539 | \$ 8,917,409 | \$ - | \$ 7,709,831 | \$ 65,483,779 |
| Special assessments/improvement charges | 5,234 | - | - | 43,609 | 48,843 |
| Licenses, permits and registrations | 1,270,419 | - | - | 5,009,515 | 6,279,934 |
| Federal grants | - | - | - | 1,567,185 | 1,567,185 |
| State shared revenues and grants | 11,592,034 | 1,648,828 | - | 8,126,942 | 21,367,804 |
| Charges for services | 8,915,832 | 99,847 | - | 4,705,338 | 13,721,017 |
| Fines and forfeits | 4,224,044 | - | - | 382,536 | 4,606,580 |
| Interest and penalties | - | 239 | - | 589 | 828 |
| Investment income | 467,775 | 589,045 | 185,720 | 815,000 | 2,057,540 |
| Rentals | 463,191 | - | - | - | 463,191 |
| Contributions and donations | 1,545 | 82,716 | - | 285,659 | 369,920 |
| Intra-governmental sales | - | - | - | 208,243 | 208,243 |
| Other revenues | 443,166 | 107,876 | - | 168,670 | 719,712 |
| Total revenues | 76,239,779 | 11,445,960 | 185,720 | 29,023,117 | 116,894,576 |
| Expenditures | | | | | |
| Current: | | | | | |
| General government | 12,581,787 | - | 390 | 2,451,908 | 15,034,085 |
| Public safety | 40,735,952 | - | - | 2,403,634 | 43,139,586 |
| Public works | 4,026,142 | 7,292,200 | - | 7,651,295 | 18,969,637 |
| Community and economic development | 2,021,051 | - | 743,895 | 912,770 | 3,677,716 |
| Culture and recreation | 5,123,587 | - | - | 4,873,063 | 9,996,650 |
| Public transportation | 8,913,232 | - | - | - | 8,913,232 |
| Capital outlay | 77,561 | 10,157,700 | 12,648,970 | 6,291,921 | 29,176,152 |
| Debt service: | | | | | |
| Principal retirement | - | - | - | 3,320,000 | 3,320,000 |
| Interest and fiscal charges | - | - | - | 5,117,493 | 5,117,493 |
| Total expenditures | 73,479,312 | 17,449,900 | 13,393,255 | 33,022,084 | 137,344,551 |
| Revenues over (under) expenditures | 2,760,467 | (6,003,940) | (13,207,535) | (3,998,967) | (20,449,975) |
| Other financing sources (uses) | | | | | |
| Transfers in | 1,060,890 | 2,557,748 | - | 6,001,834 | 9,620,472 |
| Transfers out | (2,450,196) | (746,126) | - | (3,323,110) | (6,519,432) |
| Sale of property and equipment | 206,085 | - | - | 2,603,000 | 2,809,085 |
| Issuance of bonds | - | - | - | 2,670,000 | 2,670,000 |
| Bond premium | - | - | - | 33,375 | 33,375 |
| Refunding bond escrow agent payment | - | - | - | (2,714,429) | (2,714,429) |
| Total other financing sources (uses) | (1,183,221) | 1,811,622 | - | 5,270,670 | 5,899,071 |
| Net change in fund balances | 1,577,246 | (4,192,318) | (13,207,535) | 1,271,703 | (14,550,904) |
| Fund balances, beginning of year, as restated | 13,720,048 | 29,207,631 | 14,641,260 | 44,600,723 | 102,169,662 |
| Fund balances, end of year | \$ 15,297,294 | \$ 25,015,313 | \$ 1,433,725 | \$ 45,872,426 | \$ 87,618,758 |

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

CITY OF ANN ARBOR, MICHIGAN

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Assets of Governmental Activities
For the Year Ended June 30, 2012

Net change in fund balances - total governmental funds \$ (14,550,904)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense.

| | |
|------------------------------------|--------------|
| Capital outlay | 40,083,294 |
| Depreciation expense | (16,261,210) |
| Loss on disposal of capital assets | (252,457) |

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

| | |
|---------------------------------------------|-------------|
| Principal payments on long-term liabilities | 3,320,000 |
| Proceeds from issuance of debt | (2,670,000) |
| Payments to refunding bond escrow agent | 2,714,429 |
| Discount on refunding bonds | (33,375) |

Accrued interest is recognized on the government-wide financial statements 30,898

Amortization of bond discount is an expense on statement of activities (48,210)

Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as fund expenditures including the changes in accruals for:

| | |
|-----------------------------------------|-------------|
| Compensated absences | 911,110 |
| Judgments payable | 2,873,188 |
| Other postemployment benefits liability | (4,013,808) |

Deferred revenue in governmental funds is susceptible to full accrual on the government-wide statements. (265,189)

The changes in accrual for the net pension asset reported in the statement of activities do not reflect current financial resources and are not reported as revenue in the governmental funds 1,020,790

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

| | |
|--------------------------------------------------------------------------------------------|-----------|
| Change in net assets of the internal service funds is allocated to governmental activities | 7,293,033 |
|--------------------------------------------------------------------------------------------|-----------|

Change in net assets of governmental activities \$ 20,151,589

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

CITY OF ANN ARBOR, MICHIGAN

Statement of Revenue, Expenditures and Changes in Fund Balances

Budget and Actual - General Fund

For the Year Ended June 30, 2012

| | Original Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
|-------------------------------------------|--------------------|--------------------|-------------------|----------------------------------------|
| Revenues | | | | |
| Taxes | \$ 49,020,805 | \$ 49,020,805 | \$ 48,856,539 | \$ (164,266) |
| Special assessments / improvement charges | - | - | 5,234 | 5,234 |
| Licenses, permits and registrations | 1,309,350 | 1,309,350 | 1,270,419 | (38,931) |
| State shared revenues and grants | 10,298,423 | 10,298,423 | 11,592,034 | 1,293,611 |
| Charges for services | 7,828,254 | 7,918,254 | 8,915,832 | 997,578 |
| Fines and forfeits | 4,462,745 | 4,462,745 | 4,224,044 | (238,701) |
| Investment income | 335,343 | 335,343 | 467,775 | 132,432 |
| Rentals | 491,442 | 491,442 | 463,191 | (28,251) |
| Contributions and donations | 1,000 | 1,000 | 1,545 | 545 |
| Sale of property and equipment | 500 | 500 | 206,085 | 205,585 |
| Other revenues | 283,620 | 448,620 | 443,166 | (5,454) |
| Total revenues | 74,031,482 | 74,286,482 | 76,445,864 | 2,159,382 |
| Expenditures | | | | |
| Current: | | | | |
| General government: | | | | |
| Mayor and Council | 362,496 | 362,496 | 357,940 | 4,556 |
| Administration | 536,037 | 597,659 | 532,713 | 64,946 |
| Human resources | 1,295,999 | 1,381,567 | 1,296,213 | 85,354 |
| Attorney | 1,858,803 | 1,858,803 | 1,863,446 | (4,643) |
| Clerk / Elections | 896,335 | 1,061,335 | 1,021,031 | 40,304 |
| Finance | 3,422,768 | 3,422,768 | 3,301,617 | 121,151 |
| Environmental coordination services | 110,349 | 110,349 | 96,006 | 14,343 |
| District court | 3,799,926 | 3,799,926 | 3,700,828 | 99,098 |
| Planning | 919,413 | 921,913 | 921,663 | 250 |
| Other unallocated | 2,454,945 | 2,454,478 | 2,414,151 | 40,327 |
| Municipal service charge | (2,923,821) | (2,923,821) | (2,923,821) | - |
| Public safety: | | | | |
| Police department | 25,592,784 | 25,999,568 | 25,873,149 | 126,419 |
| Fire department | 13,290,517 | 13,650,152 | 13,581,308 | 68,844 |
| Building department | 1,436,513 | 1,467,837 | 1,281,495 | 186,342 |
| Public works - public services | 4,019,944 | 4,144,160 | 4,026,142 | 118,018 |
| Community development | 1,992,653 | 2,087,654 | 2,021,051 | 66,603 |
| Culture and recreation - | | | | |
| Parks and recreation | 5,598,730 | 5,623,871 | 5,123,587 | 500,284 |
| Public transportation | 9,239,409 | 9,239,409 | 8,913,232 | 326,177 |
| Capital outlay | 275,515 | 263,880 | 77,561 | 186,319 |
| Total expenditures | 74,179,315 | 75,524,004 | 73,479,312 | 2,044,692 |
| Revenues over (under) expenditures | (147,833) | (1,237,522) | 2,966,552 | 4,204,074 |

Continued...

CITY OF ANN ARBOR, MICHIGAN

Statement of Revenue, Expenditures and Changes in Fund Balances Budget and Actual - General Fund For the Year Ended June 30, 2012

| | Original Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
|----------------------------------------------|----------------------|----------------------|----------------------|----------------------------------|
| Other financing sources (uses) | | | | |
| Transfers in | \$ 1,032,554 | \$ 1,047,554 | \$ 1,060,890 | \$ 13,336 |
| Transfers out | (2,002,809) | (2,546,121) | (2,450,196) | 95,925 |
| Total other financing sources (uses) | (970,255) | (1,498,567) | (1,389,306) | 109,261 |
| Net change in fund balance | (1,118,088) | (2,736,089) | 1,577,246 | 4,313,335 |
| Fund balance, beginning of year, as restated | 13,720,048 | 13,720,048 | 13,720,048 | - |
| Fund balance, end of year | <u>\$ 12,601,960</u> | <u>\$ 10,983,959</u> | <u>\$ 15,297,294</u> | <u>\$ 4,313,335</u> |

Concluded

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

CITY OF ANN ARBOR, MICHIGAN

Statement of Revenue, Expenditures and Changes in Fund Balances

Budget and Actual - Street Repair Millage Special Revenue Fund
For the Year Ended June 30, 2012

| | Original Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
|---------------------------------------------|----------------------|----------------------|----------------------|----------------------------------------|
| Revenues | | | | |
| Taxes | \$ 8,897,991 | \$ 8,897,991 | \$ 8,917,409 | \$ 19,418 |
| State shared revenues and grants | - | 57,800 | 1,648,828 | 1,591,028 |
| Charges for services | - | 9,687 | 99,847 | 90,160 |
| Interest and penalties | - | - | 239 | 239 |
| Investment income | 440,203 | 440,203 | 589,045 | 148,842 |
| Contributions and donations | - | 45,300 | 82,716 | 37,416 |
| Other revenue | - | - | 107,876 | 107,876 |
| Total revenues | 9,338,194 | 9,450,981 | 11,445,960 | 1,994,979 |
| Expenditures | | | | |
| Current - public works | 14,693,934 | 9,019,543 | 7,292,200 | 1,727,343 |
| Capital outlay | - | 10,354,965 | 10,157,700 | 197,265 |
| Total expenditures | 14,693,934 | 19,374,508 | 17,449,900 | 1,924,608 |
| Revenues over (under) expenditures | (5,355,740) | (9,923,527) | (6,003,940) | 3,919,587 |
| Other financing sources (uses) | | | | |
| Transfers in | - | 2,443,718 | 2,557,748 | 114,030 |
| Transfers out | (220,126) | (746,126) | (746,126) | - |
| Total other financing sources (uses) | (220,126) | 1,697,592 | 1,811,622 | 114,030 |
| Net change in fund balance | (5,575,866) | (8,225,935) | (4,192,318) | 4,033,617 |
| Fund balances, beginning of year | 29,207,631 | 29,207,631 | 29,207,631 | - |
| Fund balances - end of year | \$ 23,631,765 | \$ 20,981,696 | \$ 25,015,313 | \$ 4,033,617 |

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

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CITY OF ANN ARBOR, MICHIGAN

Statement of Net Assets
Proprietary Funds
June 30, 2012

| | Business-type Activities - Enterprise Funds | | | |
|-------------------------------------------------|---------------------------------------------|------------------------|----------------------|-------------------|
| | Water Supply System | Sewage Disposal System | Parking System | Market |
| Assets | | | | |
| Current assets: | | | | |
| Cash | \$ 4,068,228 | \$ 5,981,257 | \$ - | \$ - |
| Equity in pooled cash and investments | 15,780,913 | 19,353,058 | 1,831,195 | 587,283 |
| Investments | - | - | - | - |
| Receivables: | | | | |
| Accounts, net | 4,618,596 | 3,804,072 | - | 700 |
| Special assessments | 22,640 | 38,820 | - | - |
| Improvement charges | 16,590 | 33,432 | - | - |
| Taxes receivables | 31,718 | - | - | - |
| Interest receivable | - | - | - | - |
| Due from other governments | 1,440,966 | - | - | - |
| Prepaid items | - | 3,168,784 | - | - |
| Inventory, at cost | 476,850 | 85,629 | - | - |
| Total current assets | <u>26,456,501</u> | <u>32,465,052</u> | <u>1,831,195</u> | <u>587,983</u> |
| Noncurrent assets: | | | | |
| Receivables: | | | | |
| Special assessments | 126,568 | 213,928 | - | - |
| Improvement charges | 150,263 | 219,618 | - | - |
| Capital assets not depreciated | 10,432,592 | 77,618,777 | 4,458,367 | 84,120 |
| Capital assets being depreciated, net | 84,949,417 | 51,002,341 | 39,898,421 | 153,604 |
| Total noncurrent assets | <u>95,658,840</u> | <u>129,054,664</u> | <u>44,356,788</u> | <u>237,724</u> |
| Total assets | <u>122,115,341</u> | <u>161,519,716</u> | <u>46,187,983</u> | <u>825,707</u> |
| Liabilities | | | | |
| Current liabilities: | | | | |
| Accounts payable | 1,799,337 | 2,251,710 | - | 19,842 |
| Accrued liabilities | 244,907 | 155,792 | - | 3,581 |
| Accrued interest payable | 497,654 | 983,419 | 245,776 | - |
| Advance from other funds | - | - | - | - |
| Due to other funds | - | - | - | - |
| Deposits | 134,256 | - | - | - |
| Estimated claims payable, current | - | - | - | - |
| Bonds payable, current | 4,584,250 | 2,590,000 | 2,110,000 | - |
| Compensated absences, current | 199,722 | 29,166 | - | - |
| Total current liabilities | <u>7,460,126</u> | <u>6,010,087</u> | <u>2,355,776</u> | <u>23,423</u> |
| Noncurrent liabilities: | | | | |
| Advance from other funds | - | - | - | - |
| Bonds payable, net | 39,971,075 | 49,800,425 | 16,658,203 | - |
| Estimated claims payable, net | - | - | - | - |
| Compensated absences, net | 1,053,414 | 572,096 | - | 844 |
| Net other postemployment benefit obligation | - | - | - | - |
| Total noncurrent liabilities | <u>41,024,489</u> | <u>50,372,521</u> | <u>16,658,203</u> | <u>844</u> |
| Total liabilities | <u>48,484,615</u> | <u>56,382,608</u> | <u>19,013,979</u> | <u>24,267</u> |
| Net assets | | | | |
| Invested in capital assets, net of related debt | 50,826,684 | 76,230,693 | 25,588,585 | 237,724 |
| Restricted for debt service | 4,047,548 | 6,248,329 | - | - |
| Restricted for equipment replacement | 1,761,976 | 9,346,104 | - | - |
| Restricted for landfill | - | - | - | - |
| Unrestricted (deficit) | 16,994,518 | 13,311,982 | 1,585,419 | 563,716 |
| Total net assets | <u>\$ 73,630,726</u> | <u>\$ 105,137,108</u> | <u>\$ 27,174,004</u> | <u>\$ 801,440</u> |

Continued...

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

| Business-type Activities - Enterprise Funds | | | | | Governmental Activities |
|---------------------------------------------|---------------------|-------------------------|----------------------|-----------------------|-------------------------|
| Golf Courses | Airport | Stormwater Sewer System | Solid Waste | Total | Internal Service Funds |
| \$ 2,550 | \$ 3,857 | \$ - | \$ - | \$ 10,055,892 | \$ 5,487 |
| 35,852 | 374,397 | 6,604,474 | 13,428,422 | 57,995,594 | 30,859,280 |
| - | - | - | 179,803 | 179,803 | - |
| 1,753 | 124,216 | 1,222,386 | 56,843 | 9,828,566 | 146,062 |
| - | - | 1,395 | - | 62,855 | - |
| - | - | 2,101 | - | 52,123 | - |
| - | - | - | 3,843 | 35,561 | - |
| - | - | - | 372 | 372 | - |
| - | - | - | - | 1,440,966 | - |
| - | - | 32,670 | - | 3,201,454 | 1,479,087 |
| 32,669 | - | - | - | 595,148 | 890,525 |
| <u>72,824</u> | <u>502,470</u> | <u>7,863,026</u> | <u>13,669,283</u> | <u>83,448,334</u> | <u>33,380,441</u> |
| - | - | 1,792 | - | 342,288 | - |
| - | - | 6,641 | - | 376,522 | - |
| 693,739 | 708,927 | 3,616,262 | 5,353,126 | 102,965,910 | 577,285 |
| 1,817,910 | 1,329,616 | 12,094,783 | 10,192,518 | 201,438,610 | 5,764,495 |
| <u>2,511,649</u> | <u>2,038,543</u> | <u>15,719,478</u> | <u>15,545,644</u> | <u>305,123,330</u> | <u>6,341,780</u> |
| 2,584,473 | 2,541,013 | 23,582,504 | 29,214,927 | 388,571,664 | 39,722,221 |
| 23,117 | 56,617 | 576,178 | 508,428 | 5,235,229 | 1,616,507 |
| 40,560 | 1,197 | 59,137 | 77,104 | 582,278 | 171,863 |
| 4,204 | - | - | - | 1,731,053 | - |
| - | 65,530 | - | - | 65,530 | - |
| 75,620 | - | - | - | 75,620 | - |
| - | - | - | - | 134,256 | - |
| - | - | - | - | - | 1,868,574 |
| 115,000 | - | 237,178 | - | 9,636,428 | - |
| - | - | 45,117 | 6,811 | 280,816 | 35,083 |
| <u>258,501</u> | <u>123,344</u> | <u>917,610</u> | <u>592,343</u> | <u>17,741,210</u> | <u>3,692,027</u> |
| - | 878,129 | - | - | 878,129 | - |
| 234,675 | - | 5,947,748 | - | 112,612,126 | - |
| - | - | - | - | - | 1,935,468 |
| 79,489 | 12,819 | 155,886 | 266,508 | 2,141,056 | 872,239 |
| 14,270 | 83,427 | - | - | 97,697 | - |
| <u>328,434</u> | <u>974,375</u> | <u>6,103,634</u> | <u>266,508</u> | <u>115,729,008</u> | <u>2,807,707</u> |
| 586,935 | 1,097,719 | 7,021,244 | 858,851 | 133,470,218 | 6,499,734 |
| 2,161,974 | 2,038,543 | 10,995,778 | 15,545,644 | 183,625,625 | 6,341,780 |
| - | - | - | - | 10,295,877 | - |
| - | - | - | 342,515 | 11,450,595 | - |
| - | - | - | 179,802 | 179,802 | - |
| (164,436) | (595,249) | 5,565,482 | 12,288,115 | 49,549,547 | 26,880,707 |
| <u>\$ 1,997,538</u> | <u>\$ 1,443,294</u> | <u>\$ 16,561,260</u> | <u>\$ 28,356,076</u> | <u>\$ 255,101,446</u> | <u>\$ 33,222,487</u> |

Concluded

CITY OF ANN ARBOR, MICHIGAN

Statement of Revenue, Expenses and Changes in Fund Net Assets
 Proprietary Funds
 For the Year Ended June 30, 2012

| | Business-type Activities - Enterprise Funds | | | |
|--------------------------------------------------|---------------------------------------------|------------------------|----------------|------------|
| | Water Supply System | Sewage Disposal System | Parking System | Market |
| Operating revenues | | | | |
| Charges for services | \$ 22,017,955 | \$ 21,103,955 | \$ 2,877,149 | \$ 253,850 |
| Operating expenses | | | | |
| Personal services | 6,033,933 | 5,668,333 | - | 86,346 |
| Municipal service charge | 380,661 | 398,742 | - | 17,507 |
| Information technology charge | 889,312 | 338,795 | - | 11,663 |
| Other operating costs | 5,258,529 | 3,772,007 | 41,814 | 44,512 |
| Depreciation | 2,987,084 | 2,334,984 | 1,770,820 | 8,949 |
| Total operating expenses | 15,549,519 | 12,512,861 | 1,812,634 | 168,977 |
| Operating income (loss) | 6,468,436 | 8,591,094 | 1,064,515 | 84,873 |
| Nonoperating revenues (expenses) | | | | |
| Interest income | 283,053 | 489,143 | 33,210 | 9,706 |
| Gain (loss) on sale of capital assets | 4,076 | 23,750 | (63,926) | - |
| Interest and fiscal charges | (1,427,111) | (2,056,954) | (896,039) | - |
| Property taxes | - | - | - | - |
| Total nonoperating revenues (expenses) | (1,139,982) | (1,544,061) | (926,755) | 9,706 |
| Income (loss) before contributions and transfers | 5,328,454 | 7,047,033 | 137,760 | 94,579 |
| Capital contributions | 1,256,394 | - | - | - |
| Transfers in (Note 7) | 2,389,289 | 185,204 | - | - |
| Transfers out (Note 7) | (2,593,942) | (1,032,038) | - | - |
| Changes in net assets | 6,380,195 | 6,200,199 | 137,760 | 94,579 |
| Net assets, beginning of year | 67,250,531 | 98,936,909 | 27,036,244 | 706,861 |
| Net assets, end of year | \$ 73,630,726 | \$ 105,137,108 | \$ 27,174,004 | \$ 801,440 |

Continued...

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

| Business-type Activities - Enterprise Funds | | | | | Governmental Activities |
|---------------------------------------------|--------------|-------------------------|---------------|----------------|-------------------------|
| Golf Courses | Airport | Stormwater Sewer System | Solid Waste | Total | Internal Service Funds |
| \$ 1,304,135 | \$ 834,238 | \$ 5,712,581 | \$ 3,450,410 | \$ 57,554,273 | \$ 46,465,451 |
| 851,892 | 189,401 | 1,897,991 | 2,776,774 | 17,504,670 | 6,257,127 |
| 98,504 | 23,517 | 90,525 | 258,395 | 1,267,851 | 1,012,698 |
| 61,372 | 15,253 | 180,465 | 151,805 | 1,648,665 | 678,709 |
| 391,060 | 252,635 | 1,782,557 | 7,722,309 | 19,265,423 | 29,932,883 |
| 136,149 | 47,636 | 286,492 | 654,006 | 8,226,120 | 1,743,447 |
| 1,538,977 | 528,442 | 4,238,030 | 11,563,289 | 47,912,729 | 39,624,864 |
| (234,842) | 305,796 | 1,474,551 | (8,112,879) | 9,641,544 | 6,840,587 |
| (21,614) | 6,127 | 125,903 | 263,053 | 1,188,581 | 510,028 |
| - | - | 80,000 | 440,411 | 484,311 | 601,654 |
| (15,106) | (40,187) | (98,493) | - | (4,533,890) | - |
| - | - | - | 11,030,550 | 11,030,550 | - |
| (36,720) | (34,060) | 107,410 | 11,734,014 | 8,169,552 | 1,111,682 |
| (271,562) | 271,736 | 1,581,961 | 3,621,135 | 17,811,096 | 7,952,269 |
| - | - | - | - | 1,256,394 | 13,658 |
| 514,587 | - | 126,000 | - | 3,215,080 | 92,192 |
| - | (9,827) | (1,629,769) | (377,650) | (5,643,226) | (765,086) |
| 243,025 | 261,909 | 78,192 | 3,243,485 | 16,639,344 | 7,293,033 |
| 1,754,513 | 1,181,385 | 16,483,068 | 25,112,591 | 238,462,102 | 25,929,454 |
| \$ 1,997,538 | \$ 1,443,294 | \$ 16,561,260 | \$ 28,356,076 | \$ 255,101,446 | \$ 33,222,487 |

Concluded

CITY OF ANN ARBOR, MICHIGAN

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2012

| | Business-type Activities - Enterprise Funds | | | |
|-----------------------------------------------------------------------|---------------------------------------------|------------------------|----------------|------------|
| | Water System | Sewage Disposal System | Parking System | Market |
| Cash flow from operating activities | | | | |
| Receipts from customers | \$ 20,829,943 | \$ 20,467,328 | \$ 2,877,149 | \$ 152,132 |
| Payments to suppliers | (7,467,300) | (6,680,855) | (41,814) | (78,100) |
| Payments on behalf of employees | (6,732,594) | (5,626,788) | - | (89,153) |
| Net cash provided by (used in) operating activities | 6,630,049 | 8,159,685 | 2,835,335 | (15,121) |
| Cash flows from noncapital financing activities | | | | |
| Transfers in | 2,389,289 | 185,204 | - | - |
| Transfers out | (2,593,942) | (1,032,038) | - | - |
| Property taxes | - | - | - | - |
| Advance from investment pool | - | - | - | - |
| Net cash provided by (used in) noncapital financing activities | (204,653) | (846,834) | - | - |
| Cash flows from capital and related financing activities | | | | |
| Proceeds from sales of bonds and notes | 7,124,015 | 797,039 | - | - |
| Capital contributions | 1,256,394 | - | - | - |
| Acquisition and construction of capital assets | (9,530,902) | (13,871,563) | - | - |
| Principal paid on revenue bonds, maturities, capital leases and notes | (4,349,724) | (2,840,547) | (2,081,797) | - |
| Interest paid on bonds, notes, and capital leases | (1,431,761) | (1,677,577) | (753,538) | - |
| Proceeds from sale of equipment | 4,074 | 23,748 | - | - |
| Net cash used in capital and related financing activities | (6,927,904) | (17,568,900) | (2,835,335) | - |
| Cash flows from investing activities | | | | |
| Purchase of investment securities | - | - | - | - |
| Sale of investment securities | - | - | - | - |
| Interest and dividends on investments | 283,053 | 489,143 | 33,210 | 9,706 |
| Net cash provided by (used in) investing activities | 283,053 | 489,143 | 33,210 | 9,706 |
| Net change in cash and cash equivalents | (219,455) | (9,766,906) | 33,210 | (5,415) |
| Cash and cash equivalents, beginning of the year | 20,068,596 | 35,101,221 | 1,797,985 | 592,698 |
| Cash and cash equivalents, end of the year | \$ 19,849,141 | \$ 25,334,315 | \$ 1,831,195 | \$ 587,283 |
| Reconciliation to statement of net assets | | | | |
| Cash | \$ 4,068,228 | \$ 5,981,257 | \$ - | \$ - |
| Equity in pooled cash and investments | 15,780,913 | 19,353,058 | 1,831,195 | 587,283 |
| Cash and cash equivalent, end of year | \$ 19,849,141 | \$ 25,334,315 | \$ 1,831,195 | \$ 587,283 |

| Business-type Activities - Enterprise Funds | | | | | Governmental Activities |
|---------------------------------------------|------------|-------------------------|---------------|---------------|-------------------------|
| Golf Courses | Airport | Stormwater Sewer System | Solid Waste | Total | Internal Service Funds |
| \$ 1,305,130 | \$ 840,163 | \$ 6,178,229 | \$ 3,776,253 | \$ 56,426,327 | \$ 46,402,022 |
| (835,216) | (245,808) | (1,973,807) | (8,436,221) | (25,759,121) | (28,883,897) |
| (837,712) | (328,410) | (1,896,563) | (2,767,004) | (18,278,224) | (9,078,190) |
| (367,798) | 265,945 | 2,307,859 | (7,426,972) | 12,388,982 | 8,439,935 |
| 514,587 | - | 126,000 | - | 3,215,080 | 92,192 |
| - | (9,827) | (1,629,769) | (377,650) | (5,643,226) | (765,086) |
| - | - | - | 11,030,550 | 11,030,550 | - |
| - | (59,725) | - | - | (59,725) | - |
| 514,587 | (69,552) | (1,503,769) | 10,652,900 | 8,542,679 | (672,894) |
| - | - | - | - | 7,921,054 | - |
| - | - | - | - | 1,256,394 | - |
| - | (46,238) | (1,781,602) | - | (25,230,305) | (1,372,018) |
| (115,325) | - | 1,942,822 | - | (7,444,571) | - |
| (9,321) | (43,607) | (98,493) | - | (4,014,297) | - |
| - | - | 80,000 | 483,392 | 591,214 | 675,497 |
| (124,646) | (89,845) | 142,727 | 483,392 | (26,920,511) | (696,521) |
| - | - | - | (1,226) | (1,226) | - |
| - | - | - | 288 | 288 | - |
| (21,613) | 6,127 | 125,903 | 263,062 | 1,188,591 | 510,028 |
| (21,613) | 6,127 | 125,903 | 262,124 | 1,187,653 | 510,028 |
| 530 | 112,675 | 1,072,720 | 3,971,444 | (4,801,197) | 7,580,548 |
| 37,872 | 265,579 | 5,531,754 | 9,456,978 | 72,852,683 | 23,284,219 |
| \$ 38,402 | \$ 378,254 | \$ 6,604,474 | \$ 13,428,422 | \$ 68,051,486 | \$ 30,864,767 |
| \$ 2,550 | \$ 3,857 | \$ - | \$ - | \$ 10,055,892 | \$ 5,487 |
| 35,852 | 374,397 | 6,604,474 | 13,428,422 | 57,995,594 | 30,859,280 |
| \$ 38,402 | \$ 378,254 | \$ 6,604,474 | \$ 13,428,422 | \$ 68,051,486 | \$ 30,864,767 |

Continued...

CITY OF ANN ARBOR, MICHIGAN

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2012

| | Business-type Activities - Enterprise Funds | | | |
|----------------------------------------------------------------------------------------------------------|---------------------------------------------|------------------------|---------------------|--------------------|
| | Water System | Sewage Disposal System | Parking System | Market |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities | | | | |
| Operating income (loss) | \$ 6,468,436 | \$ 8,591,094 | \$ 1,064,515 | \$ 84,873 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Depreciation and amortization | 2,987,084 | 2,334,984 | 1,770,820 | 8,949 |
| Changes in assets and liabilities: | | | | |
| Allowance for uncollectible accounts | (8,698) | 1,497 | - | (366) |
| Accounts receivable | (187,834) | (638,124) | - | 2,874 |
| Inventory | 14,567 | (22,911) | - | - |
| Prepaid items | - | (48,601) | - | - |
| Accounts payable | (958,116) | (2,093,072) | - | (4,418) |
| Accrued compensated absences | (335,044) | 39,676 | - | (3,821) |
| Estimated claims payable | - | - | - | - |
| Accrued liabilities | (363,617) | 1,869 | - | 1,014 |
| Judgment payable | - | - | - | - |
| Other postemployment benefits | - | - | - | - |
| Due to other governments | - | - | - | - |
| Due from other governments | (992,363) | - | - | - |
| Due to other funds | - | (8,531) | - | - |
| Due from other funds | 883 | 1,804 | - | - |
| Deposits | 4,751 | - | - | - |
| Unearned revenue | - | - | - | (104,226) |
| Net cash provided by (used in) operating activities | <u>\$ 6,630,049</u> | <u>\$ 8,159,685</u> | <u>\$ 2,835,335</u> | <u>\$ (15,121)</u> |

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

| Business-type Activities - Enterprise Funds | | | | | Governmental Activities |
|---------------------------------------------|-------------------|-------------------------|-----------------------|----------------------|-------------------------|
| Golf Courses | Airport | Stormwater Sewer System | Solid Waste | Total | Internal Service Funds |
| \$ (234,842) | \$ 305,796 | \$ 1,474,551 | \$ (8,112,879) | \$ 9,641,544 | \$ 6,840,587 |
| 136,149 | 47,636 | 286,492 | 654,006 | 8,226,120 | 1,743,447 |
| 751 | - | (57) | 2,771 | (4,102) | (3,766) |
| 245 | 5,924 | 465,658 | 323,074 | (28,183) | (70,923) |
| 4,097 | - | - | - | (4,247) | (167,918) |
| - | - | 339 | - | (48,262) | 37,059 |
| (9,040) | 47,339 | 79,401 | (303,711) | (3,241,617) | 597,810 |
| 8,097 | (78,470) | 1,451 | 3,448 | (364,663) | (155,980) |
| - | - | - | - | - | (374,440) |
| 6,080 | (16,746) | (23) | 6,319 | (365,104) | 3,706 |
| (14,270) | (60,918) | - | - | (75,188) | - |
| 14,270 | 17,121 | - | - | 31,391 | - |
| - | - | - | - | - | (20,909) |
| - | - | - | - | (992,363) | - |
| (279,335) | (1,137) | - | - | (289,003) | 10,435 |
| - | - | 47 | - | 2,734 | 827 |
| - | (600) | - | - | 4,151 | - |
| - | - | - | - | (104,226) | - |
| <u>\$ (367,798)</u> | <u>\$ 265,945</u> | <u>\$ 2,307,859</u> | <u>\$ (7,426,972)</u> | <u>\$ 12,388,982</u> | <u>\$ 8,439,935</u> |

Concluded

CITY OF ANN ARBOR, MICHIGAN

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2012

| | Pension and Employee Benefit Trust Funds | Agency Funds |
|-------------------------------------------------------|------------------------------------------------|---------------------|
| Assets | | |
| Cash | \$ 21,139 | \$ 1,577,276 |
| Equity in pooled cash and investments | 595,104 | 79,807 |
| Investments, at fair value: | | |
| Common stock | 29,984,296 | - |
| Common stock funds | 168,244,291 | - |
| Government bonds | 14,953,673 | - |
| Government agencies | 1,261,930 | - |
| Government agency funds | 25,970,750 | - |
| Municipal bonds | 705,586 | - |
| Corporate bonds | 43,573,854 | - |
| Corporate bond funds | 48,309,079 | - |
| Bank loan participation | 1,722,260 | - |
| Government mortgage backed | 20,114,761 | - |
| Commercial mortgage backed | 2,970,095 | - |
| Asset backed | 2,317,175 | - |
| Non-government backed CMOs | 2,140,526 | - |
| Index linked government bonds | 1,303,980 | - |
| Real estate | 9,135,626 | - |
| Partnerships | 83,089,404 | - |
| Hedge funds | 25,369,444 | - |
| Short-term bills and notes | 417,019 | - |
| Short-term investment funds | 8,339,127 | - |
| Portfolio cash | 623,586 | - |
| Accrued interest and dividends | 961,602 | - |
| Due from other governments | 13,389 | - |
| Due from broker for securities sold | 7,941,714 | - |
| Capital assets (net of depreciation of \$54,265) | 420,220 | - |
| Total assets | 500,499,630 | \$ 1,657,083 |
| Liabilities | | |
| Accounts payable | 2,740,641 | \$ 1,483,963 |
| Accrued liabilities | 51,135 | - |
| Due to broker for securities purchased | 7,873,386 | - |
| Mortgage payable, due in one year | 22,951 | - |
| Mortgage payable, due in more than one year | 294,710 | - |
| Due to other governments | - | 128,280 |
| Deposits | - | 44,840 |
| Total liabilities | 10,982,823 | \$ 1,657,083 |
| Net assets | | |
| Invested in capital assets, net of related debt | 125,510 | |
| Held in trust for pension and postemployment benefits | 489,391,297 | |
| Total net assets | \$ 489,516,807 | |

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

CITY OF ANN ARBOR, MICHIGAN

Statement of Changes in Fiduciary Net Assets

Pension and Other Employee Benefit Trust Funds

June 30, 2012

Additions

Investment income:

From investing activities:

| | |
|-------------------------------------------------|--------------------|
| Depreciation in fair value of investments | \$ (5,637,511) |
| Interest and dividends | 8,756,729 |
| Total investment income | <u>3,119,218</u> |
| Investment management fees | <u>(1,235,474)</u> |
| Net investment income from investing activities | <u>1,883,744</u> |

From securities lending activities:

| | |
|----------------------------------------------------------|-----------------|
| Gross earnings | 168,080 |
| Borrower rebates received (paid) | 17,562 |
| Securities lending fees | <u>(55,426)</u> |
| Net investment income from securities lending activities | <u>130,216</u> |

| | |
|-----------------------------|------------------|
| Total net investment income | <u>2,013,960</u> |
|-----------------------------|------------------|

Contributions:

| | |
|---------------------|-------------------|
| Employer | 23,794,046 |
| Plan member | <u>2,794,239</u> |
| Total contributions | <u>26,588,285</u> |

| | |
|-----------------|-------------------|
| Total additions | <u>28,602,245</u> |
|-----------------|-------------------|

Deductions

| | |
|-------------------------|----------------|
| Benefits | 38,693,898 |
| Refund of contributions | 1,255,689 |
| Administrative expense | <u>823,993</u> |

| | |
|------------------|-------------------|
| Total deductions | <u>40,773,580</u> |
|------------------|-------------------|

| | |
|----------------------|--------------|
| Change in net assets | (12,171,335) |
|----------------------|--------------|

| | |
|-------------------------------|--------------------|
| Net assets, beginning of year | <u>501,688,142</u> |
|-------------------------------|--------------------|

| | |
|-------------------------|------------------------------|
| Net assets, end of year | <u><u>\$ 489,516,807</u></u> |
|-------------------------|------------------------------|

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

COMPONENT UNIT FINANCIAL STATEMENTS

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Net Assets Discretely Presented Component Units June 30, 2012

| | Housing Commission | SmartZone Local Development Finance Authority | Downtown Development Authority | Total |
|----------------------------------------------------|-----------------------|-----------------------------------------------------------|--------------------------------------|----------------------|
| Assets | | | | |
| Cash | \$ 3,763,981 | \$ - | \$ 344,817 | \$ 4,108,798 |
| Equity in pooled cash and investments | - | 772,800 | 119,077 | 891,877 |
| Investments, at fair value | - | - | 8,514,442 | 8,514,442 |
| Receivables | 36,695 | 953,926 | 3,415,941 | 4,406,562 |
| Other assets | 68,132 | - | - | 68,132 |
| Capital assets not being depreciated | 844,637 | - | - | 844,637 |
| Capital assets being depreciated, net | 5,449,206 | - | - | 5,449,206 |
| Total assets | 10,162,651 | 1,726,726 | 12,394,277 | 24,283,654 |
| Liabilities | | | | |
| Accounts payable and accrued liabilities | 453,887 | 184,038 | 3,626,351 | 4,264,276 |
| Unearned revenue | 7,081 | 953,926 | - | 961,007 |
| Long-term liabilities: | | | | |
| Due within one year | 32,941 | - | - | 32,941 |
| Due in more than one year: | 11,438 | - | - | 11,438 |
| Total liabilities | 505,347 | 1,137,964 | 3,626,351 | 5,269,662 |
| Net assets | | | | |
| Invested in capital assets, net of related debt | 6,293,843 | - | - | 6,293,843 |
| Restricted for capital projects | 1,311,279 | - | 119,077 | 1,430,356 |
| Unrestricted | 2,052,182 | 588,762 | 8,648,849 | 11,289,793 |
| Total net assets | \$ 9,657,304 | \$ 588,762 | \$ 8,767,926 | \$ 19,013,992 |

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

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Activities

Discretely Presented Component Units

June 30, 2012

| | Housing Commission | SmartZone Local Development Finance Authority | Downtown Development Authority | Total |
|--------------------------------------|-----------------------|-----------------------------------------------------------|--------------------------------------|----------------------|
| Expenses | | | | |
| Housing and economic development | \$ 15,111,011 | \$ 1,456,619 | \$ 19,988,623 | \$ 36,556,253 |
| Program revenues | | | | |
| Charges for services | 845,263 | - | 17,026,279 | 17,871,542 |
| Operating grants and contributions | 13,189,335 | - | - | 13,189,335 |
| Capital grants and contributions | 146,573 | - | - | 146,573 |
| Total program revenues | 14,181,171 | - | 17,026,279 | 31,207,450 |
| Net program (expense) revenue | (929,840) | (1,456,619) | (2,962,344) | (5,348,803) |
| General revenues | | | | |
| Property taxes | - | 1,437,146 | 3,726,763 | 5,163,909 |
| Unrestricted investment earnings | 18,188 | 16,971 | 96,038 | 131,197 |
| Other general revenues | - | - | 104,240 | 104,240 |
| Total general revenues | 18,188 | 1,454,117 | 3,927,041 | 5,399,346 |
| Change in net assets | (911,652) | (2,502) | 964,697 | 50,543 |
| Net assets, beginning of year | 10,568,956 | 591,264 | 7,803,229 | 18,963,449 |
| Net assets, end of year | \$ 9,657,304 | \$ 588,762 | \$ 8,767,926 | \$ 19,013,992 |

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

NOTES TO FINANCIAL STATEMENTS

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Blended Component Unit

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

Discretely Presented Component Units

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

Downtown Development Authority (DDA). The DDA was created to finance rehabilitation and redevelopment in the downtown area. Commissioners of the DDA are appointed by the Mayor and approved by City Council. Development plans are approved by Council and Council must approve all modifications to the plan. The DDA's primary source of funding is 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 \$2.8 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 \$9.4 million for debt service payments and other transfers for maintenance. The DDA issues separate audited financial statements.

Ann Arbor Housing Commission. The Housing Commission was created to provide low-income housing for City residents. Commissioners of the Housing Commission are appointed by the Mayor and approved by City Council. 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, MICHIGAN

Notes to Financial Statements

SmartZone Local Development Finance Authority (SmartZone LDFA). The SmartZone LDFA was established in accordance with the authority granted under Public Act 248 of 2000 by the cities of Ann Arbor and Ypsilanti in June 2002 to encourage high tech business investment within the boundaries of the SmartZone, comprising portions of City of Ann Arbor and the City of 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.

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 Transportation Authority (AATA) and the Ann Arbor Economic Development Corporation (EDC) are not included in the financial reporting entity. The members of the governing board of each are appointed by the Mayor and confirmed by the City Council, but the City's accountability for these organizations does not extend beyond making 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 \$20,602 as of June 30, 2012.

Government-wide and Fund Financial Statements

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

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

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

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The City reports the following major funds:

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

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

DDA Build America parking bond capital projects fund. This fund is used to account for the proceeds from the Build America bond for the construction of the new Fifth Avenue underground parking structure and for infrastructure improvements to the surrounding area.

The government reports the following major enterprise funds:

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

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

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

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

The *market fund* accounts for the costs of operating the City's Farmers' Market.

The *golf courses fund* accounts for the operation of the City's two 18-hole golf courses.

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

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

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

Additionally, the government reports the following fund types:

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

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

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

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

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

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

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

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

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

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

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

Restricted net assets 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 Equity

Deposits and Investments

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

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

Investments are reported at fair value.

Receivables and Payables

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

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

Inventories and Prepaid Items

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

Capital Assets

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

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

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

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

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

Compensated Absences

The City accrues vacation pay, compensatory time off, severance pay for sick leave, and any salary-related payments for these compensated absences in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. The current obligations of all funds and the long-term obligations of proprietary funds are recorded in the respective funds. City employees are granted vacation time based on length of service. Most employees have the option of receiving compensatory time off in lieu of pay for overtime worked up to 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, to terminated employees. 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.

Fund Equity

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

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

Statements of Cash Flows

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

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

Use of Estimates

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

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting (under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation) is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as assigned fund balance for the general fund and as restricted or assigned fund balance for all other funds respective to the nature of the fund. The encumbrances do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

2. BUDGETARY CONTROLS AND INFORMATION

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

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

- The City uses the "target based" budgeting technique. Under this system, the City Administrator determines funding levels for each department by matching funding needs with available revenue. 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.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

- The City Administrator's recommended budget is submitted to City Council at the second meeting in April. The City Council, with at least seven affirmative votes, must adopt the budget no later than the end of its second meeting in May. According to City Charter, should the City Council not adopt an amended budget, the City Administrator's recommended budget will automatically take effect as submitted.
- After the budget has been adopted, City Council may amend the budget by a concurring vote of not fewer than eight members.

Formal budgetary integration is employed as a management control device during the year. The City presents a comparison of annual budgets to actual results for all major governmental funds. Budgeted revenue amounts represent the original budget modified by Council-authorized adjustments during the year which were contingent upon new or additional revenue sources. Budgeted expenditures 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 reported as an assignment of fund balance in the general fund at year-end. In all other governmental funds, encumbrances are included in restricted, committed or assigned fund balance. All appropriations lapse at the end of the fiscal year, except for certain capital projects which are approved without regard to fiscal year. For any of these projects which are under construction at year-end, the appropriations are allowed to carry forward with the amount being adopted for the current budget year.

3. EXPENDITURES IN EXCESS OF APPROPRIATIONS AND NET ASSETS DEFICIT

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the City were adopted on a department level basis for the general fund and the fund level for the special revenue funds. An excess of expenditures over appropriation were reported in the general fund under general government - attorney (final budget of \$1,858,803 and actual of \$1,863,446); this excess of \$4,643 was absorbed by under expenditures for other captions. No other expenditures in excess of appropriations were reported.

At year-end, the golf course and airport enterprise funds reported deficits in unrestricted net assets of \$164,436 and \$595,249, respectively.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

4. EQUITY IN POOLED CASH AND INVESTMENTS

The City maintains an investment pool for all City funds. Each fund's portion of the investment pool is displayed on the balance sheet as "Equity in Pooled Cash and Investments." The cash resources of the pension and other employee benefit trust funds and certain component units are invested separately. The following is a reconciliation of deposit and investment balances as of June 30, 2012:

| | Primary Government | Component Units | Total |
|---------------------------------------------------------------|-----------------------|----------------------|-----------------------|
| Statement of net assets | | | |
| Cash | \$ 11,085,841 | \$ 4,108,798 | \$ 15,194,639 |
| Equity in pooled cash and investments | 180,900,090 | 891,877 | 181,791,967 |
| Investments | 2,092,747 | 8,514,442 | 10,607,189 |
| Statement of fiduciary net assets | | | |
| Cash | 1,598,415 | - | 1,598,415 |
| Equity in pooled cash and investments | 674,911 | - | 674,911 |
| Investments | 490,546,462 | - | 490,546,462 |
| Total | \$ 686,898,466 | \$ 13,515,117 | \$ 700,413,583 |
| Deposits and investments | | | |
| Bank deposits (demand accounts and certificates of deposit) | | | \$ 17,084,177 |
| Investments in securities, mutual funds and similar vehicles: | | | |
| City investment pool | | | 184,235,353 |
| Employees' Retirement System | | | 400,738,827 |
| Retiree Health Care Trust Fund | | | 89,807,635 |
| Downtown Development Authority | | | 8,514,442 |
| Cash on hand | | | 33,149 |
| | | | <u>\$ 700,413,583</u> |

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 insured deposits were as follows:

| | Carrying Amount | Bank Balance | Insured | Uninsured |
|--------------------------------|----------------------|----------------------|---------------------|----------------------|
| City cash pool | \$ 12,726,205 | \$ 14,779,310 | \$ 280,444 | \$ 14,498,866 |
| 15th District Court | 249,174 | 382,497 | 250,000 | 132,497 |
| Downtown Development Authority | 344,817 | 1,806,591 | 250,000 | 1,556,591 |
| Housing Commission | 3,763,981 | 3,883,366 | 507,083 | 3,376,283 |
| Totals | \$ 17,084,177 | \$ 20,851,764 | \$ 1,287,527 | \$ 19,564,237 |

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

The uninsured bank balance of \$19,564,237 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 \$3,415,900 as of year-end.

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

Investments - City Investment Pool

Following is a summary of the City's investments as of June 30, 2012:

| | |
|-----------------------|-----------------------|
| U. S. treasuries | \$ 89,103,705 |
| U. S. agencies | 83,262,531 |
| Money market accounts | <u>11,869,117</u> |
| Total Investments | <u>\$ 184,235,353</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. 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, 2012, none of the City's investments, excluding the mutual funds which are not subject to custodial credit risk, 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, 2012, all of the City's investments in securities of the U.S. Treasury and U.S. agencies were rated AAA by Standard & Poor's (S&P) and Aaa by Moody's. All of the City's investments comply with its policy regarding the types of investments it may hold.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

Concentration of Credit Risk. At June 30, 2012, the investment portfolio was concentrated as follows:

| Investment Type | Issuer | % of Portfolio |
|-----------------|---------------------------------------|----------------|
| U.S. agencies | Federal National Mortgage Association | 17.84% |
| U.S. agencies | Federal Farm Credit Bank | 17.41% |
| U.S. agencies | Federal Home Loan Mortgage | 7.22% |

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

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

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

Interest Rate Risk. As of June 30, 2012, maturities of the City's debt securities were as follows:

| | Fair Value | Weighted Average Maturity |
|-------------------|-----------------------|---------------------------|
| U.S. treasuries | \$ 89,103,705 | 0.07-3.73 years |
| U.S. agencies | <u>83,262,531</u> | 0.13-4.01 years |
| Total investments | <u>\$ 172,366,236</u> | |

Of the above balances, \$41,720,213 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 seven years from the date of purchase, and the weighted average maturity of the portfolio shall not exceed 3.5 years.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

Investments - Employees' Retirement System

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

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

The System's investments are held by an independent trust company. Following is a summary of the System's investments as of June 30, 2012: (investments at fair value, as determined by quoted market price).

| | Domestic | Foreign | Total | On Loan |
|-------------------------------|-----------------------|----------------------|-----------------------|----------------------|
| Common stock | \$ 18,631,111 | \$ - | \$ 18,631,111 | \$ 9,960,966 |
| Common stock funds | 144,136,538 | - | 144,136,538 | - |
| Government bonds | 11,473,628 | 1,746,974 | 13,220,602 | 9,604,707 |
| Government agencies | 343,966 | 817,398 | 1,161,364 | 91,091 |
| Government agency funds | 25,970,750 | - | 25,970,750 | - |
| Municipal bonds | - | 615,298 | 615,298 | - |
| Corporate bonds | 37,273,394 | 2,963,246 | 40,236,640 | 8,011,031 |
| Corporate bond funds | 26,354,236 | - | 26,354,236 | - |
| Bank loans | 1,722,260 | - | 1,722,260 | - |
| Government mortgage backed | 17,331,293 | - | 17,331,293 | - |
| Commercial mortgage backed | 2,547,160 | - | 2,547,160 | - |
| Asset backed securities | 2,020,204 | - | 2,020,204 | - |
| Non-government backed CMOs | 1,858,865 | - | 1,858,865 | - |
| Index linked government bonds | 1,303,980 | - | 1,303,980 | - |
| Real estate | 5,178,168 | - | 5,178,168 | - |
| Partnerships | 70,380,045 | - | 70,380,045 | - |
| Hedge equity | 8,130,056 | - | 8,130,056 | - |
| Hedge funds | 5,583,223 | 8,099,266 | 13,682,489 | - |
| Short-term bills and notes | - | 363,430 | 363,430 | - |
| Short- term investment funds | 5,415,203 | - | 5,415,203 | - |
| Portfolio cash | 479,135 | - | 479,135 | - |
| Total | \$ 386,133,215 | \$ 14,605,612 | \$ 400,738,827 | \$ 27,667,795 |

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

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. The System's investment policy provides that its investments in fixed income securities be limited to those rated investment grade or better by a NRSRO. The System's investments in fixed income securities were rated by S&P as follows at June 30, 2012 (investments in short-term funds, corporate bond bonds and hedge funds are not rated):

| | |
|----------------------------|--------------------|
| AAA | 1,706,067 |
| AA | 4,147,828 |
| A | 17,965,469 |
| BBB | 16,621,604 |
| BB | 4,264,356 |
| B | 2,220,841 |
| Not rated | 5,346,030 |
| U.S. government guaranteed | 56,079,651 |
| | <u>108,351,846</u> |

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

| | |
|-------------------------------|-----------------------|
| Government bonds | \$ 13,220,602 |
| Government agencies | 1,161,364 |
| Government agency funds | 25,970,750 |
| Municipal bonds | 615,298 |
| Corporate bonds | 40,236,640 |
| Bank loan participation | 1,722,260 |
| Government mortgage backed | 17,331,293 |
| Commercial mortgage backed | 2,547,160 |
| Asset backed securities | 2,020,204 |
| Non-government backed CMOs | 1,858,865 |
| Index linked government bonds | 1,303,980 |
| Short-term bills and notes | 363,430 |
| | <u>\$ 108,351,846</u> |

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

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

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

As of June 30, 2012, maturities of the System's debt securities were as follows: (in years)

| | |
|-------------------------------|-------|
| Government bonds | 7.93 |
| Government agencies | 6.20 |
| Municipal bonds | 3.78 |
| Corporate bonds | 6.94 |
| Bank loans | 6.04 |
| Government mortgage backed | 28.34 |
| Commercial mortgage backed | 32.37 |
| Asset backed securities | 9.64 |
| Non-government backed CMOs | 21.65 |
| Index linked government bonds | 4.05 |
| Short-term bills and notes | 0.71 |

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, 2012, the total collateral received from borrowers had a fair value of \$28,029,738 (of which \$28,001,364 was cash).

Investments - Retiree Health Care Trust Fund

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

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

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

Investments - The Michigan Public Employees Retirement 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, 2012:

| | Domestic | Foreign | Total | On Loan |
|--------------------------------|----------------------|----------------------|----------------------|---------------------|
| Common stock | \$ 11,126,944 | \$ 226,241 | \$ 11,353,185 | \$ 7,558,007 |
| Common stock funds | 24,107,753 | - | 24,107,753 | - |
| Government bonds | 1,426,652 | 306,419 | 1,733,071 | 1,431,767 |
| Government agencies | 25,535 | 75,031 | 100,566 | 25,588 |
| Municipal bonds | - | 90,288 | 90,288 | - |
| Corporate bonds | 3,016,222 | 320,992 | 3,337,214 | 789,727 |
| Corporate bond funds | 21,954,843 | - | 21,954,843 | - |
| Government mortgage backed sec | 2,783,468 | - | 2,783,468 | - |
| Commercial mortgage backed sec | 422,935 | - | 422,935 | - |
| Asset backed securities | 296,971 | - | 296,971 | - |
| Non-government backed CMOs | 281,661 | - | 281,661 | - |
| Real estate | 3,957,458 | - | 3,957,458 | - |
| Partnerships | 2,347,890 | 10,361,469 | 12,709,359 | - |
| Hedge equity funds | 3,556,899 | - | 3,556,899 | - |
| Short-term bills and notes | - | 53,589 | 53,589 | - |
| Short-term fund | 2,923,924 | - | 2,923,924 | - |
| Portfolio cash | 144,451 | - | 144,451 | - |
| Total | \$ 78,373,606 | \$ 11,434,029 | \$ 89,807,635 | \$ 9,805,089 |

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. The Association's investment policy provides that its investments in fixed income securities be limited to those rated investment grade or better by a nationally recognized statistical rating organization.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

The Association's investments in fixed income securities were rated by S&P as follows at June 30, 2012 (investments in short-term funds and corporate bond funds are not rated):

| | |
|----------------------------|---------------------|
| AAA | \$ 180,350 |
| AA | 289,450 |
| A | 1,067,243 |
| BBB | 1,814,669 |
| BB | 559,240 |
| B | 188,967 |
| Not rated | 789,725 |
| U.S. government guaranteed | 4,210,119 |
| | <u>\$ 9,099,763</u> |

The Association's fixed income securities consisted of the following at June 30, 2012:

| | |
|----------------------------|---------------------|
| Government bonds | \$ 1,733,071 |
| Government agencies | 100,566 |
| Municipal bonds | 90,288 |
| Corporate bonds | 3,337,214 |
| Government mortgage backed | 2,783,468 |
| Commercial mortgage backed | 422,935 |
| Asset backed securities | 296,971 |
| Non-government backed CMOs | 281,661 |
| Short-term bills and notes | 53,589 |
| | <u>\$ 9,099,763</u> |

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

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

As of June 30, 2012, maturities of the Association's debt securities were as follows: (in years)

| | |
|----------------------------|-------|
| Government bonds | 9.17 |
| Government agencies | 6.04 |
| Municipal bonds | 3.78 |
| Corporate bonds | 9.54 |
| Government mortgage backed | 28.41 |
| Commercial mortgage backed | 32.40 |
| Asset backed securities | 9.48 |
| Non-government backed CMOs | 21.48 |
| Short-term bills and notes | 0.71 |

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

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

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

At June 30, 2012, the total collateral received from borrowers had a fair value of \$9,886,306 (of which \$9,868,765 was cash).

Investments - DDA Component Unit

Deposits and Investments

Custodial Credit Risk - Deposits. There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the DDA's deposits may not be returned to it. As of June 30, 2012, the carrying amounts of the DDA's deposits were \$344,617 and the bank balance was \$1,806,591. As of year end, \$1,556,591 of the DDA's bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized. For the deposits held at the City of Ann Arbor, it is impossible to determine custodial credit risk since the DDA's deposits are pooled with other City deposits.

Custodial Credit Risk - Investment. Following is a summary of the DDA's investments as of June 30, 2012:

| | |
|--------------------------|---------------------|
| U.S. government agencies | \$ 644,776 |
| Money market accounts | <u>7,869,666</u> |
| Total Investments | <u>\$ 8,514,442</u> |

Custodial Credit Risk - 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. \$7,869,666 of the investments listed above are unclassified as to custodial credit risk as the invested amount is part of an investment pool. \$644,776 of the investments 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, 2012, all of the investments in U.S. agencies were rated Aaa by Moody's.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

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, 2012, the maturities of the DDA's U.S. agencies were as follows:

| Investment Type | Fair Value | Investments Maturities (fair value by years) | | |
|-----------------|------------|----------------------------------------------|------------|--------------|
| | | 1-5 | 6-10 | More Than 10 |
| U.S. agencies | \$ 644,776 | \$ 27,322 | \$ 300,971 | \$ 316,483 |

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

5. RECEIVABLES

Receivables in the governmental activities are 27.3% trade, 66.1% due from other governments, 2.9% taxes, 2.7% special assessments and 1.0% other receivables. Receivables in the business-type activities are 81.0% trade, 11.9% due from other governments, 3.5% improvement charges, 3.3% special assessments and 0.3% other receivables.

6. INTERFUND RECEIVABLES AND PAYABLES

For the year ended June 30, 2012, interfund receivables and payables consisted of the following:

| | Due from Other Funds | Due to Other Funds |
|------------------------------|----------------------|--------------------|
| General fund | \$ 583,303 | \$ - |
| Nonmajor government funds | - | 507,683 |
| Golf courses enterprise fund | - | 75,620 |
| | <u>\$ 583,303</u> | <u>\$ 583,303</u> |

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

| | Beginning Balance | Additions | Disposals | Ending Balance |
|------------------------------------------------|-----------------------|----------------------|-----------------------|-----------------------|
| Governmental activities | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 58,110,657 | \$ 1,772,325 | \$ (90,000) | \$ 59,792,982 |
| Construction in progress | 86,079,059 | 19,464,960 | (3,612,947) | 101,931,072 |
| Total capital assets not depreciated | <u>144,189,716</u> | <u>21,237,285</u> | <u>(3,702,947)</u> | <u>161,724,054</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 57,717,166 | 814,459 | - | 58,531,625 |
| Improvements other than buildings | 10,448,223 | 2,640,474 | - | 13,088,697 |
| Machinery and equipment | 15,225,861 | 1,016,466 | (361,229) | 15,881,098 |
| Vehicles | 13,264,498 | 652,816 | (895,893) | 13,021,421 |
| Intangible assets | 1,173,590 | - | - | 1,173,590 |
| Infrastructure | 711,991,697 | 18,718,414 | (1,467,099) | 729,243,012 |
| Total capital assets being depreciated | <u>809,821,035</u> | <u>23,842,629</u> | <u>(2,724,221)</u> | <u>830,939,443</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (14,296,351) | (1,443,447) | - | (15,739,798) |
| Improvements other than buildings | (5,354,498) | (297,408) | - | (5,651,906) |
| Machinery and equipment | (12,278,299) | (691,080) | 306,104 | (12,663,275) |
| Vehicles | (9,675,939) | (1,198,448) | 842,617 | (10,031,770) |
| Intangible assets | - | (234,718) | - | (234,718) |
| Infrastructure | (129,641,336) | (14,139,553) | 1,341,202 | (142,439,687) |
| Total accumulated depreciation | <u>(171,246,423)</u> | <u>(18,004,654)</u> | <u>2,489,923</u> | <u>(186,761,154)</u> |
| Total capital assets being depreciated, net | <u>638,574,612</u> | <u>5,837,975</u> | <u>(234,298)</u> | <u>644,178,289</u> |
| Governmental activities capital assets, net | <u>\$ 782,764,328</u> | <u>\$ 27,075,260</u> | <u>\$ (3,937,245)</u> | <u>\$ 805,902,343</u> |

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

| | |
|-------------------------------------------------------------------------------------------------------------------|----------------------|
| Depreciation of governmental activities by function | |
| General government | \$ 265,445 |
| Public safety | 669,374 |
| Public works | 14,357,368 |
| Culture and recreation | 969,020 |
| Capital assets held by the government's internal service are charge to various activities based on asset usage | <u>1,743,447</u> |
| Total depreciation expense - governmental activities | <u>\$ 18,004,654</u> |

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

| | Beginning Balance | Additions | Disposals | Ending Balance |
|-----------------------------------------------------|-----------------------|----------------------|------------------------|-----------------------|
| Business-type activities | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 8,596,604 | \$ - | \$ (63,926) | \$ 8,532,678 |
| Construction in progress | 84,290,706 | 24,419,686 | (14,277,160) | 94,433,232 |
| Total capital assets not depreciated | <u>92,887,310</u> | <u>24,419,686</u> | <u>(14,341,086)</u> | <u>102,965,910</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 146,863,378 | 46,238 | - | 146,909,616 |
| Improvements other than buildings | 169,816,177 | 14,277,160 | - | 184,093,337 |
| Machinery and equipment | 38,039,587 | 365,574 | (589,764) | 37,815,397 |
| Vehicles | 6,612,382 | 398,806 | (946,579) | 6,064,609 |
| Total capital assets being depreciated | <u>361,331,524</u> | <u>15,087,778</u> | <u>(1,536,343)</u> | <u>374,882,959</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (60,462,932) | (3,670,591) | - | (64,133,523) |
| Improvements other than buildings | (67,791,629) | (3,043,555) | - | (70,835,184) |
| Machinery and equipment | (32,441,052) | (1,178,413) | 546,790 | (33,072,675) |
| Vehicles | (6,015,986) | (333,560) | 946,579 | (5,402,967) |
| Total accumulated depreciation | <u>(166,711,599)</u> | <u>(8,226,119)</u> | <u>1,493,369</u> | <u>(173,444,349)</u> |
| Total capital assets being depreciated, net | <u>194,619,925</u> | <u>6,861,659</u> | <u>(42,974)</u> | <u>201,438,610</u> |
| Business-type activities capital assets, net | <u>\$ 287,507,235</u> | <u>\$ 31,281,345</u> | <u>\$ (14,384,060)</u> | <u>\$ 304,404,520</u> |

8. PAYABLES

Payables in the governmental activities are 11.6% accrued liabilities, 45.8% vendors, 18.3% claims payable, 2.0% deposits payable, 16.4% due to other governments and 5.9% interest payable. Payables in the business-type activities are 88.0% accounts payable, 9.8% accrued liabilities and 2.2% deposits.

9. LEASES

Operating Lease Obligations Payable. The City is the lessee of various properties (primarily office and storage space, as well as parking facilities) under operating leases for periods through 2019. The expenses and related revenues in connection with the leases are recorded in the general, special revenue and pension trust funds. The total rent expense for fiscal year 2012 was \$187,703. The following is a table of future minimum noncancellable lease payments by the City:

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

| | | |
|-------|----|----------------|
| 2013 | \$ | 120,588 |
| 2014 | | 107,000 |
| 2015 | | 108,932 |
| 2016 | | 110,864 |
| 2017 | | 112,796 |
| 2018 | | 114,728 |
| 2019 | | <u>19,336</u> |
| Total | \$ | <u>694,244</u> |

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

Operating Leases Receivable. The City is the lessor of various parking, office and airport facilities under operating leases for periods through 2035. Revenues and the related expenses for these leases are recorded in various funds. The total rent revenue for fiscal year 2012 was \$1,364,955. The total revenue includes \$458,491 for cell towers, \$14,395 for office space, \$764,921 for airport hangers, and \$127,148 for other rentals. All related City assets are fully depreciated. The following is a table of future minimum noncancellable lease payments to the City:

| | | |
|-----------|----|-------------------|
| 2013 | \$ | 914,747 |
| 2014 | | 933,796 |
| 2015 | | 755,375 |
| 2016 | | 729,090 |
| 2017 | | 752,760 |
| 2018-2022 | | 3,380,109 |
| 2023-2027 | | 2,013,160 |
| 2028-2032 | | 736,913 |
| 2033-2035 | | <u>258,360</u> |
| Total | \$ | <u>10,474,310</u> |

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

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

10. TRANSFERS

A summary of interfund transfers for the year ended June 30, 2012, is as follow:

| | Transfers In | | | | | | | | |
|---------------|---------------------|-----------------------|---------------------|---------------------|------------------------|-------------------|-------------------|------------------|----------------------|
| | General | Street Repair Millage | NMGF | Water Supply System | Sewage Disposal System | Golf Courses | Stormwater System | Internal Service | Totals |
| Transfers Out | | | | | | | | | |
| General | \$ - | \$ - | \$ 1,518,909 | \$ 416,700 | \$ - | \$ 514,587 | \$ - | \$ - | \$ 2,450,196 |
| SRM | - | - | 145,404 | 468,825 | - | - | 126,000 | 5,897 | 746,126 |
| NMGF | 66,741 | 20,221 | 3,146,908 | 82,796 | - | - | - | 6,444 | 3,323,110 |
| WTR | 879,149 | 1,279,910 | 220,109 | - | 172,010 | - | - | 42,764 | 2,593,942 |
| SWR | - | (33,600) | 50,666 | 995,028 | - | - | - | 19,944 | 1,032,038 |
| AIR | - | - | 1,834 | 7,993 | - | - | - | - | 9,827 |
| STRM | 85,000 | 1,291,217 | 14,000 | 217,066 | 13,194 | - | - | 9,292 | 1,629,769 |
| SW | 30,000 | - | 228,412 | 111,387 | - | - | - | 7,851 | 377,650 |
| ISF | - | - | 675,592 | 89,494 | - | - | - | - | 765,086 |
| | <u>\$ 1,060,890</u> | <u>\$ 2,557,748</u> | <u>\$ 6,001,834</u> | <u>\$ 2,389,289</u> | <u>\$ 185,204</u> | <u>\$ 514,587</u> | <u>\$ 126,000</u> | <u>\$ 92,192</u> | <u>\$ 12,927,744</u> |

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

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

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

11. CONTINGENT LIABILITIES

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

Landfill. The City owns and maintains a closed landfill in full compliance with Michigan Department of Environmental Quality (MDEQ) requirements. The City obtained a \$1 million letter of credit in favor of MDEQ for Closure/Post-Closure/Corrective Action for the landfill. 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 obtained an additional \$1 million letter of credit in favor of MDEQ to ensure compliance with the landfill cleanup regulations. The City is working on a final offsite 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. Discharge volumes have been reduced and are expected to decrease further over time as remediation continues. Capital costs associated with the landfill cleanup were funded by a series of voter-approved bonds totaling \$28 million. These bonds will be retired in fiscal year 2013.

The landfill was closed prior to the implementation date of GASB Statement No. 18, which would have required the recognition of future landfill-related liabilities. As such, no liabilities have been recorded in the accompanying financial statements for the landfill closure. Operating and maintenance costs for the closed landfill are funded out of the annual solid waste fund budget. These costs are funded through the City's statutorily authorized solid waste property tax levy. This levy generates over \$9 million annually, which the City believes is adequate to fund any current and future landfill-related costs.

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

12. LONG-TERM DEBT

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

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

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

| | Year of Maturity | Interest Rates | Original Amount | Amount Outstanding |
|----------------------------------------|------------------|----------------|-----------------------|-----------------------|
| Governmental activities | | | | |
| 1993 environmental | 2013 | 5.0% | \$ 8,950,000 | \$ 625,000 |
| 1999 special assessment (G.O. portion) | 2014 | 5.15 - 5.2% | 760,000 | 120,000 |
| 2002 special assessment (G.O. portion) | 2017 | 4.3 - 4.7% | 290,000 | 110,000 |
| 2005 open space preservation | 2034 | 4.0 - 4.5% | 20,250,000 | 18,050,000 |
| 2006 maintenance facility | 2031 | 4.0 - 5.0% | 24,636,000 | 20,900,000 |
| 2008 court and police facilities | 2038 | 4.0 - 5.0% | 27,660,000 | 27,105,000 |
| 2009 capital improvements (BAB) | 2035 | 3.5 - 6.5% | 49,420,000 | 48,765,000 |
| 2012 transportation fund | 2023 | 2.0 - 2.4% | 2,670,000 | 2,670,000 |
| Total governmental activities | | | <u>\$ 134,636,000</u> | <u>\$ 118,345,000</u> |
| Business-type activities | | | | |
| 2003 golf course - refunding | 2015 | 3.4 - 3.7% | \$ 1,160,000 | \$ 355,000 |
| 2005 parking - refunding | 2021 | 4.0 - 5.0% | 13,305,000 | 10,350,000 |
| 2007 parking | 2027 | 4.0 - 4.25% | 4,250,000 | 3,635,000 |
| 2009 parking - refunding | 2017 | 2.5 - 3.5% | 3,570,000 | 2,620,000 |
| 2012 parking - refunding | 2022 | 1.0 - 2.0% | 2,230,000 | 2,230,000 |
| Total business-type activities | | | <u>\$ 24,515,000</u> | <u>\$ 19,190,000</u> |

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

| | Governmental Activities | | Business-type Activities | |
|---------|-------------------------|----------------------|--------------------------|---------------------|
| | Principal | Interest | Principal | Interest |
| 2013 | \$ 3,975,000 | \$ 4,847,965 | \$ 2,225,000 | \$ 755,403 |
| 2014 | 3,495,000 | 4,720,355 | 2,295,000 | 662,914 |
| 2015 | 3,560,000 | 4,606,867 | 2,360,000 | 568,841 |
| 2016 | 3,705,000 | 4,488,874 | 2,325,000 | 473,937 |
| 2017 | 3,855,000 | 4,362,196 | 2,385,000 | 373,415 |
| 2018-22 | 21,695,000 | 19,581,733 | 6,095,000 | 783,585 |
| 2023-27 | 25,885,000 | 14,915,303 | 1,505,000 | 195,313 |
| 2028-32 | 30,625,000 | 8,828,867 | - | - |
| 2033-37 | 19,790,000 | 2,528,123 | - | - |
| 2038 | 1,760,000 | 88,000 | - | - |
| | <u>\$ 118,345,000</u> | <u>\$ 68,968,283</u> | <u>\$ 19,190,000</u> | <u>\$ 3,813,408</u> |

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

During the year, \$2,670,000 of refunding bonds were issued 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 on \$2,660,000 in bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities. The carrying amount of the old debt exceeded the reacquisition price by \$54,429, which has been added to the new debt and is being amortized over the refunded debt's life. The refunding resulted in a savings of \$217,609 and an economic gain of \$185,672.

During the year, \$2,230,000 of parking refunding bonds were issued to provide resources to purchase U.S. government securities that were placed in an irrevocable trust (along with \$53,436 from the City) to generate resources for all future debt service payments on \$2,230,000 in bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the business-type activities and parking system enterprise fund. The refunding resulted in a savings of \$399,014 and an economic gain of \$370,707.

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

| | Year of Maturity | Interest Rates | Original Amount | Amount Outstanding |
|---------------------------------|------------------|----------------|-----------------------|----------------------|
| Business-type activities | | | | |
| 1998 water | 2013 | 4.20% | \$ 405,000 | \$ 405,000 |
| 2002 water | 2013 | 4.25% | 575,000 | 575,000 |
| 2003 water | 2013 | 3.875% | 13,265,000 | 1,480,000 |
| 2004 water | 2013 | 3.375% | 535,000 | 535,000 |
| 2005 water | 2013 | 4.00% | 6,795,000 | 610,000 |
| 2008 water | 2028 | 4.0 - 4.75% | 23,375,000 | 21,650,000 |
| 2012 water - refunding | 2024 | 2.0 - 2.5% | 10,450,000 | 10,450,000 |
| 1998 sewer | 2014 | 4.4 - 4.5% | 8,900,000 | 700,000 |
| 2004 sewer | 2025 | 3.25 - 4.25% | 27,170,000 | 22,400,000 |
| 2008 sewer | 2033 | 3.25 - 4.75% | 24,550,000 | 23,200,000 |
| Total business-type activities | | | <u>\$ 116,020,000</u> | <u>\$ 82,005,000</u> |

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

| | Principal | Interest |
|---------|----------------------|----------------------|
| 2013 | \$ 6,350,000 | \$ 3,521,322 |
| 2014 | 5,000,000 | 2,878,948 |
| 2015 | 4,635,000 | 2,736,236 |
| 2016 | 4,765,000 | 2,587,380 |
| 2017 | 4,930,000 | 2,431,372 |
| 2018-22 | 23,615,000 | 9,648,514 |
| 2023-27 | 21,760,000 | 4,765,760 |
| 2028-32 | 9,250,000 | 1,371,464 |
| 2033 | 1,700,000 | 40,375 |
| | <u>\$ 82,005,000</u> | <u>\$ 29,981,371</u> |

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

During the year, \$10,450,000 of water refunding bonds were issued to provide resources to purchase U.S. government securities that were placed in an irrevocable trust (along with \$298,878 from the City) to generate resources for all future debt service payments on \$10,425,000 in bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the business-type activities and water supply system enterprise fund. The carrying amount of the old debt exceeded the reacquisition price by \$538,597, which has been added to the new debt and is being amortized over the refunded debt's life. The refunding resulted in a savings of \$1,046,700 and an economic gain of \$928,042.

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

| | Year of Maturity | Interest Rates | Original Amount | Amount Outstanding |
|---------------------------------|------------------|----------------|----------------------|----------------------|
| Business-type activities | | | | |
| DWRF #7319-01 | 2031 | 2.50% | \$ 4,575,000 | \$ 3,598,826 |
| DWRF #7146-01 | 2024 | 2.13% | 557,950 | 337,950 |
| DWRF #7325-01 | 2030 | 2.50% | 624,750 | 556,789 |
| DWRF #7333-01 | 2032 | 2.50% | 5,614,250 | 4,484,837 |
| 2004 SWQIF #3002-01 | 2024 | 1.625% | 874,672 | 559,672 |
| 2005 SWQIF #3002-02 | 2025 | 1.625% | 879,382 | 604,382 |
| 2006 SWQIF #3002-03 | 2026 | 1.625% | 889,903 | 649,903 |
| 2007 SWQIF #3002-04 | 2027 | 1.625% | 964,976 | 749,976 |
| 2008 SWQIF #3002-05 | 2028 | 2.50% | 900,000 | 755,000 |
| 2009 SWQIF #3010-01 | 2029 | 2.50% | 1,310,000 | 1,150,000 |
| 2010 SWQIF #3010-02 | 2030 | 2.50% | 1,320,000 | 1,215,000 |
| 2011 SWQIF #3010-03 | 2032 | 2.50% | 1,365,000 | 797,039 |
| 2010 CWRP #5338-01 | 2031 | 2.50% | 2,661,000 | 2,541,000 |
| 2012 SRF (Washtenaw County) | TBD | 2.50% | TBD | 2,174,267 |
| Total business-type activities | | | <u>\$ 22,536,883</u> | <u>\$ 20,174,641</u> |

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

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

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

| | Principal | Interest |
|-----------------------------|-----------------------------|----------------------------|
| 2013 | \$ 930,250 | \$ 377,487 |
| 2014 | 955,000 | 414,586 |
| 2015 | 980,000 | 390,322 |
| 2016 | 1,000,000 | 367,636 |
| 2017 | 1,025,000 | 344,432 |
| 2018-22 | 5,515,000 | 1,353,634 |
| 2023-27 | 5,751,883 | 686,743 |
| 2028-32 | 4,395,000 | 112,345 |
| 2033 | - | - |
| | <u>20,552,133</u> | <u>4,047,185</u> |
| Remaining available to draw | (2,551,759) | - |
| Unscheduled maturities | <u>2,174,267</u> | - |
| | <u><u>\$ 20,174,641</u></u> | <u><u>\$ 4,047,185</u></u> |

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

| | Year of Maturity | Interest Rates | Original Amount | Amount Outstanding |
|-------------------------|---------------------|-------------------|----------------------------|--------------------------|
| Governmental activities | | | | |
| 1999 special assessment | 2014 | 5.15 - 5.2% | \$ 770,000 | \$ 110,000 |
| 2002 special assessment | 2017 | 4.3 - 4.7% | <u>525,000</u> | <u>110,000</u> |
| | | | <u><u>\$ 1,295,000</u></u> | <u><u>\$ 220,000</u></u> |

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

| | Principal | Interest |
|------|--------------------------|-------------------------|
| 2013 | \$ 80,000 | \$ 10,617 |
| 2014 | 80,000 | 6,710 |
| 2015 | 25,000 | 2,750 |
| 2016 | 20,000 | 1,625 |
| 2017 | <u>15,000</u> | <u>705</u> |
| | <u><u>\$ 220,000</u></u> | <u><u>\$ 22,407</u></u> |

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

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

| | Year of Maturity | Interest Rates | Original Amount | Amount Outstanding |
|----------------------------|------------------|----------------|---------------------|---------------------|
| Business-type activities | | | | |
| 2006 Mallets Creek project | 2026 | 1.625% | \$ 2,180,000 | \$ 1,261,250 |
| 2006 Traver Creek project | 2016 | 3.85 - 4.2% | 492,602 | 208,409 |
| | | | <u>\$ 2,672,602</u> | <u>\$ 1,469,659</u> |

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

| | Principal | Interest |
|---------|---------------------|-------------------|
| 2013 | \$ 131,178 | \$ 28,734 |
| 2014 | 135,131 | 25,357 |
| 2015 | 135,132 | 21,897 |
| 2016 | 139,085 | 18,378 |
| 2017 | 86,983 | 15,334 |
| 2018-22 | 454,686 | 55,115 |
| 2023-26 | 387,464 | 16,907 |
| | <u>\$ 1,469,659</u> | <u>\$ 181,722</u> |

Installment purchase agreement. The government entered into a long-term installment purchase agreement in fiscal 2009 for the purchase of the old Ann Arbor YMCA building for \$3,500,000. The agreement provides for a balloon payment of the principal in 2014 along with annual interest at rate of 3.89%. Interest payments totaling \$136,149 and \$68,266 will be due in 2013 and 2014, respectively, to the date of maturity.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

Changes in long-term debt. Long-term debt activity for fiscal 2012 was as follows:

| | Beginning Balance | Additions | Deductions | Ending Balance | Due Within One Year |
|--------------------------------------------|-----------------------|----------------------|------------------------|-----------------------|---------------------|
| Primary government | | | | | |
| Governmental activities | | | | | |
| General obligation bonds | \$ 122,215,000 | \$ 2,670,000 | \$ (6,540,000) | \$ 118,345,000 | \$ 3,975,000 |
| Special assessment bonds | 310,000 | - | (90,000) | 220,000 | 80,000 |
| Purchase agreement | 3,500,000 | - | - | 3,500,000 | - |
| Deferred amounts: | | | | | |
| For issuance premiums | 36,500 | 33,375 | (732) | 69,143 | - |
| For issuance discounts | (416,064) | - | 54,779 | (361,285) | - |
| On refunding | - | (54,429) | - | (54,429) | - |
| Compensated absences | 13,859,814 | 2,548,119 | (4,096,332) | 12,311,601 | 1,113,105 |
| Total governmental activities debt | \$ 139,505,250 | \$ 5,197,065 | \$ (10,672,285) | \$ 134,030,030 | \$ 5,168,105 |
| Business-type activities | | | | | |
| General obligation bonds | \$ 21,315,000 | \$ 2,230,000 | \$ (4,355,000) | \$ 19,190,000 | \$ 2,225,000 |
| Revenue bonds | 88,140,000 | 10,450,000 | (16,585,000) | 82,005,000 | 6,350,000 |
| Revolving loans | 10,272,364 | 10,552,027 | (649,750) | 20,174,641 | 930,250 |
| Drain notes | 1,596,107 | - | (126,448) | 1,469,659 | 131,178 |
| Deferred amounts: | | | | | |
| For issuance premiums | 1,193,677 | 143,049 | (181,227) | 1,155,499 | - |
| For issuance discounts | (719,954) | - | 251,154 | (468,800) | - |
| On refunding | (824,511) | (538,597) | 85,663 | (1,277,445) | - |
| Compensated absences | 2,786,333 | 543,377 | (907,838) | 2,421,872 | 280,816 |
| Total business-type activities debt | \$ 123,759,016 | \$ 23,379,856 | \$ (22,468,446) | \$ 124,670,426 | \$ 9,917,244 |
| Component unit | | | | | |
| Downtown development authority bonds | \$ 650,000 | \$ - | \$ (650,000) | \$ - | \$ - |
| Housing Commission compensated absences | 48,615 | 54,080 | (58,316) | 44,379 | 32,941 |
| Total component unit | \$ 698,615 | \$ 54,080 | \$ (708,316) | \$ 44,379 | \$ 32,941 |

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

13. RISK MANAGEMENT

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

All funds of the City participate in the insurance program and make payments to the insurance fund based on estimates of the amounts needed to pay prior and current-year claims and to establish a reserve for incurred but not reported (IBNR) losses. The IBNR reserve was \$1,431,701 at June 30, 2012 and is included in estimated claims payable. The total estimated claims payable of \$3,804,042 is reflected in the insurance fund at June 30, 2012. A liability for claims must be reported if information prior to the issuance of the financial statements indicates it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claim liability amount for the last two years are summarized below:

| | Beginning of Fiscal Year Liability | Current Year Claims and Changes in Estimates | Claim Payments | Balance at Fiscal Year End |
|------|------------------------------------|----------------------------------------------|-----------------|----------------------------|
| 2011 | \$ 3,152,410 | \$ 16,125,804 | \$ (15,099,732) | \$ 4,178,482 |
| 2012 | 4,178,482 | 15,004,618 | (15,379,058) | 3,804,042 |

14. DEFERRED COMPENSATION PLAN

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

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

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

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

15. PROPERTY TAXES

Each July 1, the City property tax is levied and becomes a lien on the related property, the value of which is equalized by the State of Michigan and limited by Act 415 of 1994. The City's operating tax rate levied July 1, 2011, as controlled by the Headlee Amendment, Act 415 and City Charter, is 6.1682 mills raising \$28.3 million. Other tax rates and amounts raised are as follows: employee benefits (2.0560) raising \$9.45 million, refuse collection (2.4670) raising \$11.35 million, Ann Arbor Transportation Authority (2.0560) raising \$9.45 million, street repair (1.9944) raising \$9.2 million, parks maintenance and repair (1.0969) raising \$5.05 million, open space and parkland preservation Millage (0.4779) raising \$2.2 million, and debt service (0.5000) raising \$0.7 million. Real and personal property located in the City as of December 31, 2010 were assessed and equalized at \$5,268,205,900, 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 2011 taxable value on March 17, 2012, was \$4,634,891,157. 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.

16. EMPLOYEES' RETIREMENT SYSTEM

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 877-994-4590.

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

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

The contribution requirements of plan members are established and may be amended by the City Council. Plan members are required to contribute 5% or 6% of annual compensation dependent on the employee group. The City is required to contribute at an actuarially determined rate; the rate for the most current actuarial report, was 23.77% of annual covered payroll. Administrative costs of CAAERS are financed through investment earnings.

The City's annual pension cost and net pension obligation (asset) to CAAERS for the current year were as follows:

| | |
|--------------------------------------------|------------------------------|
| Annual required contribution | \$ 9,440,262 |
| Interest on net pension obligation | - |
| Adjustment to annual required contribution | - |
| Net pension cost | <u>9,440,262</u> |
| Contributions made | <u>10,461,052</u> |
| Change in net pension asset | <u>(1,020,790)</u> |
| Net pension asset, beginning of year | <u>-</u> |
| Net pension asset, end of year | <u><u>\$ (1,020,790)</u></u> |

| Three-Year Trend Information | | | |
|------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Year Ended June 30, | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation (Asset) |
| 2012 | \$ 9,440,262 | 111% | \$ (1,020,790) |
| 2011 | 8,658,372 | 100% | - |
| 2010 | 7,560,000 | 100% | - |

The annual required contribution for the current year was determined as part of the June 30, 2010, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.0% rate of return (net of administrative expenses) and (b) projected salary increases of 0.3% to 6.0% per year. Both (a) and (b) included an inflation component of 3.5%. Unfunded actuarial accrued liabilities are amortized as a level percent-of-payroll over a 27-year open period rolling down to 25 years.

As of June 30, 2012, the most recent actuarial valuation date, the plan was 82.7 percent funded. The actuarial accrued liability for benefits was \$496.8 million and the actuarial value of assets was \$410.7 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$86.1 million. The covered payroll (annual payroll of active employees covered by the plan) was \$44.0 million and the ratio of the UAAL to the covered payroll was 195.6 percent.

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

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

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

17. OTHER POSTEMPLOYMENT BENEFITS

The City of Ann Arbor Retiree Health Care Benefits Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the City of Ann Arbor Employees' Retirement System. The plan provides certain health care and life insurance benefits for eligible retired employees and their dependents in accordance with Ann Arbor City Code Chapter 21. Substantially all the City's employees may become eligible for these benefits if they retire directly from City employment. These and similar benefits for active employees are provided by various insurance companies. Health insurance benefits are provided through an administrative service contract under which the City reimburses the administrator for claims paid plus an administration fee. The Plan issues a publicly available financial report that may be obtained by writing to City of Ann Arbor Employees' Retirement System, 532 South Maple Road, Ann Arbor, Michigan, 48103 or by calling 877-994-4590.

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

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

The contribution requirements of plan members and the City are established and may be amended by the City Council. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the actuary. For fiscal year 2012, the City contributed \$11,052,888 to the plan, including \$8,889,686 for current premiums (approximately 56 percent of total health care premiums) and an additional \$2,163,202 to prefund benefits.

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

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

| | |
|--------------------------------------------|---------------------------------|
| Annual required contribution | \$ 14,859,285 |
| Interest on net OPEB obligation | 623,616 |
| Adjustment to annual required contribution | <u>(384,808)</u> |
| Net OPEB cost | 15,098,093 |
| Contributions made | <u>11,052,888</u> |
| Change in net OPEB obligation | 4,045,205 |
| Net OPEB obligation, beginning of year | <u>8,908,794</u> |
| Net OPEB obligation, end of year | <u><u>\$ 12,953,999</u></u> |

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the new OPEB obligation for 2012 and the prior two years were as follows:

| Three-Year Trend Information | | | |
|------------------------------|---------------------|-----------------------------------------------------|------------------------|
| Year Ended June 30, | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
| 2012 | \$ 15,098,093 | 73% | \$ 12,953,999 |
| 2011 | 14,533,000 | 96% | 8,908,794 |
| 2010 | 14,284,000 | 65% | 9,347,000 |

As of June 30, 2012, the most recent actuarial valuation date, the plan was 35.1 percent funded. The actuarial accrued liability for benefits was \$249.8 million, and the actuarial value of assets was \$87.7 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$162.2 million. The covered payroll (annual payroll of active employees covered by the plan) was \$44.0 million, and the ratio of the UAAL to the covered payroll was 368.6 percent.

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

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

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

The June 30, 2011, actuarial valuation used the entry age actuarial cost method. The actuarial assumptions included a 7.0 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.5 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after ten years. Both rates include a 3.5 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll contributions on an open basis over 30 years.

18. PERMANENT FUND

In 1964, the City became the recipient of an endowment from Elizabeth Dean which is recorded as a permanent fund. The corpus of the trust is to remain invested and may not be liquidated in order to generate investment income. This investment income is to be used for the purchase and maintenance of trees in the City of Ann Arbor. Net appreciation on investments is not considered investment income until realized. The amount in the Elizabeth Dean fund is shown as restricted for endowment on the statement of net assets. The corpus of the trust is and shall remain \$1,984,000. Fund balance at June 30, 2012 was \$2,210,212, representing the corpus of the trust and appreciation of investments from prior years. This amount is reflected in cash, equity in pooled cash, investments and accrued interest. The corpus of the trust is restricted to the limitations established by the trust and is considered nonspendable. The entire amount exceeding the corpus, \$1,984,000, is also restricted to the limitations established by the trust, but is available for expenditure and is restricted as to use.

19. SIGNIFICANT COMMITMENTS

As of June 30, 2012, the City had \$125,056,051 in construction commitments for various projects including wastewater treatment plant reconstruction, resurfacing of streets, bridge reconstruction and other road improvements. The commitments will be satisfied using millage proceeds, fund balance and bond proceeds.

20. JUDGMENT PAYABLE

Effective 1998, the City and the Retiree Health Care Trust Board of Trustees entered into a funding agreement for the allocation of retirement system annual excess earnings (if any) to payment of City retiree health benefit costs thereby allowing the City to allocate the equivalent budgetary amount to prefund the City's VEBA. This agreement and all transfers were executed in compliance with Michigan Public Act 28 (PA 28). The retirement system's transfer to the retiree health care trust was not fully compliant with Section 420 of the Internal Revenue Code with respect to those transfers. The City filed an application through the Internal Revenue Service Voluntary Correction Program and the IRS determined that \$17.1 million dollars of plan assets, incorrectly distributed from the plan, should be returned to the plan, adjusted for income over a five year period beginning in fiscal year 2009. While the City has sufficient monies to fund the future years actuarial required contribution (ARC) for both the pension and retiree health care, the repayment to the pension system will result in reduced funding of the retiree health care ARC in a like amount during the period of the pension repayment. This will necessitate an OPEB liability in the City's financial statements during the repayment period per GASB #45. The OPEB liability is being amortized over a closed 15 year period. At the end of this fiscal year the City has repaid the retirement system the balance of the remaining liability.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

21. ADVANCES FROM POOLED INVESTMENTS

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

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

| Fiscal Year | Repayment Schedules | | | |
|-------------|--------------------------------------------------------|------------------|--------------------------------------------------------|-------------------|
| | 2009 Retirement (\$400,000) 7/1/2008; Due 3/1 & 9/1 | | 2009 Airport (\$1,150,000) 7/3/2008; Due 6/1 & 12/1 | |
| | Principal | Interest (4.45%) | Principal | Interest (4.09%) |
| 2013 | \$ 22,951 | \$ 13,883 | \$ 65,530 | \$ 37,801 |
| 2014 | 23,984 | 12,851 | 68,238 | 35,094 |
| 2015 | 25,063 | 11,772 | 71,057 | 32,274 |
| 2016 | 26,191 | 10,644 | 73,993 | 29,339 |
| 2017 | 27,369 | 9,465 | 77,050 | 26,281 |
| 2018 | 28,601 | 8,234 | 80,234 | 23,098 |
| 2019 | 29,887 | 6,947 | 83,549 | 19,782 |
| 2020 | 31,232 | 5,602 | 87,001 | 16,330 |
| 2021 | 32,637 | 4,197 | 90,596 | 12,736 |
| 2022 | 34,106 | 2,728 | 94,339 | 8,993 |
| 2023 | 35,641 | 1,194 | 98,237 | 5,094 |
| 2024 | - | - | 50,630 | 1,035 |
| | <u>\$ 317,662</u> | <u>\$ 87,517</u> | <u>\$ 940,454</u> | <u>\$ 247,857</u> |

| | |
|--------------------|---------------------|
| Total principal | \$ 1,258,116 |
| Total interest | 335,374 |
| Total requirements | <u>\$ 1,593,490</u> |

22. RESTATEMENT OF FUND BALANCES

The beginning fund balance of the general fund was increased by \$137,604 due to the closing of the special assessments projects capital projects fund and this activity being combined with the general fund in the current year. Also, the beginning fund balance in the DDA Build America parking bond 2009 capital project fund and the governmental activities were decreased by \$769,700 to account for revenue that had erroneously been requested and received in the prior year.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

23. DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS

The City adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in the prior year. GASB 54 establishes 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. Detailed information on fund balances of governmental funds is as follows:

| | General | Street Repair Millage | DDA Build America Parking Bond - 2009 | Nonmajor Governmental Funds | Total Governmental Funds |
|---------------------------------|----------------------|-----------------------------|---------------------------------------------|-----------------------------------|--------------------------------|
| Nonspendable | | | | | |
| Long-term advances | \$ 943,659 | \$ - | \$ - | \$ - | \$ 943,659 |
| Inventories | 14,891 | - | - | - | 14,891 |
| Prepaid items | 1,786 | - | - | 1,800 | 3,586 |
| Trust corpus | - | - | - | 1,984,000 | 1,984,000 |
| Total nonspendable | 960,336 | - | - | 1,985,800 | 2,946,136 |
| Restricted | | | | | |
| Debt service | - | - | - | 1,318,160 | 1,318,160 |
| Culture and recreation | - | - | - | 16,183,964 | 16,183,964 |
| Road maintenance and repairs | - | - | - | 13,481,429 | 13,481,429 |
| Road construction | - | 25,015,313 | - | - | 25,015,313 |
| Law enforcement | - | - | - | 1,395,115 | 1,395,115 |
| Capital projects | - | - | 1,433,725 | - | 1,433,725 |
| Other purposes | - | - | - | 4,605,005 | 4,605,005 |
| Total restricted | - | 25,015,313 | 1,433,725 | 36,983,673 | 63,432,711 |
| Committed | | | | | |
| Culture and recreation | - | - | - | 104,823 | 104,823 |
| Public safety | - | - | - | 3,070,419 | 3,070,419 |
| Other purposes | - | - | - | 1,442,314 | 1,442,314 |
| Total committed | - | - | - | 4,617,556 | 4,617,556 |
| Assigned | | | | | |
| Capital projects | - | - | - | 2,285,397 | 2,285,397 |
| Property tax refunds | 130,000 | - | - | - | 130,000 |
| Other purposes | 113,308 | - | - | - | 113,308 |
| Total assigned | 243,308 | - | - | 2,285,397 | 2,528,705 |
| Unassigned | 14,093,650 | - | - | - | 14,093,650 |
| Total fund balances | \$ 15,297,294 | \$ 25,015,313 | \$ 1,433,725 | \$ 45,872,426 | \$ 87,618,758 |

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

24. INVESTED IN CAPITAL ASSETS NET OF RELATED DEBT

Below is a calculation of the amount shown on the statement of net assets for invested in capital assets net of related debt:

| | Governmental Activities | Business-type Activities |
|-------------------------------------------------|----------------------------|-----------------------------|
| Capital assets | | |
| Not being depreciated | \$ 161,724,054 | \$ 102,965,910 |
| Being depreciated | 644,178,289 | 201,438,610 |
| Total capital assets | <u>805,902,343</u> | <u>304,404,520</u> |
| Less related debt | | |
| General obligation bonds | (118,345,000) | (19,190,000) |
| Revenue bonds | - | (82,005,000) |
| Revolving loans | - | (20,174,641) |
| Special assessment debt | (220,000) | - |
| Installment purchase agreement | (3,500,000) | - |
| Deferred amounts: | | |
| For issuance premiums | (69,143) | (1,155,499) |
| For issuance discounts | 361,285 | 468,800 |
| On refunding | 54,429 | 1,277,445 |
| Invested in capital assets, net of related debt | <u>\$ 684,183,914</u> | <u>\$ 183,625,625</u> |



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ANN ARBOR, MICHIGAN

Required Supplementary Information

Employees' Retirement System

Schedule of Funding Progress
(in thousands)

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) - Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a / b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a) / c) |
|--------------------------|-------------------------------|---------------------------------------------------|---------------------------|----------------------|---------------------|-----------------------------------------------------|
| 6/30/2012 | \$ 410,709 | \$ 496,770 | \$ 86,061 | 82.7% | \$ 44,004 | 195.6% |
| 6/30/2011 | 423,734 | 481,330 | 57,596 | 88.0% | 45,921 | 125.4% |
| 6/30/2010 | 421,387 | 466,883 | 45,496 | 90.3% | 48,688 | 93.4% |
| 6/30/2009 | 426,283 | 455,219 | 28,936 | 93.6% | 51,076 | 56.7% |
| 6/30/2008 | 428,689 | 430,438 | 1,749 | 99.6% | 51,287 | 3.4% |
| 6/30/2007 | 413,712 | 413,490 | (222) | 100.1% | 50,678 | -0.4% |
| 6/30/2006 | 398,258 | 407,302 | 9,044 | 97.8% | 49,627 | 18.2% |

Schedule of Employer Contributions

| Year Ended June 30, | Annual Required Contributions | Percentage Contributed |
|---------------------|-------------------------------|------------------------|
| 2012 | \$ 9,440,262 | 111% |
| 2011 | 8,658,372 | 100% |
| 2010 | 7,559,781 | 100% |
| 2009 | 6,894,506 | 100% |
| 2008 | 7,517,024 | 100% |
| 2007 | 5,038,578 | 100% |
| 2006 | 2,871,450 | 100% |

CITY OF ANN ARBOR, MICHIGAN

Required Supplementary Information
Retiree Healthcare Benefits Plan and Trust

Schedule of Funding Progress
(in thousands)

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) - Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a / b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a) / c) |
|--------------------------|-------------------------------|---------------------------------------------------|---------------------------|----------------------|---------------------|-----------------------------------------------------|
| 6/30/2012 | \$ 87,660 | \$ 249,844 | \$ 162,184 | 35.1% | \$ 44,004 | 368.6% |
| 6/30/2011 | 82,416 | 241,122 | 158,706 | 34.2% | 45,921 | 345.6% |
| 6/30/2010 | 73,205 | 242,842 | 169,637 | 30.1% | 48,688 | 348.4% |
| 6/30/2009 | 70,770 | 232,180 | 161,410 | 30.5% | 51,076 | 316.0% |
| 6/30/2008 | 68,312 | 225,998 | 157,686 | 30.2% | 51,287 | 307.5% |
| 6/30/2007 | 60,090 | 215,949 | 155,859 | 27.8% | 50,678 | 307.5% |
| 6/30/2006 | 55,250 | 197,199 | 141,949 | 28.0% | 49,627 | 286.0% |
| 6/30/2005 | 45,256 | 166,824 | 121,568 | 27.1% | 47,225 | 257.4% |

Schedule of Employer Contributions

| Year Ended June 30, | Annual Required Contributions | Current Premiums Paid by City | Pre-funding Contributions to VEBA Trust | Percentage Contributed |
|---------------------|-------------------------------|-------------------------------|-----------------------------------------|------------------------|
| 2012 | \$ 14,859,285 | \$ 8,889,686 | \$ 2,163,202 | 74.4% |
| 2011 | 14,395,148 | 9,181,437 | 4,839,659 | 97.4% |
| 2010 | 14,284,470 | 9,349,438 | 927,417 | 71.9% |
| 2009 | 13,908,444 | 7,890,737 | 1,699,505 | 69.0% |
| 2008 | 12,360,028 | 7,737,424 | 4,622,604 | 100.0% |
| 2007 | N/A | 7,616,064 | - | N/A |
| 2006 | N/A | 7,292,343 | 7,065,913 | N/A |

**COMBINING FUND FINANCIAL
STATEMENTS AND SCHEDULES**

CITY OF ANN ARBOR, MICHIGAN

Nonmajor Governmental Funds

Special Revenue Funds

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

Parks Repair and Restoration Millage - to account for funds derived from property tax millage earmarked for parks' repair and restoration.

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

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

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

Parks Rehabilitation and Development Millage - to account for funds derived from property tax millage earmarked for parks' improvements.

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

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

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

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

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

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

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

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

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

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

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

CITY OF ANN ARBOR, MICHIGAN

Nonmajor Governmental Funds

Special Revenue Funds (Concluded)

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

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

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

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

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

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

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

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

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

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

Senior Center Endowment - used to account for funds donated to the Senior Center.

HOME Program - to account for funds received from the federal government for the City's Community Development HOME grant program.

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

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

Debt Service Funds

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

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

CITY OF ANN ARBOR, MICHIGAN

Nonmajor Governmental Funds

Capital Projects Funds

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

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

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

Permanent Fund

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

CITY OF ANN ARBOR, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2012

| | Special Revenue Funds | | | |
|--------------------------------------------|-----------------------|------------------------------------|-----------------------------------|------------------------------|
| | Energy Projects | Parks Repair & Restoration Millage | Local Law Enforcement Block Grant | Community Television Network |
| Assets | | | | |
| Cash | \$ - | \$ - | \$ - | \$ - |
| Equity in pooled cash and investments | 642,413 | - | 30,663 | 4,155,606 |
| Investments, at fair value | - | - | - | - |
| Receivables: | | | | |
| Taxes | - | - | - | - |
| Accounts | - | - | - | 411,000 |
| Special assessments | - | - | - | - |
| Accrued interest and dividends | - | - | - | - |
| Improvement charges | - | - | - | - |
| Loans | - | - | - | - |
| Due from other funds | - | - | - | - |
| Due from other governments | - | - | - | - |
| Prepaid items | - | - | - | - |
| Inventories, at cost | - | - | - | - |
| Total assets | \$ 642,413 | \$ - | \$ 30,663 | \$ 4,566,606 |
| Liabilities | | | | |
| Accounts payable | \$ 38,552 | \$ - | \$ - | \$ 48,954 |
| Accrued liabilities | 378 | - | - | 33,357 |
| Due to other funds | - | - | - | - |
| Due to other governments | - | - | - | - |
| Deposits | - | - | - | - |
| Deferred revenue | - | - | 30,663 | - |
| Accrued compensated absences | - | - | - | - |
| Total liabilities | 38,930 | - | 30,663 | 82,311 |
| Fund balances | | | | |
| Nonspendable | - | - | - | - |
| Restricted for: | | | | |
| Debt service | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Road maintenance and repairs | - | - | - | - |
| Law enforcement | - | - | - | - |
| Other purposes | - | - | - | 4,484,295 |
| Committed for: | | | | |
| Culture and recreation | - | - | - | - |
| Public safety | - | - | - | - |
| Other purposes | 603,483 | - | - | - |
| Assigned to capital projects | - | - | - | - |
| Total fund balances | 603,483 | - | - | 4,484,295 |
| Total liabilities and fund balances | \$ 642,413 | \$ - | \$ 30,663 | \$ 4,566,606 |

| Special Revenue Funds | | | | | |
|------------------------|-----------------------------------|---------------------|---------------------|------------------|------------------------------------|
| Homeland Security Fund | Parks Rehab & Development Millage | Major Streets | Local Streets | Court Facilities | Open Space & Parkland Preservation |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 470,115 |
| - | - | 7,518,681 | 3,333,202 | 1,632 | 9,130,832 |
| - | - | - | - | - | - |
| - | - | 66,581 | - | - | 471 |
| - | - | 128,677 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 22,083 | - | 930,214 | 261,326 | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>\$ 22,083</u> | <u>\$ -</u> | <u>\$ 8,644,153</u> | <u>\$ 3,594,528</u> | <u>\$ 1,632</u> | <u>\$ 9,601,418</u> |
| \$ - | \$ - | \$ 38,040 | \$ 1,934 | \$ - | \$ 13,109 |
| - | - | 78,413 | 18,242 | - | 781 |
| 6,924 | - | - | - | - | - |
| 15,159 | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 22,083 | - | 116,453 | 20,176 | - | 13,890 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | 9,587,528 |
| - | - | 8,527,700 | 3,574,352 | - | - |
| - | - | - | - | 1,632 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | 8,527,700 | 3,574,352 | 1,632 | 9,587,528 |
| <u>\$ 22,083</u> | <u>\$ -</u> | <u>\$ 8,644,153</u> | <u>\$ 3,594,528</u> | <u>\$ 1,632</u> | <u>\$ 9,601,418</u> |

Continued...

CITY OF ANN ARBOR, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2012

| | Special Revenue Funds | | | |
|--------------------------------------------|-----------------------|---------------------|-------------------|--------------------------------------|
| | Bandemer | Construction Code | Drug Enforcement | Federal Equitable Sharing Forfeiture |
| Assets | | | | |
| Cash | \$ - | \$ - | \$ - | \$ - |
| Equity in pooled cash and investments | 104,248 | 3,120,436 | 277,963 | 314,582 |
| Investments, at fair value | - | - | - | - |
| Receivables: | | | | |
| Taxes | - | - | - | - |
| Accounts | 575 | 10,561 | 1,046 | - |
| Special assessments | - | - | - | - |
| Accrued interest and dividends | - | - | - | - |
| Improvement charges | - | - | - | - |
| Loans | - | - | - | - |
| Due from other funds | - | - | - | - |
| Due from other governments | - | - | - | - |
| Prepaid items | - | - | - | - |
| Inventories, at cost | - | - | - | - |
| Total assets | \$ 104,823 | \$ 3,130,997 | \$ 279,009 | \$ 314,582 |
| Liabilities | | | | |
| Accounts payable | \$ - | \$ 13,114 | \$ 19,976 | \$ 1,490 |
| Accrued liabilities | - | 47,464 | - | - |
| Due to other funds | - | - | - | - |
| Due to other governments | - | - | - | - |
| Deposits | - | - | - | - |
| Deferred revenue | - | - | - | - |
| Accrued compensated absences | - | - | - | - |
| Total liabilities | - | 60,578 | 19,976 | 1,490 |
| Fund balances | | | | |
| Nonspendable | - | - | - | - |
| Restricted for: | | | | |
| Debt service | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Road maintenance and repairs | - | - | - | - |
| Law enforcement | - | - | 259,033 | 313,092 |
| Other purposes | - | - | - | - |
| Committed for: | | | | |
| Culture and recreation | 104,823 | - | - | - |
| Public safety | - | 3,070,419 | - | - |
| Other purposes | - | - | - | - |
| Assigned to capital projects | - | - | - | - |
| Total fund balances | 104,823 | 3,070,419 | 259,033 | 313,092 |
| Total liabilities and fund balances | \$ 104,823 | \$ 3,130,997 | \$ 279,009 | \$ 314,582 |

| Special Revenue Funds | | | | | |
|-------------------------------|---------------------|--------------------|----------------------|------------------------|-------------------------|
| Parks Memorial & Contribution | Metro Expansion | Special Assistance | Open Space Endowment | Police and Fire Relief | Cemetery Perpetual Care |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 543,944 | 1,389,229 | 1,908 | 525,761 | 677,092 | 73,500 |
| - | - | - | - | 62,163 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | 136 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>\$ 543,944</u> | <u>\$ 1,389,229</u> | <u>\$ 2,044</u> | <u>\$ 525,761</u> | <u>\$ 739,255</u> | <u>\$ 73,500</u> |
| \$ 4,046 | \$ 8,289 | \$ - | \$ - | \$ - | \$ - |
| 217 | 1,563 | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>4,263</u> | <u>9,852</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 539,681 | - | - | 525,761 | - | - |
| - | 1,379,377 | - | - | - | - |
| - | - | - | - | 739,255 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | 2,044 | - | - | 73,500 |
| - | - | - | - | - | - |
| <u>539,681</u> | <u>1,379,377</u> | <u>2,044</u> | <u>525,761</u> | <u>739,255</u> | <u>73,500</u> |
| <u>\$ 543,944</u> | <u>\$ 1,389,229</u> | <u>\$ 2,044</u> | <u>\$ 525,761</u> | <u>\$ 739,255</u> | <u>\$ 73,500</u> |

Continued...

CITY OF ANN ARBOR, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2012

| | Special Revenue Funds | | | |
|--------------------------------------------|-----------------------|----------------------------|---------------------------|--------------------|
| | Art in Public Places | Alternative Transportation | Michigan Justice Training | Affordable Housing |
| Assets | | | | |
| Cash | \$ - | \$ - | \$ - | \$ - |
| Equity in pooled cash and investments | 1,357,402 | 354,324 | 79,799 | 349,868 |
| Investments, at fair value | - | - | - | - |
| Receivables: | | | | |
| Taxes | - | - | - | - |
| Accounts | - | - | - | - |
| Special assessments | - | 56,206 | - | - |
| Accrued interest and dividends | - | - | - | - |
| Improvement charges | - | - | - | - |
| Loans | - | - | - | - |
| Due from other funds | - | - | - | - |
| Due from other governments | - | - | - | - |
| Prepaid items | - | - | 1,800 | - |
| Inventories, at cost | - | - | - | - |
| Total assets | \$ 1,357,402 | \$ 410,530 | \$ 81,599 | \$ 349,868 |
| Liabilities | | | | |
| Accounts payable | \$ 28,514 | \$ 3,680 | \$ 1,120 | \$ 130 |
| Accrued liabilities | - | 5,567 | - | - |
| Due to other funds | - | - | - | - |
| Due to other governments | - | - | - | - |
| Deposits | - | - | - | - |
| Deferred revenue | - | 50,362 | - | - |
| Accrued compensated absences | - | - | - | - |
| Total liabilities | 28,514 | 59,609 | 1,120 | 130 |
| Fund balances | | | | |
| Nonspendable | - | - | 1,800 | - |
| Restricted for: | | | | |
| Debt service | - | - | - | - |
| Culture and recreation | 1,328,888 | - | - | - |
| Road maintenance and repairs | - | - | - | - |
| Law enforcement | - | - | 78,679 | - |
| Other purposes | - | - | - | - |
| Committed for: | | | | |
| Culture and recreation | - | - | - | - |
| Public safety | - | - | - | - |
| Other purposes | - | 350,921 | - | 349,738 |
| Assigned to capital projects | - | - | - | - |
| Total fund balances | 1,328,888 | 350,921 | 80,479 | 349,738 |
| Total liabilities and fund balances | \$ 1,357,402 | \$ 410,530 | \$ 81,599 | \$ 349,868 |

Special Revenue Funds

| Parks Maint & Capital Imp Millage | Local Forfeiture | Community Dev. Block Grant | Senior Center Endowment | Home Program | Sidewalk Improvement | Major Grants |
|--------------------------------------------|---------------------|----------------------------------|-------------------------------|-----------------|-------------------------|-------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 4,661,052 | 3,424 | - | 38,720 | 8,319 | 108,589 | - |
| - | - | - | - | - | - | - |
| 1,057 | - | - | - | - | 27,741 | - |
| - | - | - | - | - | 2,860 | 438 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | 43,193 | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | 347,098 | - | - | - | 518,268 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| <u>\$ 4,662,109</u> | <u>\$ 3,424</u> | <u>\$ 390,291</u> | <u>\$ 38,720</u> | <u>\$ 8,319</u> | <u>\$ 139,190</u> | <u>\$ 518,706</u> |
| \$ 626,240 | \$ - | \$ 9,453 | \$ - | \$ - | \$ 70,872 | \$ 44,182 |
| 100,838 | - | - | - | - | 5,690 | 12,516 |
| - | - | 251,850 | - | - | - | 248,909 |
| - | - | - | - | - | - | 16,776 |
| - | - | - | - | - | - | - |
| - | - | 128,988 | - | 8,319 | - | 75,613 |
| - | - | - | - | - | - | - |
| <u>727,078</u> | <u>-</u> | <u>390,291</u> | <u>-</u> | <u>8,319</u> | <u>76,562</u> | <u>397,996</u> |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 3,935,031 | - | - | 38,720 | - | - | - |
| - | - | - | - | - | - | - |
| - | 3,424 | - | - | - | - | - |
| - | - | - | - | - | - | 120,710 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | 62,628 | - |
| - | - | - | - | - | - | - |
| <u>3,935,031</u> | <u>3,424</u> | <u>-</u> | <u>38,720</u> | <u>-</u> | <u>62,628</u> | <u>120,710</u> |
| <u>\$ 4,662,109</u> | <u>\$ 3,424</u> | <u>\$ 390,291</u> | <u>\$ 38,720</u> | <u>\$ 8,319</u> | <u>\$ 139,190</u> | <u>\$ 518,706</u> |

Continued...

CITY OF ANN ARBOR, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2012

| | Debt Service | | Capital Projects | |
|--------------------------------------------|----------------------|--------------------------|----------------------|-------------------|
| | General Debt Service | Special Assessment Bonds | Maintenance Facility | Municipal Center |
| Assets | | | | |
| Cash | \$ 91,038 | \$ 5,189 | \$ - | \$ - |
| Equity in pooled cash and investments | 228,716 | 984,653 | 1,917,821 | 569,338 |
| Investments, at fair value | - | - | - | - |
| Receivables: | | | | |
| Taxes | 318 | - | - | - |
| Accounts | - | - | - | - |
| Special assessments | - | 88,337 | - | - |
| Accrued interest and dividends | - | - | - | - |
| Improvement charges | - | 745 | - | - |
| Loans | - | - | - | - |
| Due from other funds | - | - | - | - |
| Due from other governments | - | - | - | - |
| Prepaid items | - | - | - | - |
| Inventories, at cost | - | - | - | - |
| Total assets | \$ 320,072 | \$ 1,078,924 | \$ 1,917,821 | \$ 569,338 |
| Liabilities | | | | |
| Accounts payable | \$ - | \$ - | \$ 160,755 | \$ 95,092 |
| Accrued liabilities | - | - | 981 | 718 |
| Due to other funds | - | - | - | - |
| Due to other governments | - | - | - | - |
| Deposits | - | - | - | - |
| Deferred revenue | - | 80,836 | - | - |
| Accrued compensated absences | - | - | - | - |
| Total liabilities | - | 80,836 | 161,736 | 95,810 |
| Fund balances | | | | |
| Nonspendable | - | - | - | - |
| Restricted for: | | | | |
| Debt service | 320,072 | 998,088 | - | - |
| Culture and recreation | - | - | - | - |
| Road maintenance and repairs | - | - | - | - |
| Law enforcement | - | - | - | - |
| Other purposes | - | - | - | - |
| Committed for: | | | | |
| Culture and recreation | - | - | - | - |
| Public safety | - | - | - | - |
| Other purposes | - | - | - | - |
| Assigned to capital projects | - | - | 1,756,085 | 473,528 |
| Total fund balances | 320,072 | 998,088 | 1,756,085 | 473,528 |
| Total liabilities and fund balances | \$ 320,072 | \$ 1,078,924 | \$ 1,917,821 | \$ 569,338 |



| Capital Projects | Permanent | |
|------------------------------|-------------------------|-------|
| General Capital Improvements | Elizabeth R. Dean Trust | Total |

| | | |
|------------------|---------------------|----------------------|
| \$ - | \$ - | \$ 566,342 |
| 57,551 | 351,176 | 42,912,444 |
| - | 1,850,781 | 1,912,944 |
| - | - | 96,168 |
| - | - | 555,157 |
| - | - | 144,679 |
| - | 11,806 | 11,806 |
| - | - | 745 |
| - | - | 43,193 |
| - | - | - |
| - | - | 2,078,989 |
| - | - | 1,800 |
| - | - | - |
| <u>\$ 57,551</u> | <u>\$ 2,213,763</u> | <u>\$ 48,324,267</u> |

| | | |
|--------------|--------------|------------------|
| \$ 1,767 | \$ 516 | \$ 1,229,825 |
| - | 892 | 307,617 |
| - | - | 507,683 |
| - | - | 31,935 |
| - | - | - |
| - | - | 374,781 |
| - | - | - |
| <u>1,767</u> | <u>1,408</u> | <u>2,451,841</u> |

| | | |
|------------------|---------------------|----------------------|
| - | 1,984,000 | 1,985,800 |
| - | - | 1,318,160 |
| - | 228,355 | 16,183,964 |
| - | - | 13,481,429 |
| - | - | 1,395,115 |
| - | - | 4,605,005 |
| - | - | 104,823 |
| - | - | 3,070,419 |
| - | - | 1,442,314 |
| 55,784 | - | 2,285,397 |
| <u>55,784</u> | <u>2,212,355</u> | <u>45,872,426</u> |
| <u>\$ 57,551</u> | <u>\$ 2,213,763</u> | <u>\$ 48,324,267</u> |

Concluded

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Revenue, Expenditures
and Changes in Fund Balances - Nonmajor Governmental Funds

| | Special Revenue Funds | | | |
|---------------------------------------------|-----------------------|---------------------------------------------|-----------------------------------------|------------------------------------|
| | Energy Projects | Parks Repair & Restoration Millage | Local Law Enforcement Block Grant | Community Television Network |
| Revenues | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Special assessments/improvement charges | - | - | - | - |
| Licenses, permits and registration | - | - | - | 1,813,333 |
| Federal grants | - | - | 59,873 | - |
| State shared revenues and grants | - | - | - | - |
| Charges for services | 15,710 | - | - | - |
| Fines and forfeits | - | - | - | - |
| Interest and penalties | - | - | - | - |
| Investment income | 10,065 | 647 | - | 72,839 |
| Contributions and donations | - | - | - | - |
| Intra-governmental sales | - | - | - | - |
| Other revenues | 4,122 | 21 | - | 11,345 |
| Total revenues | 29,897 | 668 | 59,873 | 1,897,517 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 103,077 | - | - | 1,488,209 |
| Public safety | - | - | 33,872 | - |
| Public works | - | - | - | - |
| Community and economic development | - | - | - | - |
| Culture and recreation | - | 3,695 | - | - |
| Capital outlay | - | - | 26,001 | 175,135 |
| Debt service: | | | | |
| Principal retirement | - | - | - | - |
| Interest and fiscal charges | - | - | - | - |
| Total expenditures | 103,077 | 3,695 | 59,873 | 1,663,344 |
| Revenues over (under) expenditures | (73,180) | (3,027) | - | 234,173 |
| Other financing sources (uses) | | | | |
| Transfers in | 121,609 | - | - | - |
| Transfers out | - | (64,000) | - | - |
| Sale of property and equipment | - | - | - | - |
| Issuance of debt | - | - | - | - |
| Bond premium | - | - | - | - |
| Refunding bond escrow agent payment | - | - | - | - |
| Total other financing sources (uses) | 121,609 | (64,000) | - | - |
| Net change in fund balances | 48,429 | (67,027) | - | 234,173 |
| Fund balances, beginning of year | 555,054 | 67,027 | - | 4,250,122 |
| Fund balances, end of year | \$ 603,483 | \$ - | \$ - | \$ 4,484,295 |

| Special Revenue Funds | | | | | |
|-------------------------|-----------------------------------|---------------------|---------------------|------------------|------------------------------------|
| Homeland Security Grant | Parks Rehab & Development Millage | Major Streets | Local Streets | Court Facilities | Open Space & Parkland Preservation |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,136,675 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 88,005 | - | - | - | - | 312,620 |
| - | - | 5,787,682 | 1,575,334 | - | - |
| - | - | 1,047,254 | 180,000 | - | - |
| - | - | - | - | 116,725 | - |
| - | - | - | - | - | - |
| - | 4,687 | 128,561 | 57,922 | (93) | 176,082 |
| - | - | - | - | - | - |
| - | - | 208,243 | - | - | - |
| - | - | 71,319 | 1,502 | - | 391 |
| <u>88,005</u> | <u>4,687</u> | <u>7,243,059</u> | <u>1,814,758</u> | <u>116,632</u> | <u>2,625,768</u> |
| - | - | - | - | - | - |
| 88,005 | - | - | - | - | - |
| - | - | 5,256,461 | 1,262,453 | - | - |
| - | - | - | - | - | - |
| - | 95,672 | - | - | - | 253,231 |
| - | 30,674 | - | - | - | 1,584,650 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>88,005</u> | <u>126,346</u> | <u>5,256,461</u> | <u>1,262,453</u> | <u>-</u> | <u>1,837,881</u> |
| - | (121,659) | 1,986,598 | 552,305 | 116,632 | 787,887 |
| - | - | 34,656 | - | 110,000 | - |
| - | (413,405) | (933,984) | (163,832) | (225,000) | (1,296,751) |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | (413,405) | (899,328) | (163,832) | (115,000) | (1,296,751) |
| - | (535,064) | 1,087,270 | 388,473 | 1,632 | (508,864) |
| - | 535,064 | 7,440,430 | 3,185,879 | - | 10,096,392 |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 8,527,700</u> | <u>\$ 3,574,352</u> | <u>\$ 1,632</u> | <u>\$ 9,587,528</u> |

Continued...

CITY OF ANN ARBOR, MICHIGAN

**Combining Statement of Revenue, Expenditures
and Changes in Fund Balances - Nonmajor Governmental Funds**

| | Special Revenue Funds | | | |
|---------------------------------------------|-----------------------|---------------------|-------------------|--------------------------------------|
| | Bandemer | Construction Code | Drug Enforcement | Federal Equitable Sharing Forfeiture |
| Revenues | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Special assessments/improvement charges | - | - | - | - |
| Licenses, permits and registration | - | 3,196,182 | - | - |
| Federal grants | - | - | - | - |
| State shared revenues and grants | - | - | - | - |
| Charges for services | - | - | - | - |
| Fines and forfeits | - | - | 44,796 | 221,015 |
| Interest and penalties | - | - | - | - |
| Investment income | 1,490 | 45,703 | 3,599 | 3,597 |
| Contributions and donations | - | - | - | - |
| Intra-governmental sales | - | - | - | - |
| Other revenues | 6,900 | 7,535 | - | - |
| Total revenues | 8,390 | 3,249,420 | 48,395 | 224,612 |
| Expenditures | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | - | 2,068,519 | 59,471 | 86,241 |
| Public works | - | - | - | - |
| Community and economic development | - | - | - | - |
| Culture and recreation | 2,364 | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service: | | | | |
| Principal retirement | - | - | - | - |
| Interest and fiscal charges | - | - | - | - |
| Total expenditures | 2,364 | 2,068,519 | 59,471 | 86,241 |
| Revenues over (under) expenditures | 6,026 | 1,180,901 | (11,076) | 138,371 |
| Other financing sources (uses) | | | | |
| Transfers in | - | 100,000 | - | - |
| Transfers out | - | - | - | - |
| Sale of property and equipment | - | - | - | - |
| Issuance of debt | - | - | - | - |
| Bond premium | - | - | - | - |
| Refunding bond escrow agent payment | - | - | - | - |
| Total other financing sources (uses) | - | 100,000 | - | - |
| Net change in fund balances | 6,026 | 1,280,901 | (11,076) | 138,371 |
| Fund balances, beginning of year | 98,797 | 1,789,518 | 270,109 | 174,721 |
| Fund balances, end of year | \$ 104,823 | \$ 3,070,419 | \$ 259,033 | \$ 313,092 |

| Special Revenue Funds | | | | | |
|--------------------------------------|---------------------|-----------------------|-------------------------|---------------------------|-------------------------------|
| Parks Memorial & Contributions | Metro Expansion | Special Assistance | Open Space Endowment | Police and Fire Relief | Cemetery Perpetual Care |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 346,877 | - | - | - | - |
| - | - | - | - | - | 700 |
| - | - | - | - | - | - |
| 8,464 | 20,998 | 106 | 8,624 | 11,982 | 1,066 |
| 247,578 | - | 4,655 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>256,042</u> | <u>367,875</u> | <u>4,761</u> | <u>8,624</u> | <u>11,982</u> | <u>1,766</u> |
| - | - | - | - | - | - |
| - | 347,637 | - | - | - | - |
| - | - | 8,000 | - | - | - |
| 14,304 | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>14,304</u> | <u>347,637</u> | <u>8,000</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>241,738</u> | <u>20,238</u> | <u>(3,239)</u> | <u>8,624</u> | <u>11,982</u> | <u>1,766</u> |
| - | - | - | 71,601 | - | - |
| (29,241) | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>(29,241)</u> | <u>-</u> | <u>-</u> | <u>71,601</u> | <u>-</u> | <u>-</u> |
| 212,497 | 20,238 | (3,239) | 80,225 | 11,982 | 1,766 |
| <u>327,184</u> | <u>1,359,139</u> | <u>5,283</u> | <u>445,536</u> | <u>727,273</u> | <u>71,734</u> |
| <u>\$ 539,681</u> | <u>\$ 1,379,377</u> | <u>\$ 2,044</u> | <u>\$ 525,761</u> | <u>\$ 739,255</u> | <u>\$ 73,500</u> |

Continued...

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Revenue, Expenditures
and Changes in Fund Balances - Nonmajor Governmental Funds

| | Special Revenue Funds | | | |
|---------------------------------------------|----------------------------|-------------------------------|---------------------------------|-----------------------|
| | Art in Public Places | Alternative Transportation | Michigan Justice Training | Affordable Housing |
| Revenues | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Special assessments/improvement charges | - | 25,000 | - | - |
| Licenses, permits and registration | - | - | - | - |
| Federal grants | - | - | - | - |
| State shared revenues and grants | - | - | 22,815 | - |
| Charges for services | - | (856) | - | - |
| Fines and forfeits | - | - | - | - |
| Interest and penalties | - | 147 | - | - |
| Investment income | 23,789 | 10,960 | 1,330 | 6,029 |
| Contributions and donations | - | - | - | 33,426 |
| Intra-governmental sales | - | - | - | - |
| Other revenues | - | - | - | 30,519 |
| Total revenues | 23,789 | 35,251 | 24,145 | 69,974 |
| Expenditures | | | | |
| Current: | | | | |
| General government | - | 17,384 | - | - |
| Public safety | - | - | 40,160 | - |
| Public works | - | 187,282 | - | - |
| Community and economic development | 387,588 | - | - | 77,552 |
| Culture and recreation | 31,767 | - | - | - |
| Capital outlay | - | 166,456 | - | - |
| Debt service: | | | | |
| Principal retirement | - | - | - | - |
| Interest and fiscal charges | - | - | - | - |
| Total expenditures | 419,355 | 371,122 | 40,160 | 77,552 |
| Revenues over (under) expenditures | (395,566) | (335,871) | (16,015) | (7,578) |
| Other financing sources (uses) | | | | |
| Transfers in | 317,627 | 169,873 | - | - |
| Transfers out | - | - | - | - |
| Sale of property and equipment | - | - | - | - |
| Issuance of debt | - | - | - | - |
| Bond premium | - | - | - | - |
| Refunding bond escrow agent payment | - | - | - | - |
| Total other financing sources (uses) | 317,627 | 169,873 | - | - |
| Net change in fund balances | (77,939) | (165,998) | (16,015) | (7,578) |
| Fund balances, beginning of year | 1,406,827 | 516,919 | 96,494 | 357,316 |
| Fund balances, end of year | \$ 1,328,888 | \$ 350,921 | \$ 80,479 | \$ 349,738 |

| Special Revenue Funds | | | | | | |
|--------------------------------------|------------------|-----------------------|-------------------------|--------------|----------------------|-------------------|
| Parks Maint. & Capital Impr. Millage | Local Forfeiture | Community Development | Senior Center Endowment | Home Program | Sidewalk Improvement | Major Grants |
| \$ 4,904,411 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | 432,630 | - | 2,250 | - | 671,807 |
| (459) | - | - | - | - | 78,412 | 394,234 |
| - | - | - | - | - | - | - |
| 111,882 | 310 | - | 814 | - | 2,770 | (777) |
| - | - | - | - | - | - | - |
| 6,138 | - | 4,750 | - | - | 467 | - |
| <u>5,021,972</u> | <u>310</u> | <u>437,380</u> | <u>814</u> | <u>2,250</u> | <u>81,649</u> | <u>1,065,264</u> |
| - | - | - | - | - | - | 751,742 |
| - | 24,283 | - | - | - | - | 3,083 |
| - | - | - | - | - | 288,460 | 29,333 |
| 4,388,413 | - | 437,380 | - | 2,250 | - | - |
| 1,590,834 | - | - | - | - | - | 187,674 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| <u>5,979,247</u> | <u>24,283</u> | <u>437,380</u> | <u>-</u> | <u>2,250</u> | <u>288,460</u> | <u>971,832</u> |
| <u>(957,275)</u> | <u>(23,973)</u> | <u>-</u> | <u>814</u> | <u>-</u> | <u>(206,811)</u> | <u>93,432</u> |
| 477,405 | - | - | - | - | - | - |
| (12,733) | - | - | (37,500) | - | - | (100,000) |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| <u>464,672</u> | <u>-</u> | <u>-</u> | <u>(37,500)</u> | <u>-</u> | <u>-</u> | <u>(100,000)</u> |
| (492,603) | (23,973) | - | (36,686) | - | (206,811) | (6,568) |
| <u>4,427,634</u> | <u>27,397</u> | <u>-</u> | <u>75,406</u> | <u>-</u> | <u>269,439</u> | <u>127,278</u> |
| <u>\$ 3,935,031</u> | <u>\$ 3,424</u> | <u>\$ -</u> | <u>\$ 38,720</u> | <u>\$ -</u> | <u>\$ 62,628</u> | <u>\$ 120,710</u> |

Continued...

CITY OF ANN ARBOR, MICHIGAN

**Combining Statement of Revenue, Expenditures
and Changes in Fund Balances - Nonmajor Governmental Funds**

| | Debt Service | | Capital Projects | |
|---------------------------------------------|----------------------|---------------------------------------|----------------------|------------------|
| | General Debt Service | Special Assessment Bonds Debt Service | Maintenance Facility | Municipal Center |
| Revenues | | | | |
| Taxes | \$ 668,745 | \$ - | \$ - | \$ - |
| Special assessments/improvement charges | - | 18,609 | - | - |
| Licenses, permits and registration | - | - | - | - |
| Federal grants | - | - | - | - |
| State shared revenues and grants | - | - | - | - |
| Charges for services | 3,019,472 | - | - | - |
| Fines and forfeits | - | - | - | - |
| Interest and penalties | - | 442 | - | - |
| Investment income | 9,136 | 25,922 | 36,185 | 673 |
| Contributions and donations | - | - | - | - |
| Intra-governmental sales | - | - | - | - |
| Other revenues | 621 | - | 23,040 | - |
| Total revenues | 3,697,974 | 44,973 | 59,225 | 673 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 91,496 | - | - | - |
| Public safety | - | - | - | - |
| Public works | - | - | - | - |
| Community and economic development | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Capital outlay | - | - | 357,654 | 2,172,843 |
| Debt service: | | | | |
| Principal retirement | 3,230,000 | 90,000 | - | - |
| Interest and fiscal charges | 5,102,050 | 15,443 | - | - |
| Total expenditures | 8,423,546 | 105,443 | 357,654 | 2,172,843 |
| Revenues over (under) expenditures | (4,725,572) | (60,470) | (298,429) | (2,172,170) |
| Other financing sources (uses) | | | | |
| Transfers in | 4,599,063 | - | - | - |
| Transfers out | - | - | - | - |
| Sale of property and equipment | - | - | - | 2,603,000 |
| Issuance of debt | 2,670,000 | - | - | - |
| Bond premium | 33,375 | - | - | - |
| Refunding bond escrow agent payment | (2,714,429) | - | - | - |
| Total other financing sources (uses) | 4,588,009 | - | - | 2,603,000 |
| Net change in fund balances | (137,563) | (60,470) | (298,429) | 430,830 |
| Fund balances, beginning of year | 457,635 | 1,058,558 | 2,054,514 | 42,698 |
| Fund balances, end of year | \$ 320,072 | \$ 998,088 | \$ 1,756,085 | \$ 473,528 |

| Capital Projects | | Permanent | |
|------------------------------|-------------------------|-----------|--------------------|
| General Capital Improvements | Elizabeth R. Dean Trust | | Total |
| \$ - | \$ - | \$ | 7,709,831 |
| - | - | | 43,609 |
| - | - | | 5,009,515 |
| - | - | | 1,567,185 |
| - | - | | 8,126,942 |
| 365,105 | - | | 4,705,338 |
| - | - | | 382,536 |
| - | - | | 589 |
| 277 | 29,361 | | 815,000 |
| - | - | | 285,659 |
| - | - | | 208,243 |
| - | - | | 168,670 |
| <u>365,382</u> | <u>29,361</u> | | <u>29,023,117</u> |
| - | - | | 2,451,908 |
| - | - | | 2,403,634 |
| 279,669 | - | | 7,651,295 |
| - | - | | 912,770 |
| - | 83,617 | | 4,873,063 |
| - | - | | 6,291,921 |
| - | - | | 3,320,000 |
| - | - | | 5,117,493 |
| <u>279,669</u> | <u>83,617</u> | | <u>33,022,084</u> |
| <u>85,713</u> | <u>(54,256)</u> | | <u>(3,998,967)</u> |
| - | - | | 6,001,834 |
| (46,664) | - | | (3,323,110) |
| - | - | | 2,603,000 |
| - | - | | 2,670,000 |
| - | - | | 33,375 |
| - | - | | (2,714,429) |
| <u>(46,664)</u> | <u>-</u> | | <u>5,270,670</u> |
| 39,049 | (54,256) | | 1,271,703 |
| 16,735 | 2,266,611 | | 44,600,723 |
| <u>\$ 55,784</u> | <u>\$ 2,212,355</u> | <u>\$</u> | <u>45,872,426</u> |

Concluded

CITY OF ANN ARBOR, MICHIGAN

Schedule of Revenue, Expenditures and Changes in Fund Balance
 Budget and Actual - Nonmajor Special Revenue Funds

| | Energy Projects | | |
|---------------------------------------------|-----------------|----------------|----------------------------------|
| | Final Budget | Actual | Actual Over (Under) Final Budget |
| Revenues | | | |
| Taxes | \$ - | \$ - | \$ - |
| Special assessments/improvement charges | - | - | - |
| Licenses, permits and registration | - | - | - |
| Federal grants | - | - | - |
| State shared revenues and grants | - | - | - |
| Charges for services | 12,000 | 15,710 | 3,710 |
| Fines and forfeits | - | - | - |
| Interest and penalties | - | - | - |
| Investment income | 10,141 | 10,065 | (76) |
| Contributions and donations | - | - | - |
| Intra-governmental sales | - | - | - |
| Other revenues | - | 4,122 | 4,122 |
| Total revenues | 22,141 | 29,897 | 7,756 |
| Expenditures | | | |
| Current: | | | |
| General government | 71,472 | 103,077 | (31,605) |
| Public safety | - | - | - |
| Public works | - | - | - |
| Community and economic development | - | - | - |
| Culture and recreation | - | - | - |
| Capital outlay | 86,990 | - | 86,990 |
| Debt service: | | | |
| Principal retirement | - | - | - |
| Interest and fiscal charges | - | - | - |
| Total expenditures | 158,462 | 103,077 | 55,385 |
| Revenues over (under) expenditures | (136,321) | (73,180) | (47,629) |
| Other financing sources (uses) | | | |
| Transfers in | 21,609 | 121,609 | 100,000 |
| Transfers out | - | - | - |
| Issuance of debt | - | - | - |
| Total other financing sources (uses) | 21,609 | 121,609 | 100,000 |
| Net change in fund balances | (114,712) | 48,429 | 52,371 |
| Fund balances, beginning of year | 555,054 | 555,054 | - |
| Fund balances, end of year | \$ 440,342 | \$ 603,483 | \$ 52,371 |

| Parks Repair & Restoration Millage | | | Local Law Enforcement Block Grant | | |
|------------------------------------|----------|----------------------------------|-----------------------------------|--------|----------------------------------|
| Final Budget | Actual | Actual Over (Under) Final Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | 59,873 | 59,873 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 647 | 647 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 21 | 21 | - | - | - |
| - | 668 | 668 | 59,873 | 59,873 | - |
| - | - | - | - | - | - |
| - | - | - | 33,872 | 33,872 | - |
| - | - | - | - | - | - |
| - | 3,695 | (3,695) | - | - | - |
| - | - | - | 26,001 | 26,001 | - |
| - | - | - | - | - | - |
| - | 3,695 | (3,695) | 59,873 | 59,873 | - |
| - | (3,027) | 4,363 | - | - | - |
| - | - | - | - | - | - |
| (64,000) | (64,000) | - | - | - | - |
| - | - | - | - | - | - |
| (64,000) | (64,000) | - | - | - | - |
| (64,000) | (67,027) | 4,363 | - | - | - |
| 67,027 | 67,027 | - | - | - | - |
| \$ 3,027 | \$ - | \$ 4,363 | \$ - | \$ - | \$ - |

Continued...

CITY OF ANN ARBOR, MICHIGAN

Schedule of Revenue, Expenditures and Changes in Fund Balance
 Budget and Actual - Nonmajor Special Revenue Funds

| | Community Television Network | | |
|---------------------------------------------|------------------------------|------------------|----------------------------------|
| | Final Budget | Actual | Actual Over (Under) Final Budget |
| Revenues | | | |
| Taxes | \$ - | \$ - | \$ - |
| Special assessments/improvement charges | - | - | - |
| Licenses, permits and registration | 1,697,662 | 1,813,333 | 115,671 |
| Federal grants | - | - | - |
| State shared revenues and grants | - | - | - |
| Charges for services | - | - | - |
| Fines and forfeits | - | - | - |
| Interest and penalties | - | - | - |
| Investment income | 47,023 | 72,839 | 25,816 |
| Contributions and donations | - | - | - |
| Intra-governmental sales | - | - | - |
| Other revenues | 1,000 | 11,345 | 10,345 |
| Total revenues | 1,745,685 | 1,897,517 | 151,832 |
| Expenditures | | | |
| Current: | | | |
| General government | 1,516,500 | 1,488,209 | 28,291 |
| Public safety | - | - | - |
| Public works | - | - | - |
| Community and economic development | - | - | - |
| Culture and recreation | - | - | - |
| Capital outlay | 346,845 | 175,135 | 171,710 |
| Debt service: | | | |
| Principal retirement | - | - | - |
| Interest and fiscal charges | - | - | - |
| Total expenditures | 1,863,345 | 1,663,344 | 200,001 |
| Revenues over (under) expenditures | (117,660) | 234,173 | (48,169) |
| Other financing sources (uses) | | | |
| Transfers in | - | - | - |
| Transfers out | - | - | - |
| Issuance of debt | - | - | - |
| Total other financing sources (uses) | - | - | - |
| Net change in fund balances | (117,660) | 234,173 | (48,169) |
| Fund balances, beginning of year | 4,250,122 | 4,250,122 | - |
| Fund balances, end of year | \$ 4,132,462 | \$ 4,484,295 | \$ (48,169) |

| Homeland Security Grant | | |
|-------------------------|---------------|----------------------------------|
| Final Budget | Actual | Actual Over (Under) Final Budget |
| \$ - | \$ - | \$ - |
| - | - | - |
| - | - | - |
| 88,008 | 88,005 | (3) |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| <u>88,008</u> | <u>88,005</u> | <u>(3)</u> |
| - | - | - |
| 88,008 | 88,005 | 3 |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| <u>88,008</u> | <u>88,005</u> | <u>3</u> |
| - | - | (6) |
| - | - | - |
| - | - | - |
| - | - | - |
| <u>-</u> | <u>-</u> | <u>(6)</u> |
| \$ - | \$ - | \$ (6) |

| Parks Rehab & Development Millage | | |
|-----------------------------------|------------------|----------------------------------|
| Final Budget | Actual | Actual Over (Under) Final Budget |
| \$ - | \$ - | \$ - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| 23,336 | 4,687 | (18,649) |
| - | - | - |
| - | - | - |
| - | - | - |
| <u>23,336</u> | <u>4,687</u> | <u>(18,649)</u> |
| - | - | - |
| - | - | - |
| - | - | - |
| 162,953 | 95,672 | 67,281 |
| - | 30,674 | (30,674) |
| - | - | - |
| - | - | - |
| <u>162,953</u> | <u>126,346</u> | <u>36,607</u> |
| <u>(139,617)</u> | <u>(121,659)</u> | <u>(55,256)</u> |
| - | - | - |
| - | - | - |
| (413,405) | (413,405) | - |
| - | - | - |
| <u>(413,405)</u> | <u>(413,405)</u> | <u>-</u> |
| (553,022) | (535,064) | (55,256) |
| - | - | - |
| <u>535,064</u> | <u>535,064</u> | <u>-</u> |
| \$ (17,958) | \$ - | \$ (55,256) |

Continued...

CITY OF ANN ARBOR, MICHIGAN

Schedule of Revenue, Expenditures and Changes in Fund Balance
 Budget and Actual - Nonmajor Special Revenue Funds

| | Major Streets | | |
|---------------------------------------------|------------------|------------------|----------------------------------|
| | Final Budget | Actual | Actual Over (Under) Final Budget |
| Revenues | | | |
| Taxes | \$ - | \$ - | \$ - |
| Special assessments/improvement charges | - | - | - |
| Licenses, permits and registration | - | - | - |
| Federal grants | - | - | - |
| State shared revenues and grants | 5,453,889 | 5,787,682 | 333,793 |
| Charges for services | 886,500 | 1,047,254 | 160,754 |
| Fines and forfeits | - | - | - |
| Interest and penalties | - | - | - |
| Investment income | 89,360 | 128,561 | 39,201 |
| Contributions and donations | - | - | - |
| Intra-governmental sales | 315,000 | 208,243 | (106,757) |
| Other revenues | 29,500 | 71,319 | 41,819 |
| Total revenues | 6,774,249 | 7,243,059 | 468,810 |
| Expenditures | | | |
| Current: | | | |
| General government | - | - | - |
| Public safety | - | - | - |
| Public works | 6,161,225 | 5,256,461 | 904,764 |
| Community and economic development | - | - | - |
| Culture and recreation | - | - | - |
| Capital outlay | 17,500 | - | 17,500 |
| Debt service: | | | |
| Principal retirement | - | - | - |
| Interest and fiscal charges | - | - | - |
| Total expenditures | 6,178,725 | 5,256,461 | 922,264 |
| Revenues over (under) expenditures | 595,524 | 1,986,598 | (453,454) |
| Other financing sources (uses) | | | |
| Transfers in | 34,656 | 34,656 | - |
| Transfers out | (933,984) | (933,984) | - |
| Issuance of debt | - | - | - |
| Total other financing sources (uses) | (899,328) | (899,328) | - |
| Net change in fund balances | (303,804) | 1,087,270 | (453,454) |
| Fund balances, beginning of year | 7,440,430 | 7,440,430 | - |
| Fund balances, end of year | \$ 7,136,626 | \$ 8,527,700 | \$ (453,454) |

| Local Streets | | | Court Facilities | | |
|---------------------|---------------------|----------------------------------|------------------|------------------|----------------------------------|
| Final Budget | Actual | Actual Over (Under) Final Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 1,486,504 | 1,575,334 | 88,830 | - | - | - |
| 180,000 | 180,000 | - | - | - | - |
| - | - | - | 160,000 | 116,725 | (43,275) |
| - | - | - | - | - | - |
| 44,158 | 57,922 | 13,764 | - | (93) | (93) |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 1,502 | 1,502 | - | - | - |
| <u>1,710,662</u> | <u>1,814,758</u> | <u>104,096</u> | <u>160,000</u> | <u>116,632</u> | <u>(43,368)</u> |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 1,544,968 | 1,262,453 | 282,515 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>1,544,968</u> | <u>1,262,453</u> | <u>282,515</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>165,694</u> | <u>552,305</u> | <u>(178,419)</u> | <u>160,000</u> | <u>116,632</u> | <u>(43,368)</u> |
| - | - | - | 65,000 | 110,000 | 45,000 |
| (165,694) | (163,832) | 1,862 | (225,000) | (225,000) | - |
| - | - | - | - | - | - |
| <u>(165,694)</u> | <u>(163,832)</u> | <u>1,862</u> | <u>(160,000)</u> | <u>(115,000)</u> | <u>45,000</u> |
| - | 388,473 | (176,557) | - | 1,632 | 1,632 |
| <u>3,185,879</u> | <u>3,185,879</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>\$ 3,185,879</u> | <u>\$ 3,574,352</u> | <u>\$ (176,557)</u> | <u>\$ -</u> | <u>\$ 1,632</u> | <u>\$ 1,632</u> |

Continued...

CITY OF ANN ARBOR, MICHIGAN

Schedule of Revenue, Expenditures and Changes in Fund Balance
 Budget and Actual - Nonmajor Special Revenue Funds

| | Open Space & Parkland Preservation | | |
|---------------------------------------------|------------------------------------|---------------------|----------------------------------|
| | Final Budget | Actual | Actual Over (Under) Final Budget |
| Revenues | | | |
| Taxes | \$ 2,132,145 | \$ 2,136,675 | \$ 4,530 |
| Special assessments/improvement charges | - | - | - |
| Licenses, permits and registration | - | - | - |
| Federal grants | - | 312,620 | 312,620 |
| State shared revenues and grants | - | - | - |
| Charges for services | - | - | - |
| Fines and forfeits | - | - | - |
| Interest and penalties | - | - | - |
| Investment income | 204,441 | 176,082 | (28,359) |
| Contributions and donations | - | - | - |
| Intra-governmental sales | - | - | - |
| Other revenues | - | 391 | 391 |
| Total revenues | 2,336,586 | 2,625,768 | 289,182 |
| Expenditures | | | |
| Current: | | | |
| General government | - | - | - |
| Public safety | - | - | - |
| Public works | - | - | - |
| Community and economic development | - | - | - |
| Culture and recreation | 330,841 | 253,231 | 77,610 |
| Capital outlay | 1,585,392 | 1,584,650 | 742 |
| Debt service: | | | |
| Principal retirement | - | - | - |
| Interest and fiscal charges | - | - | - |
| Total expenditures | 1,916,233 | 1,837,881 | 78,352 |
| Revenues over (under) expenditures | 420,353 | 787,887 | 210,830 |
| Other financing sources (uses) | | | |
| Transfers in | - | - | - |
| Transfers out | (1,296,976) | (1,296,751) | 225 |
| Issuance of debt | - | - | - |
| Total other financing sources (uses) | (1,296,976) | (1,296,751) | 225 |
| Net change in fund balances | (876,623) | (508,864) | 211,055 |
| Fund balances, beginning of year | 10,096,392 | 10,096,392 | - |
| Fund balances, end of year | \$ 9,219,769 | \$ 9,587,528 | \$ 211,055 |

| Bandemer | | | Construction Code | | |
|-------------------|-------------------|----------------------------------|---------------------|---------------------|----------------------------------|
| Final Budget | Actual | Actual Over (Under) Final Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| - | - | - | 1,878,800 | 3,196,182 | 1,317,382 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 1,311 | 1,490 | 179 | 4,000 | 45,703 | 41,703 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 4,200 | 6,900 | 2,700 | - | 7,535 | 7,535 |
| <u>5,511</u> | <u>8,390</u> | <u>2,879</u> | <u>1,882,800</u> | <u>3,249,420</u> | <u>1,366,620</u> |
| - | - | - | - | - | - |
| - | - | - | 2,240,353 | 2,068,519 | 171,834 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 2,323 | 2,364 | (41) | - | - | - |
| 1,877 | - | 1,877 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>4,200</u> | <u>2,364</u> | <u>1,836</u> | <u>2,240,353</u> | <u>2,068,519</u> | <u>171,834</u> |
| <u>1,311</u> | <u>6,026</u> | <u>1,043</u> | <u>(357,553)</u> | <u>1,180,901</u> | <u>1,194,786</u> |
| - | - | - | 100,000 | 100,000 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | 100,000 | 100,000 | - |
| 1,311 | 6,026 | 1,043 | (257,553) | 1,280,901 | 1,194,786 |
| 98,797 | 98,797 | - | 1,789,518 | 1,789,518 | - |
| <u>\$ 100,108</u> | <u>\$ 104,823</u> | <u>\$ 1,043</u> | <u>\$ 1,531,965</u> | <u>\$ 3,070,419</u> | <u>\$ 1,194,786</u> |

Continued...

CITY OF ANN ARBOR, MICHIGAN

Schedule of Revenue, Expenditures and Changes in Fund Balance
 Budget and Actual - Nonmajor Special Revenue Funds

| | Drug Enforcement | | |
|---------------------------------------------|------------------|---------------|----------------------------------|
| | Final Budget | Actual | Actual Over (Under) Final Budget |
| Revenues | | | |
| Taxes | \$ - | \$ - | \$ - |
| Special assessments/improvement charges | - | - | - |
| Licenses, permits and registration | - | - | - |
| Federal grants | - | - | - |
| State shared revenues and grants | - | - | - |
| Charges for services | - | - | - |
| Fines and forfeits | 2,500 | 44,796 | 42,296 |
| Interest and penalties | - | - | - |
| Investment income | 1,200 | 3,599 | 2,399 |
| Contributions and donations | - | - | - |
| Intra-governmental sales | - | - | - |
| Other revenues | - | - | - |
| Total revenues | 3,700 | 48,395 | 44,695 |
| Expenditures | | | |
| Current: | | | |
| General government | - | - | - |
| Public safety | 119,673 | 59,471 | 60,202 |
| Public works | - | - | - |
| Community and economic development | - | - | - |
| Culture and recreation | - | - | - |
| Capital outlay | - | - | - |
| Debt service: | | | |
| Principal retirement | - | - | - |
| Interest and fiscal charges | - | - | - |
| Total expenditures | 119,673 | 59,471 | 60,202 |
| Revenues over (under) expenditures | (115,973) | (11,076) | (15,507) |
| Other financing sources (uses) | | | |
| Transfers in | - | - | - |
| Transfers out | - | - | - |
| Issuance of debt | - | - | - |
| Total other financing sources (uses) | - | - | - |
| Net change in fund balances | (115,973) | (11,076) | (15,507) |
| Fund balances, beginning of year | 270,109 | 270,109 | - |
| Fund balances, end of year | \$ 154,136 | \$ 259,033 | \$ (15,507) |

| Federal Equitable Sharing Forfeiture | | | Parks & Memorial Contributions | | |
|--------------------------------------|-------------------|----------------------------------|--------------------------------|-------------------|----------------------------------|
| Final Budget | Actual | Actual Over (Under) Final Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 221,015 | 221,015 | - | - | - |
| - | - | - | - | - | - |
| 1,900 | 3,597 | 1,697 | 2,853 | 8,464 | 5,611 |
| - | - | - | 145,833 | 247,578 | 101,745 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>1,900</u> | <u>224,612</u> | <u>222,712</u> | <u>148,686</u> | <u>256,042</u> | <u>107,356</u> |
| - | - | - | - | - | - |
| 178,146 | 86,241 | 91,905 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | 14,309 | 14,304 | 5 |
| - | - | - | 57 | - | 57 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>178,146</u> | <u>86,241</u> | <u>91,905</u> | <u>14,366</u> | <u>14,304</u> | <u>62</u> |
| <u>(176,246)</u> | <u>138,371</u> | <u>130,807</u> | <u>134,320</u> | <u>241,738</u> | <u>107,294</u> |
| - | - | - | - | - | - |
| - | - | - | (41,056) | (29,241) | 11,815 |
| - | - | - | - | - | - |
| - | - | - | <u>(41,056)</u> | <u>(29,241)</u> | <u>11,815</u> |
| (176,246) | 138,371 | 130,807 | 93,264 | 212,497 | 119,109 |
| <u>174,721</u> | <u>174,721</u> | <u>-</u> | <u>327,184</u> | <u>327,184</u> | <u>-</u> |
| <u>\$ (1,525)</u> | <u>\$ 313,092</u> | <u>\$ 130,807</u> | <u>\$ 420,448</u> | <u>\$ 539,681</u> | <u>\$ 119,109</u> |

Continued...

CITY OF ANN ARBOR, MICHIGAN

Schedule of Revenue, Expenditures and Changes in Fund Balance
 Budget and Actual - Nonmajor Special Revenue Funds

| | Metro Expansion | | |
|---------------------------------------------|-----------------|----------------|----------------------------------|
| | Final Budget | Actual | Actual Over (Under) Final Budget |
| Revenues | | | |
| Taxes | \$ - | \$ - | \$ - |
| Special assessments/improvement charges | - | - | - |
| Licenses, permits and registration | - | - | - |
| Federal grants | - | - | - |
| State shared revenues and grants | 345,000 | 346,877 | 1,877 |
| Charges for services | - | - | - |
| Fines and forfeits | - | - | - |
| Interest and penalties | - | - | - |
| Investment income | 15,422 | 20,998 | 5,576 |
| Contributions and donations | - | - | - |
| Intra-governmental sales | - | - | - |
| Other revenues | - | - | - |
| Total revenues | 360,422 | 367,875 | 7,453 |
| Expenditures | | | |
| Current: | | | |
| General government | - | - | - |
| Public safety | - | - | - |
| Public works | 360,422 | 347,637 | 12,785 |
| Community and economic development | - | - | - |
| Culture and recreation | - | - | - |
| Capital outlay | - | - | - |
| Debt service: | | | |
| Principal retirement | - | - | - |
| Interest and fiscal charges | - | - | - |
| Total expenditures | 360,422 | 347,637 | 12,785 |
| Revenues over (under) expenditures | - | 20,238 | (5,332) |
| Other financing sources (uses) | | | |
| Transfers in | - | - | - |
| Transfers out | - | - | - |
| Issuance of debt | - | - | - |
| Total other financing sources (uses) | - | - | - |
| Net change in fund balances | - | 20,238 | (5,332) |
| Fund balances, beginning of year | 1,359,139 | 1,359,139 | - |
| Fund balances, end of year | \$ 1,359,139 | \$ 1,379,377 | \$ (5,332) |

| Special Assistance | | |
|--------------------|-----------------|----------------------------------|
| Final Budget | Actual | Actual Over (Under) Final Budget |
| \$ - | \$ - | \$ - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| 49 | 106 | 57 |
| 8,000 | 4,655 | (3,345) |
| - | - | - |
| - | - | - |
| <u>8,049</u> | <u>4,761</u> | <u>(3,288)</u> |
| - | - | - |
| - | - | - |
| 8,000 | 8,000 | - |
| - | - | - |
| - | - | - |
| - | - | - |
| <u>8,000</u> | <u>8,000</u> | <u>-</u> |
| 49 | (3,239) | (3,288) |
| - | - | - |
| - | - | - |
| <u>-</u> | <u>-</u> | <u>-</u> |
| 49 | (3,239) | (3,288) |
| 5,283 | 5,283 | - |
| <u>\$ 5,332</u> | <u>\$ 2,044</u> | <u>\$ (3,288)</u> |

| Open Space Endowment | | |
|----------------------|-------------------|----------------------------------|
| Final Budget | Actual | Actual Over (Under) Final Budget |
| \$ - | \$ - | \$ - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| 1,541 | 8,624 | 7,083 |
| - | - | - |
| - | - | - |
| <u>1,541</u> | <u>8,624</u> | <u>7,083</u> |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| <u>-</u> | <u>-</u> | <u>-</u> |
| 1,541 | 8,624 | 7,083 |
| - | 71,601 | 71,601 |
| - | - | - |
| - | - | - |
| <u>-</u> | <u>71,601</u> | <u>71,601</u> |
| 1,541 | 80,225 | 78,684 |
| 445,536 | 445,536 | - |
| <u>\$ 447,077</u> | <u>\$ 525,761</u> | <u>\$ 78,684</u> |

Continued...

CITY OF ANN ARBOR, MICHIGAN

Schedule of Revenue, Expenditures and Changes in Fund Balance
 Budget and Actual - Nonmajor Special Revenue Funds

| | Police and Fire Relief | | |
|---------------------------------------------|------------------------|-------------------|----------------------------------|
| | Final Budget | Actual | Actual Over (Under) Final Budget |
| Revenues | | | |
| Taxes | \$ - | \$ - | \$ - |
| Special assessments/improvement charges | - | - | - |
| Licenses, permits and registration | - | - | - |
| Federal grants | - | - | - |
| State shared revenues and grants | - | - | - |
| Charges for services | - | - | - |
| Fines and forfeits | - | - | - |
| Interest and penalties | - | - | - |
| Investment income | 10,000 | 11,982 | 1,982 |
| Contributions and donations | - | - | - |
| Intra-governmental sales | - | - | - |
| Other revenues | - | - | - |
| Total revenues | 10,000 | 11,982 | 1,982 |
| Expenditures | | | |
| Current: | | | |
| General government | - | - | - |
| Public safety | - | - | - |
| Public works | - | - | - |
| Community and economic development | - | - | - |
| Culture and recreation | - | - | - |
| Capital outlay | - | - | - |
| Debt service: | | | |
| Principal retirement | - | - | - |
| Interest and fiscal charges | - | - | - |
| Total expenditures | - | - | - |
| Revenues over (under) expenditures | 10,000 | 11,982 | 1,982 |
| Other financing sources (uses) | | | |
| Transfers in | - | - | - |
| Transfers out | - | - | - |
| Issuance of debt | - | - | - |
| Total other financing sources (uses) | - | - | - |
| Net change in fund balances | 10,000 | 11,982 | 1,982 |
| Fund balances, beginning of year | 727,273 | 727,273 | - |
| Fund balances, end of year | \$ 737,273 | \$ 739,255 | \$ 1,982 |

| Cemetery Perpetual Care | | | Art in Public Places | | |
|-------------------------|------------------|----------------------------------|----------------------|---------------------|----------------------------------|
| Final Budget | Actual | Actual Over (Under) Final Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 1,200 | 700 | (500) | - | - | - |
| - | - | - | - | - | - |
| - | 1,066 | 1,066 | 17,033 | 23,789 | 6,756 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>1,200</u> | <u>1,766</u> | <u>566</u> | <u>17,033</u> | <u>23,789</u> | <u>6,756</u> |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | 387,588 | 387,588 | - |
| - | - | - | 46,442 | 31,767 | 14,675 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>434,030</u> | <u>419,355</u> | <u>14,675</u> |
| <u>1,200</u> | <u>1,766</u> | <u>566</u> | <u>(416,997)</u> | <u>(395,566)</u> | <u>(7,919)</u> |
| - | - | - | 317,627 | 317,627 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>317,627</u> | <u>317,627</u> | <u>-</u> |
| 1,200 | 1,766 | 566 | (99,370) | (77,939) | (7,919) |
| <u>71,734</u> | <u>71,734</u> | <u>-</u> | <u>1,406,827</u> | <u>1,406,827</u> | <u>-</u> |
| <u>\$ 72,934</u> | <u>\$ 73,500</u> | <u>\$ 566</u> | <u>\$ 1,307,457</u> | <u>\$ 1,328,888</u> | <u>\$ (7,919)</u> |

Continued...

CITY OF ANN ARBOR, MICHIGAN

Schedule of Revenue, Expenditures and Changes in Fund Balance
 Budget and Actual - Nonmajor Special Revenue Funds

| | Alternative Transportation | | |
|---------------------------------------------|----------------------------|----------------|----------------------------------|
| | Final Budget | Actual | Actual Over (Under) Final Budget |
| Revenues | | | |
| Taxes | \$ - | \$ - | \$ - |
| Special assessments/improvement charges | - | 25,000 | 25,000 |
| Licenses, permits and registration | - | - | - |
| Federal grants | - | - | - |
| State shared revenues and grants | - | - | - |
| Charges for services | 100 | (856) | (956) |
| Fines and forfeits | - | - | - |
| Interest and penalties | - | 147 | 147 |
| Investment income | 11,888 | 10,960 | (928) |
| Contributions and donations | - | - | - |
| Intra-governmental sales | - | - | - |
| Other revenues | - | - | - |
| Total revenues | 11,988 | 35,251 | 23,263 |
| Expenditures | | | |
| Current: | | | |
| General government | 17,578 | 17,384 | 194 |
| Public safety | - | - | - |
| Public works | 252,789 | 187,282 | 65,507 |
| Community and economic development | - | - | - |
| Culture and recreation | - | - | - |
| Capital outlay | 166,456 | 166,456 | - |
| Debt service: | | | |
| Principal retirement | - | - | - |
| Interest and fiscal charges | - | - | - |
| Total expenditures | 436,823 | 371,122 | 65,701 |
| Revenues over (under) expenditures | (424,835) | (335,871) | (42,438) |
| Other financing sources (uses) | | | |
| Transfers in | 169,873 | 169,873 | - |
| Transfers out | - | - | - |
| Issuance of debt | - | - | - |
| Total other financing sources (uses) | 169,873 | 169,873 | - |
| Net change in fund balances | (254,962) | (165,998) | (42,438) |
| Fund balances, beginning of year | 516,919 | 516,919 | - |
| Fund balances, end of year | \$ 261,957 | \$ 350,921 | \$ (42,438) |

| Michigan Justice Training | | |
|---------------------------|------------------|----------------------------------|
| Final Budget | Actual | Actual Over (Under) Final Budget |
| \$ - | \$ - | \$ - |
| - | - | - |
| - | - | - |
| - | - | - |
| 20,000 | 22,815 | 2,815 |
| - | - | - |
| - | - | - |
| 1,000 | 1,330 | 330 |
| - | - | - |
| - | - | - |
| - | - | - |
| <u>21,000</u> | <u>24,145</u> | <u>3,145</u> |
| - | - | - |
| 112,010 | 40,160 | 71,850 |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| <u>112,010</u> | <u>40,160</u> | <u>71,850</u> |
| <u>(91,010)</u> | <u>(16,015)</u> | <u>(68,705)</u> |
| - | - | - |
| - | - | - |
| - | - | - |
| <u>-</u> | <u>-</u> | <u>-</u> |
| (91,010) | (16,015) | (68,705) |
| 96,494 | 96,494 | - |
| <u>\$ 5,484</u> | <u>\$ 80,479</u> | <u>\$ (68,705)</u> |

| Affordable Housing | | |
|--------------------|-------------------|----------------------------------|
| Final Budget | Actual | Actual Over (Under) Final Budget |
| \$ - | \$ - | \$ - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| 2,000 | 6,029 | 4,029 |
| 30,000 | 33,426 | 3,426 |
| - | - | - |
| 8,300 | 30,519 | 22,219 |
| <u>40,300</u> | <u>69,974</u> | <u>29,674</u> |
| - | - | - |
| - | - | - |
| 255,607 | 77,552 | 178,055 |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| <u>255,607</u> | <u>77,552</u> | <u>178,055</u> |
| <u>(215,307)</u> | <u>(7,578)</u> | <u>(148,381)</u> |
| - | - | - |
| - | - | - |
| - | - | - |
| <u>-</u> | <u>-</u> | <u>-</u> |
| (215,307) | (7,578) | (148,381) |
| 357,316 | 357,316 | - |
| <u>\$ 142,009</u> | <u>\$ 349,738</u> | <u>\$ (148,381)</u> |

Continued...

CITY OF ANN ARBOR, MICHIGAN

Schedule of Revenue, Expenditures and Changes in Fund Balance
 Budget and Actual - Nonmajor Special Revenue Funds

| | Parks Maint & Capital Improvement Millage | | |
|---------------------------------------------|-------------------------------------------|---------------------|----------------------------------|
| | Final Budget | Actual | Actual Over (Under) Final Budget |
| Revenues | | | |
| Taxes | \$ 4,929,333 | \$ 4,904,411 | \$ (24,922) |
| Special assessments/improvement charges | - | - | - |
| Licenses, permits and registration | - | - | - |
| Federal grants | - | - | - |
| State shared revenues and grants | - | - | - |
| Charges for services | - | (459) | (459) |
| Fines and forfeits | - | - | - |
| Interest and penalties | - | - | - |
| Investment income | 71,397 | 111,882 | 40,485 |
| Contributions and donations | - | - | - |
| Intra-governmental sales | - | - | - |
| Other revenues | - | 6,138 | 6,138 |
| Total revenues | 5,000,730 | 5,021,972 | 21,242 |
| Expenditures | | | |
| Current: | | | |
| General government | - | - | - |
| Public safety | - | - | - |
| Public works | - | - | - |
| Community and economic development | - | - | - |
| Culture and recreation | 4,335,226 | 4,388,413 | (53,187) |
| Capital outlay | 1,689,002 | 1,590,834 | 98,168 |
| Debt service: | | | |
| Principal retirement | - | - | - |
| Interest and fiscal charges | - | - | - |
| Total expenditures | 6,024,228 | 5,979,247 | 44,981 |
| Revenues over (under) expenditures | (1,023,498) | (957,275) | (23,739) |
| Other financing sources (uses) | | | |
| Transfers in | 477,405 | 477,405 | - |
| Transfers out | (12,733) | (12,733) | - |
| Issuance of debt | - | - | - |
| Total other financing sources (uses) | 464,672 | 464,672 | - |
| Net change in fund balances | (558,826) | (492,603) | (23,739) |
| Fund balances, beginning of year | 4,427,634 | 4,427,634 | - |
| Fund balances, end of year | \$ 3,868,808 | \$ 3,935,031 | \$ (23,739) |

| Local Forfeiture | | | Community Development | | |
|------------------|-----------------|----------------------------------|-----------------------|----------------|----------------------------------|
| Final Budget | Actual | Actual Over (Under) Final Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | 432,630 | 432,630 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 300 | 310 | 10 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | 4,750 | 4,750 | - |
| <u>300</u> | <u>310</u> | <u>10</u> | <u>437,380</u> | <u>437,380</u> | <u>-</u> |
| - | - | - | - | - | - |
| 26,538 | 24,283 | 2,255 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | 437,380 | 437,380 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>26,538</u> | <u>24,283</u> | <u>2,255</u> | <u>437,380</u> | <u>437,380</u> | <u>-</u> |
| <u>(26,238)</u> | <u>(23,973)</u> | <u>(2,245)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>(26,238)</u> | <u>(23,973)</u> | <u>(2,245)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>27,397</u> | <u>27,397</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>\$ 1,159</u> | <u>\$ 3,424</u> | <u>\$ (2,245)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Continued...

CITY OF ANN ARBOR, MICHIGAN

Schedule of Revenue, Expenditures and Changes in Fund Balance
 Budget and Actual - Nonmajor Special Revenue Funds

| | Senior Center Endowment | | |
|---------------------------------------------|-------------------------|------------------|----------------------------------|
| | Final Budget | Actual | Actual Over (Under) Final Budget |
| Revenues | | | |
| Taxes | \$ - | \$ - | \$ - |
| Special assessments/improvement charges | - | - | - |
| Licenses, permits and registration | - | - | - |
| Federal grants | - | - | - |
| State shared revenues and grants | - | - | - |
| Charges for services | - | - | - |
| Fines and forfeits | - | - | - |
| Interest and penalties | - | - | - |
| Investment income | 1,597 | 814 | (783) |
| Contributions and donations | - | - | - |
| Intra-governmental sales | - | - | - |
| Other revenues | - | - | - |
| Total revenues | 1,597 | 814 | (783) |
| Expenditures | | | |
| Current: | | | |
| General government | - | - | - |
| Public safety | - | - | - |
| Public works | - | - | - |
| Community and economic development | - | - | - |
| Culture and recreation | - | - | - |
| Capital outlay | - | - | - |
| Debt service: | | | |
| Principal retirement | - | - | - |
| Interest and fiscal charges | - | - | - |
| Total expenditures | - | - | - |
| Revenues over (under) expenditures | 1,597 | 814 | (783) |
| Other financing sources (uses) | | | |
| Transfers in | - | - | - |
| Transfers out | (37,500) | (37,500) | - |
| Issuance of debt | - | - | - |
| Total other financing sources (uses) | (37,500) | (37,500) | - |
| Net change in fund balances | (35,903) | (36,686) | (783) |
| Fund balances, beginning of year | 75,406 | 75,406 | - |
| Fund balances, end of year | \$ 39,503 | \$ 38,720 | \$ (783) |

| HOME Program | | | Sidewalk Improvement | | |
|--------------|--------------|----------------------------------|----------------------|------------------|----------------------------------|
| Final Budget | Actual | Actual Over (Under) Final Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 2,250 | 2,250 | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | 78,412 | 78,412 |
| - | - | - | - | - | - |
| - | - | - | - | 2,770 | 2,770 |
| - | - | - | - | - | - |
| - | - | - | - | 467 | 467 |
| <u>2,250</u> | <u>2,250</u> | <u>-</u> | <u>-</u> | <u>81,649</u> | <u>81,649</u> |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | 288,460 | 288,460 | - |
| 2,250 | 2,250 | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>2,250</u> | <u>2,250</u> | <u>-</u> | <u>288,460</u> | <u>288,460</u> | <u>-</u> |
| - | - | - | <u>(288,460)</u> | <u>(206,811)</u> | <u>81,649</u> |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | (288,460) | (206,811) | 81,649 |
| - | - | - | <u>269,439</u> | <u>269,439</u> | <u>-</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (19,021)</u> | <u>\$ 62,628</u> | <u>\$ 81,649</u> |

Continued...

CITY OF ANN ARBOR, MICHIGAN

Schedule of Revenue, Expenditures and Changes in Fund Balance
 Budget and Actual - Nonmajor Special Revenue Funds

| | Major Grants | | |
|---------------------------------------------|-------------------|-------------------|----------------------------------|
| | Final Budget | Actual | Actual Over (Under) Final Budget |
| Revenues | | | |
| Taxes | \$ - | \$ - | \$ - |
| Special assessments/improvement charges | - | - | - |
| Licenses, permits and registration | - | - | - |
| Federal grants | 671,808 | 671,807 | (1) |
| State shared revenues and grants | 394,232 | 394,234 | 2 |
| Charges for services | - | - | - |
| Fines and forfeits | - | - | - |
| Interest and penalties | - | - | - |
| Investment income | - | (777) | (777) |
| Contributions and donations | - | - | - |
| Intra-governmental sales | - | - | - |
| Other revenues | - | - | - |
| Total revenues | 1,066,040 | 1,065,264 | (776) |
| Expenditures | | | |
| Current: | | | |
| General government | 751,743 | 751,742 | 1 |
| Public safety | 3,083 | 3,083 | - |
| Public works | 29,332 | 29,333 | (1) |
| Community and economic development | - | - | - |
| Culture and recreation | - | - | - |
| Capital outlay | 187,674 | 187,674 | - |
| Debt service: | | | |
| Principal retirement | - | - | - |
| Interest and fiscal charges | - | - | - |
| Total expenditures | 971,832 | 971,832 | - |
| Revenues over (under) expenditures | 94,208 | 93,432 | (776) |
| Other financing sources (uses) | | | |
| Transfers in | - | - | - |
| Transfers out | (100,000) | (100,000) | - |
| Issuance of debt | - | - | - |
| Total other financing sources (uses) | (100,000) | (100,000) | - |
| Net change in fund balances | (5,792) | (6,568) | (776) |
| Fund balances, beginning of year | 127,278 | 127,278 | - |
| Fund balances, end of year | \$ 121,486 | \$ 120,710 | \$ (776) |

Concluded

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CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Net Assets

Internal Service Funds

June 30, 2012

| | Central Stores | Fleet Services | Information Technology |
|---------------------------------------|---------------------|----------------------|---------------------------|
| Assets | | | |
| Current assets: | | | |
| Cash | \$ - | \$ 150 | \$ - |
| Equity in pooled cash and investments | 1,482,252 | 10,789,700 | 5,475,993 |
| Accounts receivable, net | 1,180 | 72,694 | 3,702 |
| Prepaid items | - | - | 20,646 |
| Inventory | 491,744 | 398,781 | - |
| Total current assets | <u>1,975,176</u> | <u>11,261,325</u> | <u>5,500,341</u> |
| Noncurrent assets: | | | |
| Capital assets not depreciated | - | 90,005 | 487,280 |
| Capital assets being depreciated, net | 61,712 | 3,825,438 | 1,818,619 |
| Total noncurrent assets | <u>61,712</u> | <u>3,915,443</u> | <u>2,305,899</u> |
| Total assets | <u>2,036,888</u> | <u>15,176,768</u> | <u>7,806,240</u> |
| Liabilities | | | |
| Current liabilities: | | | |
| Accounts payable | 16,011 | 501,267 | 258,082 |
| Accrued liabilities | 9,010 | 41,343 | 73,738 |
| Estimated claims payable, current | - | - | - |
| Compensated absences, current | - | 29,915 | 5,168 |
| Total current liabilities | <u>25,021</u> | <u>572,525</u> | <u>336,988</u> |
| Noncurrent liabilities: | | | |
| Estimated claims payable, net | - | - | - |
| Compensated absences, net | 27,968 | 296,899 | 301,943 |
| Total noncurrent liabilities | <u>27,968</u> | <u>296,899</u> | <u>301,943</u> |
| Total liabilities | <u>52,989</u> | <u>869,424</u> | <u>638,931</u> |
| Net assets | | | |
| Invested in capital assets | 61,712 | 3,915,443 | 2,305,899 |
| Unrestricted | 1,922,187 | 10,391,901 | 4,861,410 |
| Total net assets | <u>\$ 1,983,899</u> | <u>\$ 14,307,344</u> | <u>\$ 7,167,309</u> |

Continued...



| Project Management | Insurance | Wheeler Center | Total |
|---------------------|---------------------|-------------------|----------------------|
| \$ 200 | \$ 5,137 | \$ - | \$ 5,487 |
| 4,909,755 | 7,965,610 | 235,970 | 30,859,280 |
| 68,397 | - | 89 | 146,062 |
| - | 1,458,441 | - | 1,479,087 |
| - | - | - | 890,525 |
| <u>4,978,352</u> | <u>9,429,188</u> | <u>236,059</u> | <u>33,380,441</u> |
| - | - | - | 577,285 |
| 58,726 | - | - | 5,764,495 |
| <u>58,726</u> | <u>-</u> | <u>-</u> | <u>6,341,780</u> |
| <u>5,037,078</u> | <u>9,429,188</u> | <u>236,059</u> | <u>39,722,221</u> |
| 17,019 | 804,132 | 19,996 | 1,616,507 |
| 36,794 | 10,776 | 202 | 171,863 |
| - | 1,868,574 | - | 1,868,574 |
| - | - | - | 35,083 |
| <u>53,813</u> | <u>2,683,482</u> | <u>20,198</u> | <u>3,692,027</u> |
| - | 1,935,468 | - | 1,935,468 |
| 210,931 | 34,498 | - | 872,239 |
| <u>210,931</u> | <u>1,969,966</u> | <u>-</u> | <u>2,807,707</u> |
| <u>264,744</u> | <u>4,653,448</u> | <u>20,198</u> | <u>6,499,734</u> |
| 58,726 | - | - | 6,341,780 |
| <u>4,713,608</u> | <u>4,775,740</u> | <u>215,861</u> | <u>26,880,707</u> |
| <u>\$ 4,772,334</u> | <u>\$ 4,775,740</u> | <u>\$ 215,861</u> | <u>\$ 33,222,487</u> |

Concluded

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Revenue, Expenses and Changes in Fund Net Assets

Internal Service Funds

For the Year Ended June 30, 2012

| | Central Stores | Fleet Services | Information Technology |
|--------------------------------------------------|-------------------|-------------------|---------------------------|
| Operating revenues | | | |
| Charges for services | \$ 1,154,819 | \$ 6,900,811 | \$ 6,404,569 |
| Operating expenses | | | |
| Personal services | 287,526 | 1,406,499 | 2,579,457 |
| Municipal service charge | 27,366 | 130,068 | 446,397 |
| Information technology charges | 33,508 | 79,461 | 259,850 |
| Other operating costs | 643,768 | 2,218,935 | 2,554,041 |
| Depreciation and amortization | 6,335 | 1,294,790 | 438,408 |
| Total operating expenses | 998,503 | 5,129,753 | 6,278,153 |
| Operating income (loss) | 156,316 | 1,771,058 | 126,416 |
| Nonoperating revenues (expenses) | | | |
| Investment income | 26,530 | 181,858 | 98,162 |
| Gain on sale of capital assets | - | 101,654 | - |
| Total nonoperating revenues (expenses) | 26,530 | 283,512 | 98,162 |
| Income (loss) before contributions and transfers | 182,846 | 2,054,570 | 224,578 |
| Capital contributions | - | 13,658 | - |
| Transfers in | - | - | - |
| Transfers out | (42,125) | (695,197) | - |
| Change in net assets | 140,721 | 1,373,031 | 224,578 |
| Net assets, beginning of year | 1,843,178 | 12,934,313 | 6,942,731 |
| Net assets, end of year | \$ 1,983,899 | \$ 14,307,344 | \$ 7,167,309 |

Continued...



| Project Management | Insurance | Wheeler Center | Total |
|--------------------|---------------|----------------|---------------|
| \$ 4,093,867 | \$ 27,414,598 | \$ 496,787 | \$ 46,465,451 |
| 1,530,384 | 417,920 | 35,341 | 6,257,127 |
| 123,387 | 285,480 | - | 1,012,698 |
| 283,508 | 22,382 | - | 678,709 |
| 170,713 | 23,973,789 | 371,637 | 29,932,883 |
| 3,914 | - | - | 1,743,447 |
| 2,111,906 | 24,699,571 | 406,978 | 39,624,864 |
| 1,981,961 | 2,715,027 | 89,809 | 6,840,587 |
| 58,973 | 141,467 | 3,038 | 510,028 |
| - | 500,000 | - | 601,654 |
| 58,973 | 641,467 | 3,038 | 1,111,682 |
| 2,040,934 | 3,356,494 | 92,847 | 7,952,269 |
| - | - | - | 13,658 |
| 92,192 | - | - | 92,192 |
| (27,764) | - | - | (765,086) |
| 2,105,362 | 3,356,494 | 92,847 | 7,293,033 |
| 2,666,972 | 1,419,246 | 123,014 | 25,929,454 |
| \$ 4,772,334 | \$ 4,775,740 | \$ 215,861 | \$ 33,222,487 |

Concluded

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Cash Flows
 Internal Service Funds
 For the Year Ended June 30, 2012

| | Central Stores | Fleet Services | Information Technology | Project Management |
|--------------------------------------------------------------------------------------|---------------------|----------------------|---------------------------|-----------------------|
| Cash flow from operating activities | | | | |
| Receipts from customers | \$ 1,154,146 | \$ 6,838,483 | \$ 6,409,824 | \$ 4,087,973 |
| Payments to suppliers | (794,332) | (2,190,400) | (3,096,354) | (573,612) |
| Payments on behalf of employees | (285,729) | (1,483,719) | (2,552,356) | (1,638,696) |
| Net cash provided by operating activities | <u>74,085</u> | <u>3,164,364</u> | <u>761,114</u> | <u>1,875,665</u> |
| Cash flows from noncapital financing activities | | | | |
| Transfers in | - | - | - | 92,192 |
| Transfers out | (42,125) | (695,197) | - | (27,764) |
| Net cash flows provided by (used in) noncapital financing activities | <u>(42,125)</u> | <u>(695,197)</u> | <u>-</u> | <u>64,428</u> |
| Cash flows from capital and related financing activities | | | | |
| Proceeds from sale of equipment | - | 175,497 | - | - |
| Acquisition of capital assets | (40,818) | (1,067,405) | (221,362) | (42,433) |
| Net cash flows provided by (used in) capital and related financing activities | <u>(40,818)</u> | <u>(891,908)</u> | <u>(221,362)</u> | <u>(42,433)</u> |
| Cash flows from investing activities | | | | |
| Interest and dividends on investments | <u>26,530</u> | <u>181,858</u> | <u>98,162</u> | <u>58,973</u> |
| Net change in cash and cash equivalents | <u>17,672</u> | <u>1,759,117</u> | <u>637,914</u> | <u>1,956,633</u> |
| Cash and cash equivalents, beginning of the year | <u>1,464,580</u> | <u>9,030,733</u> | <u>4,838,079</u> | <u>2,953,322</u> |
| Cash and cash equivalents, end of the year | <u>\$ 1,482,252</u> | <u>\$ 10,789,850</u> | <u>\$ 5,475,993</u> | <u>\$ 4,909,955</u> |
| Reconciliation to statement of net assets | | | | |
| Cash | \$ - | \$ 150 | \$ - | \$ 200 |
| Equity in pooled cash and investments | <u>1,482,252</u> | <u>10,789,700</u> | <u>5,475,993</u> | <u>4,909,755</u> |
| Cash and cash equivalent, end of year | <u>\$ 1,482,252</u> | <u>\$ 10,789,850</u> | <u>\$ 5,475,993</u> | <u>\$ 4,909,955</u> |

| Insurance | Wheeler Center | Total |
|---------------------|-------------------|----------------------|
| \$ 27,414,883 | \$ 496,713 | \$ 46,402,022 |
| (21,858,124) | (371,075) | (28,883,897) |
| (3,081,573) | (36,117) | (9,078,190) |
| <u>2,475,186</u> | <u>89,521</u> | <u>8,439,935</u> |
| - | - | 92,192 |
| - | - | (765,086) |
| - | - | (672,894) |
| 500,000 | - | 675,497 |
| - | - | (1,372,018) |
| <u>500,000</u> | <u>-</u> | <u>(696,521)</u> |
| <u>141,467</u> | <u>3,038</u> | <u>510,028</u> |
| 3,116,653 | 92,559 | 7,580,548 |
| <u>4,854,094</u> | <u>143,411</u> | <u>23,284,219</u> |
| <u>\$ 7,970,747</u> | <u>\$ 235,970</u> | <u>\$ 30,864,767</u> |
| \$ 5,137 | \$ - | \$ 5,487 |
| <u>7,965,610</u> | <u>235,970</u> | <u>30,859,280</u> |
| <u>\$ 7,970,747</u> | <u>\$ 235,970</u> | <u>\$ 30,864,767</u> |

Continued...

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Cash Flows
 Internal Service Funds
 For the Year Ended June 30, 2012

| | Central Stores | Fleet Services | Information Technology | Project Management |
|-----------------------------------------------------------------------------------------|-------------------|---------------------|---------------------------|-----------------------|
| Reconciliation of operating income to net cash provided by operating activities | | | | |
| Operating income | \$ 156,316 | \$ 1,771,058 | \$ 126,416 | \$ 1,981,961 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 6,335 | 1,294,790 | 438,408 | 3,914 |
| Changes in assets and liabilities: | | | | |
| Allowance for uncollectible accounts | (700) | - | (125) | 1,277 |
| Accounts receivable | 27 | (72,694) | 5,380 | (7,172) |
| Inventory | (91,552) | (76,366) | - | - |
| Prepaid items | - | - | (20,646) | - |
| Accounts payable | 1,863 | 318,399 | 184,582 | 3,995 |
| Accrued compensated absences | 17 | (81,818) | 19,374 | (102,658) |
| Estimated claims payable | - | - | - | - |
| Accrued liabilities | 1,779 | 626 | 7,725 | (5,652) |
| Due to other governments | - | - | - | - |
| Due to other funds | - | 10,369 | - | - |
| Due from other funds | - | - | - | - |
| Net cash provided by operating activities | <u>\$ 74,085</u> | <u>\$ 3,164,364</u> | <u>\$ 761,114</u> | <u>\$ 1,875,665</u> |



| Insurance | Wheeler Center | Total |
|---------------------|------------------|---------------------|
| \$ 2,715,027 | \$ 89,809 | \$ 6,840,587 |
| - | - | 1,743,447 |
| (4,256) | 38 | (3,766) |
| 3,648 | (112) | (70,923) |
| - | - | (167,918) |
| 57,705 | - | 37,059 |
| 88,408 | 563 | 597,810 |
| 9,105 | - | (155,980) |
| (374,440) | - | (374,440) |
| 5 | (777) | 3,706 |
| (20,909) | - | (20,909) |
| 66 | - | 10,435 |
| 827 | - | 827 |
| <u>\$ 2,475,186</u> | <u>\$ 89,521</u> | <u>\$ 8,439,935</u> |

Concluded

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Fiduciary Net Assets
Pension and Other Employee Benefits Trust Funds
June 30, 2012

| | Employees' Retirement System | Retiree Health Care Trust Fund | Total |
|-------------------------------------------------------|------------------------------------|--------------------------------------|-----------------------|
| Assets | | | |
| Cash | \$ 21,139 | \$ - | \$ 21,139 |
| Equity in pooled cash and investments | 580,580 | 14,524 | 595,104 |
| Investments, at fair value: | | | |
| Common stock | 18,631,111 | 11,353,185 | 29,984,296 |
| Common stock funds | 144,136,538 | 24,107,753 | 168,244,291 |
| Government bonds | 13,220,602 | 1,733,071 | 14,953,673 |
| Government agencies | 1,161,364 | 100,566 | 1,261,930 |
| Government agency funds | 25,970,750 | - | 25,970,750 |
| Municipal bonds | 615,298 | 90,288 | 705,586 |
| Corporate bonds | 40,236,640 | 3,337,214 | 43,573,854 |
| Corporate bond funds | 26,354,236 | 21,954,843 | 48,309,079 |
| Bank loan participation | 1,722,260 | - | 1,722,260 |
| Government mortgage backed | 17,331,293 | 2,783,468 | 20,114,761 |
| Commercial mortgage backed | 2,547,160 | 422,935 | 2,970,095 |
| Asset backed | 2,020,204 | 296,971 | 2,317,175 |
| Non-government backed CMOs | 1,858,865 | 281,661 | 2,140,526 |
| Index linked government bonds | 1,303,980 | - | 1,303,980 |
| Real estate | 5,178,168 | 3,957,458 | 9,135,626 |
| Partnerships | 70,380,045 | 12,709,359 | 83,089,404 |
| Hedge funds | 21,812,545 | 3,556,899 | 25,369,444 |
| Short-term bills and notes | 363,430 | 53,589 | 417,019 |
| Short-term investment funds | 5,415,203 | 2,923,924 | 8,339,127 |
| Portfolio cash | 479,135 | 144,451 | 623,586 |
| Accrued interest and dividends | 855,094 | 106,508 | 961,602 |
| Due from other governments | 13,389 | - | 13,389 |
| Due from broker for securities sold | 6,933,535 | 1,008,179 | 7,941,714 |
| Capital assets (net of depreciation of \$65,830) | 420,220 | - | 420,220 |
| Total assets | 409,562,784 | 90,936,846 | 500,499,630 |
| Liabilities | | | |
| Accounts payable | 2,695,184 | 45,457 | 2,740,641 |
| Accrued liabilities | 51,135 | - | 51,135 |
| Due to broker for securities purchased | 6,769,360 | 1,104,026 | 7,873,386 |
| Mortgage payable, due in one year | 22,951 | - | 22,951 |
| Mortgage payable, due in more than one year | 294,710 | - | 294,710 |
| Total liabilities | 9,833,340 | 1,149,483 | 10,982,823 |
| Net assets | | | |
| Invested in capital assets, net of related debt | 125,510 | - | 125,510 |
| Held in trust for pension and postemployment benefits | 399,603,934 | 89,787,363 | 489,391,297 |
| Total net assets | \$ 399,729,444 | \$ 89,787,363 | \$ 489,516,807 |

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Changes in Fiduciary Net Assets

Pension and Other Employee Benefit Trusts Funds

June 30, 2012

| | Employee Retirement System | Retiree Health Care Trust Fund | Total |
|----------------------------------------------------------|----------------------------|--------------------------------|----------------|
| Additions | | | |
| Investment income: | | | |
| <i>From investing activities:</i> | | | |
| Depreciation in fair value of investments | \$ (5,228,577) | \$ (408,934) | \$ (5,637,511) |
| Interest and dividends | 6,899,292 | 1,857,437 | 8,756,729 |
| Total investment income | 1,670,715 | 1,448,503 | 3,119,218 |
| Investment management fees | (914,525) | (320,949) | (1,235,474) |
| Net investment income from investing activities | 756,190 | 1,127,554 | 1,883,744 |
| <i>From securities lending activities:</i> | | | |
| Gross earnings | 137,446 | 30,634 | 168,080 |
| Borrower rebates received (paid) | 10,558 | 7,004 | 17,562 |
| Securities lending fees | (44,203) | (11,223) | (55,426) |
| Net investment income from securities lending activities | 103,801 | 26,415 | 130,216 |
| Total net investment income | 859,991 | 1,153,969 | 2,013,960 |
| Contributions: | | | |
| Employer | 12,741,158 | 11,052,888 | 23,794,046 |
| Plan member | 2,794,239 | - | 2,794,239 |
| Total contributions | 15,535,397 | 11,052,888 | 26,588,285 |
| Total additions | 16,395,388 | 12,206,857 | 28,602,245 |
| Deductions | | | |
| Benefits | 29,804,212 | 8,889,686 | 38,693,898 |
| Refund of contributions | 1,255,689 | - | 1,255,689 |
| Administrative expense | 802,569 | 21,424 | 823,993 |
| Total deductions | 31,862,470 | 8,911,110 | 40,773,580 |
| Change in net assets | (15,467,082) | 3,295,747 | (12,171,335) |
| Net assets, beginning of year | 415,196,526 | 86,491,616 | 501,688,142 |
| Net assets, end of year | \$ 399,729,444 | \$ 89,787,363 | \$ 489,516,807 |

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Assets and Liabilities

Agency Funds

June 30, 2012

| | Treasurer's Delinquent Tax | Treasurer's Current Tax | Contractors' Retainage | 15th District Court |
|------------------------------------------|----------------------------------|-------------------------------|---------------------------|---------------------------|
| Assets | | | | |
| Cash | \$ - | \$ 79,714 | \$ 1,385,130 | \$ 112,432 |
| Equity in pooled cash and investments | 60,688 | 14,994 | 4,125 | - |
| Total assets | \$ 60,688 | \$ 94,708 | \$ 1,389,255 | \$ 112,432 |
| Liabilities | | | | |
| Due to others | \$ - | \$ 94,708 | \$ 1,389,255 | \$ - |
| Due to other governments | 60,688 | - | - | 67,592 |
| Deposits | - | - | - | 44,840 |
| Total liabilities | \$ 60,688 | \$ 94,708 | \$ 1,389,255 | \$ 112,432 |

Continued...



| Payroll | Total |
|---------|-------|
|---------|-------|

| | |
|-------------|--------------|
| \$ - | \$ 1,577,276 |
| - | 79,807 |
| <hr/> | |
| \$ - | \$ 1,657,083 |
| <hr/> <hr/> | |

| | |
|-------------|--------------|
| \$ - | \$ 1,483,963 |
| - | 128,280 |
| - | 44,840 |
| <hr/> | |
| \$ - | \$ 1,657,083 |
| <hr/> <hr/> | |

Concluded

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Changes in Assets and Liabilities
 Agency Funds
 June 30, 2012

| | Beginning Balance | Additions | Deductions | Ending Balance |
|----------------------------------------|---------------------|-----------------------|-----------------------|---------------------|
| Treasurer's Delinquent Tax Fund | | | | |
| Assets | | | | |
| Equity in pooled cash and investments | \$ 137,109 | \$ 415,610 | \$ 492,031 | \$ 60,688 |
| Liabilities | | | | |
| Due to others | \$ - | \$ 833,312 | \$ 833,312 | \$ - |
| Due to other governments | 137,109 | 216,338 | 292,759 | 60,688 |
| Total liabilities | \$ 137,109 | \$ 1,049,650 | \$ 1,126,071 | \$ 60,688 |
| Treasurer's Current Tax Fund | | | | |
| Assets | | | | |
| Cash | \$ 155,856 | \$ 262,933,511 | \$ 263,009,653 | \$ 79,714 |
| Equity in pooled cash and investments | 97,656 | 15,543,210 | 15,625,872 | 14,994 |
| Total assets | \$ 253,512 | \$ 278,476,721 | \$ 278,635,525 | \$ 94,708 |
| Liabilities | | | | |
| Due to others | \$ 253,512 | \$ 239,044,916 | \$ 239,203,720 | \$ 94,708 |
| Contractors' Retainage Fund | | | | |
| Assets | | | | |
| Cash | \$ 4,135,697 | \$ - | \$ 2,750,567 | \$ 1,385,130 |
| Equity in pooled cash and investments | - | 3,115,211 | 3,111,086 | 4,125 |
| Total assets | \$ 4,135,697 | \$ 3,115,211 | \$ 5,861,653 | \$ 1,389,255 |
| Liabilities | | | | |
| Due to others | \$ 4,135,697 | \$ 3,043,837 | \$ 5,790,279 | \$ 1,389,255 |
| Fifteenth District Court Fund | | | | |
| Assets | | | | |
| Cash | \$ 108,534 | \$ 8,489 | \$ 4,591 | \$ 112,432 |
| Liabilities | | | | |
| Due to other governments | \$ 72,008 | \$ - | \$ 4,416 | \$ 67,592 |
| Deposits | 36,526 | 8,314 | | 44,840 |
| Total liabilities | \$ 108,534 | \$ 8,314 | \$ 4,416 | \$ 112,432 |

Continued...

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Fiduciary Assets and Liabilities
 Fiduciary Funds
 June 30, 2012

| | Beginning Balance | Additions | Deductions | Ending Balance |
|---------------------------------------|---------------------|-----------------------|-----------------------|---------------------|
| Payroll Fund | | | | |
| Assets | | | | |
| Cash | \$ - | \$ - | \$ - | \$ - |
| Equity in pooled cash and investments | 397 | 73,495,872 | 73,496,269 | - |
| Due from other funds | - | 47,156,962 | 47,156,962 | - |
| Total assets | \$ 397 | \$ 120,652,834 | \$ 120,653,231 | \$ - |
| Liabilities | | | | |
| Due to others | \$ 397 | \$ 111,213,636 | \$ 111,214,033 | \$ - |
| Due to other funds | - | 310,682 | 310,682 | - |
| Total liabilities | \$ 397 | \$ 111,524,318 | \$ 111,524,715 | \$ - |
| Total - All Agency Funds | | | | |
| Assets | | | | |
| Cash | \$ 4,400,087 | \$ 262,942,000 | \$ 265,764,811 | \$ 1,577,276 |
| Equity in pooled cash and investments | 235,162 | 92,569,903 | 92,725,258 | 79,807 |
| Due from other funds | - | 47,156,962 | 47,156,962 | - |
| Total assets | \$ 4,635,249 | \$ 402,668,865 | \$ 405,647,031 | \$ 1,657,083 |
| Liabilities | | | | |
| Due to others | \$ 4,389,606 | \$ 354,135,701 | \$ 357,041,344 | \$ 1,483,963 |
| Due to other funds | - | 310,682 | 310,682 | - |
| Due to other governments | 209,117 | 216,338 | 297,175 | 128,280 |
| Deposits | 36,526 | 8,314 | - | 44,840 |
| Total liabilities | \$ 4,635,249 | \$ 354,671,035 | \$ 357,649,201 | \$ 1,657,083 |

Concluded

STATISTICAL SECTION

CITY OF ANN ARBOR, MICHIGAN

Statistical Section Table of Contents

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

| | | <u>Page</u> |
|--------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| Financial Trends | These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. | 150 |
| Revenue Capacity | These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax. | 162 |
| Debt Capacity | These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. | 170 |
| Demographic and Economic Information | These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. | 176 |
| Operating Information | These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs. | 178 |

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

CITY OF ANN ARBOR, MICHIGAN

Net Assets by Component (Accrual Basis of Accounting)

Last Ten Fiscal Years

| | 2012 | 2011 | 2010 | 2009 |
|--------------------------------------------------|-------------------------|-----------------------|-----------------------|-----------------------|
| Governmental activities | | | | |
| Invested in capital assets, net of related debt | \$ 684,183,914 | \$ 672,899,397 | \$ 579,020,698 | \$ 612,949,811 |
| Restricted | 66,605,173 | 66,772,308 | 118,723,718 | 101,462,605 |
| Unrestricted | 23,913,683 | 15,649,176 | 43,955,179 | 10,198,885 |
| Total governmental activities net assets | \$ 774,702,770 | \$ 755,320,881 | \$ 741,699,595 | \$ 724,611,301 |
| Business-type activities | | | | |
| Invested in capital assets, net of related debt | \$ 183,625,625 | \$ 164,731,782 | \$ 145,084,736 | \$ 122,234,225 |
| Restricted | 21,926,274 | 17,374,027 | 17,245,077 | 18,391,715 |
| Unrestricted | 49,549,547 | 56,356,293 | 59,771,622 | 69,899,328 |
| Total business-type activities net assets | \$ 255,101,446 | \$ 238,462,102 | \$ 222,101,435 | \$ 210,525,268 |
| Primary government | | | | |
| Invested in capital assets, net of related debt | \$ 867,809,539 | \$ 837,631,179 | \$ 724,105,434 | \$ 735,184,036 |
| Restricted | 88,531,447 | 84,146,335 | 135,968,795 | 119,854,320 |
| Unrestricted | 73,463,230 | 72,005,469 | 103,726,801 | 80,098,213 |
| Total primary government net assets | \$ 1,029,804,216 | \$ 993,782,983 | \$ 963,801,030 | \$ 935,136,569 |

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

| 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 626,041,914 | \$ 611,225,989 | \$ 575,895,851 | \$ 603,474,157 | \$ 598,685,040 | \$ 583,715,108 |
| 75,698,698 | 79,571,639 | 101,447,127 | 14,535,869 | 18,488,574 | 19,772,929 |
| 30,524,342 | 25,703,229 | 17,347,389 | 44,040,557 | 48,319,797 | 41,910,911 |
| <u>\$ 732,264,954</u> | <u>\$ 716,500,857</u> | <u>\$ 694,690,367</u> | <u>\$ 662,050,583</u> | <u>\$ 665,493,411</u> | <u>\$ 645,398,948</u> |
| \$ 77,083,900 | \$ 111,888,472 | \$ 97,487,787 | \$ 90,066,898 | \$ 67,551,963 | \$ 95,615,594 |
| 18,837,147 | 15,291,215 | 15,918,577 | 16,634,604 | 16,493,596 | 13,049,290 |
| 101,517,578 | 55,985,356 | 56,489,160 | 58,691,676 | 58,330,509 | 29,295,034 |
| <u>\$ 197,438,625</u> | <u>\$ 183,165,043</u> | <u>\$ 169,895,524</u> | <u>\$ 165,393,178</u> | <u>\$ 142,376,068</u> | <u>\$ 137,959,918</u> |
| \$ 703,125,814 | \$ 723,114,461 | \$ 673,383,638 | \$ 693,541,055 | \$ 666,237,003 | \$ 679,330,702 |
| 94,535,845 | 94,862,854 | 117,365,704 | 31,170,473 | 34,982,170 | 32,822,219 |
| 132,041,920 | 81,688,585 | 73,836,549 | 102,732,233 | 106,650,306 | 71,205,945 |
| <u>\$ 929,703,579</u> | <u>\$ 899,665,900</u> | <u>\$ 864,585,891</u> | <u>\$ 827,443,761</u> | <u>\$ 807,869,479</u> | <u>\$ 783,358,866</u> |

CITY OF ANN ARBOR, MICHIGAN

Changes in Net Assets (Accrual Basis of Accounting)

Last Ten Fiscal Years

| | 2012 | 2011 | 2010 | 2009 |
|------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| Expenses | | | | |
| Governmental activities: | | | | |
| General government | \$ 15,236,105 | \$ 14,794,159 | \$ 17,333,282 | \$ 24,108,111 |
| Public safety | 40,649,428 | 42,049,504 | 43,010,456 | 56,723,757 |
| Public works | 19,889,391 | 20,468,502 | 17,933,743 | 21,084,898 |
| Community and economic development | 2,931,838 | 3,781,557 | 3,996,830 | 5,869,426 |
| Culture and recreation | 10,071,912 | 9,935,578 | 7,945,806 | 9,530,857 |
| Public transportation | 8,913,232 | 9,362,712 | 9,682,798 | 9,592,129 |
| Debt service | 5,134,805 | 5,260,736 | 3,297,914 | 3,229,523 |
| Unallocated depreciation | - | 44,331 | 141,823 | 39,175 |
| Total governmental activities expenses | 102,826,711 | 105,697,079 | 103,342,652 | 130,177,876 |
| Business-type activities: | | | | |
| Water | 16,976,630 | 17,338,241 | 16,861,582 | 18,971,550 |
| Sewer | 14,569,815 | 14,443,929 | 14,242,272 | 15,190,288 |
| Parking | 2,708,673 | 2,678,011 | 2,879,139 | 3,048,960 |
| Market | 168,977 | 156,059 | 155,993 | 145,024 |
| Golf courses | 1,554,083 | 1,649,866 | 1,646,340 | 1,510,711 |
| Airport | 568,629 | 744,629 | 670,736 | 846,383 |
| Stormwater | 4,336,523 | 3,945,211 | 3,031,318 | 2,789,058 |
| Solid waste | 11,563,289 | 13,724,530 | 11,770,761 | 12,131,440 |
| Hydropower | - | - | - | - |
| Total business-type activities expenses | 52,446,619 | 54,680,476 | 51,258,141 | 54,633,414 |
| Total primary government expenses | 155,273,330 | 160,377,555 | 154,600,793 | 184,811,290 |

| 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$ 14,290,184 | \$ 15,219,894 | \$ 13,908,277 | \$ 13,732,411 | \$ 22,240,005 | \$ 21,638,200 |
| 48,004,360 | 42,368,701 | 44,026,682 | 43,656,127 | 38,535,603 | 36,517,037 |
| 22,948,985 | 16,388,169 | 19,659,069 | 22,554,703 | 16,728,351 | 15,913,431 |
| 5,611,549 | 5,146,231 | 2,188,427 | 5,425,385 | 4,158,934 | 14,392,069 |
| 8,616,049 | 6,464,261 | 6,810,978 | 7,697,210 | 9,190,992 | 11,586,697 |
| 9,574,677 | 9,169,355 | 8,666,141 | 8,349,044 | 7,951,457 | 7,613,357 |
| 2,544,827 | 2,737,333 | 1,539,263 | 934,007 | 1,218,936 | 943,997 |
| 64,861 | 55,005 | 71,575 | 37,375 | 41,414 | 27,326 |
| <u>111,655,492</u> | <u>97,548,949</u> | <u>96,870,412</u> | <u>102,386,262</u> | <u>100,065,692</u> | <u>108,632,114</u> |
| 17,876,975 | 16,943,066 | 16,881,883 | 16,671,468 | 15,772,718 | 14,521,017 |
| 13,585,023 | 15,247,981 | 13,488,810 | 14,019,208 | 14,102,932 | 13,665,415 |
| 2,963,565 | 2,902,894 | 3,684,777 | 2,368,344 | 2,478,172 | 2,630,276 |
| 136,004 | 124,636 | 124,754 | 115,892 | 149,660 | 121,863 |
| 1,374,434 | 1,115,341 | 1,134,301 | 1,152,354 | 1,275,010 | 1,465,206 |
| 728,168 | 842,521 | 904,514 | 860,515 | 804,005 | 837,252 |
| 3,038,548 | 2,622,490 | 1,556,229 | 1,662,144 | 1,875,871 | 1,879,044 |
| 10,881,003 | 10,322,715 | 9,876,503 | 8,086,147 | - | - |
| - | - | - | 259,773 | 467,783 | 420,254 |
| <u>50,583,720</u> | <u>50,121,644</u> | <u>47,651,771</u> | <u>45,195,845</u> | <u>36,926,151</u> | <u>35,540,327</u> |
| <u>162,239,212</u> | <u>147,670,593</u> | <u>144,522,183</u> | <u>147,582,107</u> | <u>136,991,843</u> | <u>144,172,441</u> |

Continued...

CITY OF ANN ARBOR, MICHIGAN

Changes in Net Assets (Accrual Basis of Accounting)

Last Ten Fiscal Years

| | 2012 | 2011 | 2010 | 2009 |
|-------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Program revenues | | | | |
| Governmental activities: | | | | |
| Charges for services: | | | | |
| General government | \$ 7,371,102 | \$ 11,729,555 | \$ 8,527,479 | \$ 5,747,883 |
| Public safety | 9,559,178 | 8,732,273 | 7,272,976 | 11,128,662 |
| Public works | 3,303,537 | 2,253,632 | 3,158,923 | 1,552,806 |
| Community and economic development | 35,269 | - | - | - |
| Culture and Recreation | 2,383,032 | 2,623,518 | 2,372,364 | 2,615,433 |
| Public transportation | 92,518 | 93,612 | 97,513 | 98,464 |
| Interest on long-term debt | 3,038,523 | - | - | - |
| Operating grants and contributions | 13,210,386 | 9,635,060 | 9,998,747 | 10,174,646 |
| Capital grants and contributions | 346,046 | 3,621,001 | 1,239,229 | 681,800 |
| Total governmental activities program revenues | <u>39,339,591</u> | <u>38,688,651</u> | <u>32,667,231</u> | <u>31,999,694</u> |
| Business-type activities: | | | | |
| Charges for services: | | | | |
| Water | 22,017,955 | 21,160,437 | 19,905,769 | 18,420,957 |
| Sewer | 21,103,955 | 21,741,717 | 19,292,506 | 19,074,478 |
| Parking | 2,877,149 | 2,923,214 | 2,941,159 | 3,423,624 |
| Market | 253,850 | 148,687 | 144,591 | 115,902 |
| Golf courses | 1,304,135 | 1,171,776 | 1,164,840 | 1,031,632 |
| Airport | 834,238 | 847,728 | 782,039 | 741,339 |
| Stormwater | 5,712,581 | 7,512,538 | 5,954,788 | 5,316,391 |
| Solid waste | 3,450,410 | 3,136,831 | 1,517,653 | 1,049,923 |
| Hydropower | - | - | - | - |
| Capital grants and contributions | 1,256,394 | 951,818 | 2,204,638 | 2,736,217 |
| Total business-type activities program revenues | <u>58,810,667</u> | <u>59,594,746</u> | <u>53,907,983</u> | <u>51,910,463</u> |
| Total primary government program revenues | <u>98,150,258</u> | <u>98,283,397</u> | <u>86,575,214</u> | <u>83,910,157</u> |

Schedule 2
UNAUDITED

| 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| \$ 5,365,601 | \$ 4,968,702 | \$ 10,716,589 | \$ 5,425,726 | \$ 8,974,662 | \$ 8,376,855 |
| 13,042,927 | 12,119,252 | 11,624,431 | 11,539,080 | 10,189,485 | 10,347,613 |
| 2,104,180 | 4,224,568 | 1,834,707 | 3,220,105 | 7,495,156 | 2,172,513 |
| - | - | 890 | (81,681) | 1,109,134 | - |
| 2,561,561 | 2,447,072 | 2,482,219 | 2,280,083 | 2,650,541 | 2,119,851 |
| 91,589 | 91,589 | 86,770 | 83,507 | 79,541 | 76,113 |
| - | - | - | - | - | - |
| 10,635,661 | 10,659,938 | 12,604,477 | 12,245,420 | 10,608,459 | 21,132,464 |
| 336,643 | 479,321 | 791,100 | 1,213,663 | 1,806,735 | 893,925 |
| <u>34,138,162</u> | <u>34,990,442</u> | <u>40,141,183</u> | <u>35,925,903</u> | <u>42,913,713</u> | <u>45,119,334</u> |
| 20,274,057 | 19,075,505 | 18,377,961 | 18,085,363 | 15,997,464 | 16,174,325 |
| 19,493,468 | 17,330,738 | 18,933,853 | 18,330,302 | 15,830,994 | 16,042,136 |
| 2,531,021 | 3,305,205 | 3,066,276 | 3,462,633 | 3,691,597 | 4,328,687 |
| 122,644 | 126,979 | 125,347 | 131,348 | 151,244 | 80,162 |
| 865,113 | 870,567 | 998,218 | 1,042,785 | 1,172,313 | 1,201,935 |
| 793,125 | 773,784 | 719,842 | 830,657 | 716,242 | 687,558 |
| 4,910,929 | 4,373,848 | 3,758,240 | 3,529,955 | 2,881,077 | 2,641,035 |
| 1,543,903 | 729,343 | 814,140 | 478,493 | - | - |
| - | - | - | - | 261,730 | 214,556 |
| 418,430 | 668,917 | - | - | - | - |
| <u>50,952,690</u> | <u>47,254,886</u> | <u>46,793,877</u> | <u>45,891,536</u> | <u>40,702,661</u> | <u>41,370,394</u> |
| <u>85,090,852</u> | <u>82,245,328</u> | <u>86,935,060</u> | <u>81,817,439</u> | <u>83,616,374</u> | <u>86,489,728</u> |

Continued...

CITY OF ANN ARBOR, MICHIGAN

Changes in Net Assets (Accrual Basis of Accounting)

Last Ten Fiscal Years

| | 2012 | 2011 | 2010 | 2009 |
|--------------------------------------------------|----------------------|----------------------|----------------------|----------------------|
| Net (expense) revenue | | | | |
| Governmental activities | \$ (63,487,120) | \$ (67,008,428) | \$ (70,675,421) | \$ (98,178,182) |
| Business-type activities | 6,364,048 | 4,914,270 | 2,649,842 | (2,722,951) |
| Total primary government net expense | <u>(57,123,072)</u> | <u>(62,094,158)</u> | <u>(68,025,579)</u> | <u>(100,901,133)</u> |
| General revenues and other changes in net assets | | | | |
| Governmental activities: | | | | |
| Taxes: | | | | |
| Property taxes, levied for general purposes | 65,483,779 | 58,050,469 | 60,655,729 | 60,468,022 |
| Property taxes, levied for designated purpose | - | 7,131,115 | 7,454,130 | - |
| Property taxes, levied for debt services | - | 2,265,030 | 2,274,782 | 9,526,085 |
| State shared revenues and grants (unrestricted) | 9,748,477 | 9,582,165 | 9,456,109 | 11,102,183 |
| Investment income | 2,567,568 | 2,523,944 | 4,308,095 | 7,890,239 |
| Gain on sale of assets | - | - | - | - |
| Special item | - | - | - | - |
| Other | 3,410,739 | 835,982 | 215,199 | 375,390 |
| Transfers | 2,428,146 | 241,009 | 4,140,628 | 1,162,611 |
| Total governmental activities | <u>83,638,709</u> | <u>80,629,714</u> | <u>88,504,672</u> | <u>90,524,530</u> |
| Business-type activities: | | | | |
| Property taxes, levied for general purposes | 11,030,550 | 11,171,676 | 11,677,513 | 11,529,057 |
| Gain on sale of assets | - | - | - | - |
| Investment income | 1,188,581 | 515,730 | 1,545,547 | 5,443,148 |
| Other | 484,311 | - | - | - |
| Transfers | (2,428,146) | (241,009) | (4,140,628) | (1,162,611) |
| Total business-type activities | <u>10,275,296</u> | <u>11,446,397</u> | <u>9,082,432</u> | <u>15,809,594</u> |
| Total primary government | <u>93,914,005</u> | <u>92,076,111</u> | <u>97,587,104</u> | <u>106,334,124</u> |
| Change in net assets | | | | |
| Governmental activities | 20,151,589 | 13,621,286 | 17,829,251 | (7,653,652) |
| Business-type activities | 16,639,344 | 16,360,667 | 11,732,274 | 13,086,643 |
| Total primary government | <u>\$ 36,790,933</u> | <u>\$ 29,981,953</u> | <u>\$ 29,561,525</u> | <u>\$ 5,432,991</u> |

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

| 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ (77,517,330) | \$ (62,558,507) | \$ (56,729,229) | \$ (66,460,359) | \$ (57,151,979) | \$ (63,512,780) |
| 368,970 | (2,866,758) | (857,894) | 695,691 | 3,776,510 | 5,830,067 |
| <u>(77,148,360)</u> | <u>(65,425,265)</u> | <u>(57,587,123)</u> | <u>(65,764,668)</u> | <u>(53,375,469)</u> | <u>(57,682,713)</u> |
| 60,510,514 | 48,243,639 | 45,587,059 | 51,423,077 | 56,035,123 | 53,597,747 |
| - | - | - | - | - | - |
| 9,555,291 | 17,236,440 | 16,430,807 | 8,029,733 | 8,127,043 | 7,686,425 |
| 11,116,813 | 11,464,818 | 11,469,467 | 11,674,762 | 11,865,469 | 13,227,051 |
| 9,059,668 | 7,990,673 | 4,246,277 | 2,181,348 | 907,722 | 2,495,814 |
| - | - | - | - | - | 268,143 |
| - | - | 4,100,000 | - | - | - |
| 899,577 | 709,786 | 194,410 | 367,458 | 646,593 | 1,104,228 |
| 2,139,564 | (1,276,359) | 7,134,212 | 1,870,457 | (335,508) | 1,623,844 |
| <u>93,281,427</u> | <u>84,368,997</u> | <u>89,162,232</u> | <u>75,546,835</u> | <u>77,246,442</u> | <u>80,003,252</u> |
| 11,550,982 | 10,998,459 | 10,399,700 | 10,011,080 | - | - |
| - | - | - | - | - | 46,255 |
| 4,493,194 | 3,861,459 | 2,177,470 | 1,651,492 | 304,192 | 1,083,726 |
| - | - | - | - | - | - |
| (2,139,564) | 1,276,359 | (7,134,212) | (1,870,457) | 335,508 | (1,623,844) |
| <u>13,904,612</u> | <u>16,136,277</u> | <u>5,442,958</u> | <u>9,792,115</u> | <u>639,700</u> | <u>(493,863)</u> |
| <u>107,186,039</u> | <u>100,505,274</u> | <u>94,605,190</u> | <u>85,338,950</u> | <u>77,886,142</u> | <u>79,509,389</u> |
| 15,764,097 | 21,810,490 | 32,433,003 | 9,086,476 | 20,094,463 | 16,490,472 |
| 14,273,582 | 13,269,519 | 4,585,064 | 10,487,806 | 4,416,150 | 5,336,204 |
| <u>\$ 30,037,679</u> | <u>\$ 35,080,009</u> | <u>\$ 37,018,067</u> | <u>\$ 19,574,282</u> | <u>\$ 24,510,613</u> | <u>\$ 21,826,676</u> |

Concluded

CITY OF ANN ARBOR, MICHIGAN

Fund Balances (Modified Accrual Basis of Accounting)

Governmental Funds Last Ten Fiscal Years

| | 2012 | 2011 | 2010 | 2009 |
|-------------------------------------------|----------------------|----------------------|-----------------------|-----------------------|
| General fund | | | | |
| Reserved | \$ - | \$ - | \$ 199,238 | \$ 444,744 |
| Unreserved | - | - | 12,288,378 | 10,910,841 |
| Nonspendable (1) | 960,336 | 1,032,509 | - | - |
| Assigned (1) | 243,308 | 2,024,490 | - | - |
| Unassigned (1) | 14,093,650 | 10,525,445 | - | - |
| Total general fund | \$ 15,297,294 | \$ 13,582,444 | \$ 12,487,616 | \$ 11,355,585 |
| All other governmental funds | | | | |
| Reserved | \$ - | \$ - | \$ 19,102,850 | \$ 43,160,630 |
| Unreserved, reported in: | | | | |
| Special revenue funds | - | - | 67,567,542 | 64,524,470 |
| Capital projects funds | - | - | 38,031,543 | 2,401,119 |
| Debt service funds | - | - | - | - |
| Subsequent year's expenditures | - | - | - | - |
| Undesignated | - | - | 320,340 | - |
| Nonspendable (1) | 1,985,800 | 1,984,000 | - | - |
| Restricted (1) | 63,432,711 | 85,121,367 | - | - |
| Committed (1) | 4,617,556 | - | - | - |
| Assigned (1) | 2,285,397 | 2,251,551 | - | - |
| Total all other governmental funds | \$ 72,321,464 | \$ 89,356,918 | \$ 125,022,275 | \$ 110,086,219 |

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

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

| 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|----------------------|----------------------|-----------------------|----------------------|----------------------|----------------------|
| \$ 219,224 | \$ 270,048 | \$ 485,868 | \$ 920,078 | \$ 1,346,170 | \$ 798,049 |
| 19,561,545 | 16,126,413 | 11,962,837 | 9,740,289 | 8,117,344 | 7,759,394 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>\$ 19,780,769</u> | <u>\$ 16,396,461</u> | <u>\$ 12,448,705</u> | <u>\$ 10,660,367</u> | <u>\$ 9,463,514</u> | <u>\$ 8,557,443</u> |
| \$ 16,289,679 | \$ 14,783,804 | \$ 33,451,679 | \$ 7,410,788 | \$ 13,463,689 | \$ 15,115,496 |
| 64,279,003 | 70,463,629 | 34,425,813 | 35,852,445 | 21,250,565 | 26,026,533 |
| 3,622,949 | - | 11,709,820 | 10,799,473 | 21,486,018 | 15,260,231 |
| - | - | - | 1,621,672 | 1,828,253 | 1,990,759 |
| - | - | - | - | - | 1,963,668 |
| - | - | 26,634,034 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>\$ 84,191,631</u> | <u>\$ 85,247,433</u> | <u>\$ 106,221,346</u> | <u>\$ 55,684,378</u> | <u>\$ 58,028,525</u> | <u>\$ 60,356,687</u> |

CITY OF ANN ARBOR, MICHIGAN

Changes in Fund Balances (Modified Accrual Basis of Accounting)

Governmental Funds
Last Ten Fiscal Years

| | 2012 | 2011 | 2010 | 2009 |
|---------------------------------------------------------|------------------------|------------------------|----------------------|----------------------|
| Revenues | | | | |
| Taxes | \$ 65,483,779 | \$ 67,446,614 | \$ 70,384,641 | \$ 69,994,107 |
| Special assessments/improvement charges | 48,843 | 103,790 | 54,713 | 77,748 |
| Licenses, fees and permits | 6,279,934 | 6,125,839 | 5,108,409 | 1,133,847 |
| Federal grants | 1,567,185 | 4,950,416 | 2,583,511 | 3,434,753 |
| State shared revenues and grants | 21,367,804 | 18,156,777 | 17,277,839 | 18,469,118 |
| Charges for services | 13,721,017 | 12,642,161 | 10,393,128 | 13,350,572 |
| Fines and penalties | 4,606,580 | 4,863,239 | 4,138,282 | 4,963,134 |
| Interest and penalties | 828 | 516,159 | 515,190 | 28,963 |
| Investment income | 2,057,540 | 1,851,927 | 3,071,842 | 6,807,477 |
| Rental | 463,191 | 421,742 | 404,147 | 310,520 |
| Contributions and donations | 369,920 | 280,971 | 260,470 | 228,208 |
| Sale of property and equipment | - | 45,361 | 13,855 | 312,501 |
| Intra-governmental sales | 208,243 | 361,245 | 318,696 | 188,958 |
| Miscellaneous | 719,712 | 1,181,503 | 316,652 | 375,390 |
| Total revenues | 116,894,576 | 118,947,744 | 114,841,375 | 119,675,296 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 15,034,085 | 14,058,718 | 16,323,784 | 22,475,026 |
| Public safety | 43,139,586 | 43,678,573 | 43,654,317 | 47,151,174 |
| Public works | 18,969,637 | 17,617,067 | 16,353,447 | 15,037,630 |
| Community and economic development | 3,677,716 | 3,863,957 | 4,014,989 | 5,243,807 |
| Culture and recreation | 9,996,650 | 9,653,540 | 7,498,717 | 8,462,253 |
| Public transportation | 8,913,232 | 10,106,607 | 9,682,798 | 9,592,129 |
| Capital outlay | 29,176,152 | 46,974,519 | 49,765,312 | 18,102,248 |
| Debt service: | | | | |
| Principal | 3,320,000 | 3,410,000 | 3,345,000 | 3,270,000 |
| Interest | 5,117,493 | 5,302,317 | 2,773,143 | 2,934,523 |
| Total expenditures | 137,344,551 | 154,665,298 | 153,411,507 | 132,268,790 |
| Revenues over (under) expenditures | (20,449,975) | (35,717,554) | (38,570,132) | (12,593,494) |
| Other financing sources (uses): | | | | |
| Transfers in | 9,620,472 | 7,170,739 | 11,227,633 | 13,104,036 |
| Transfers out | (6,519,432) | (6,023,714) | (5,914,937) | (10,513,218) |
| Sale of property and equipment | 2,809,085 | - | - | - |
| Payment to refunded bond escrow agent | (2,714,429) | - | - | - |
| Issuance of debt | 2,670,000 | - | 49,420,000 | 27,660,000 |
| Bond discount | 33,375 | - | (93,674) | - |
| Bond issuance costs | - | - | - | (187,920) |
| Note proceeds | - | - | - | - |
| Total other financing sources (uses) | 5,899,071 | 1,147,025 | 54,639,022 | 30,062,898 |
| Net change in fund balances | \$ (14,550,904) | \$ (34,570,529) | \$ 16,068,890 | \$ 17,469,404 |
| Debt service as a percentage of noncapital expenditures | 8.7% | 8.8% | 6.4% | 5.7% |

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

| 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|---------------------|------------------------|----------------------|---------------------|-----------------------|---------------------|
| \$ 70,065,805 | \$ 65,480,079 | \$ 62,017,866 | \$ 59,452,810 | \$ 64,162,166 | \$ 61,284,172 |
| 182,302 | 119,198 | 122,147 | 130,872 | 714,075 | 893,925 |
| 1,284,685 | 1,210,631 | 3,229,331 | 3,715,412 | 3,145,919 | 3,001,458 |
| 3,470,830 | 3,801,631 | 4,062,637 | 3,842,697 | 2,132,556 | 3,018,503 |
| 18,743,579 | 19,214,610 | 20,011,307 | 20,077,485 | 20,341,372 | 31,341,012 |
| 14,228,315 | 14,846,082 | 9,608,385 | 9,343,486 | 13,268,471 | 8,175,886 |
| 5,874,429 | 5,894,126 | 5,997,715 | 5,787,212 | 5,479,578 | 5,901,225 |
| 30,472 | 36,551 | 39,894 | 50,227 | 95,095 | 86,841 |
| 7,864,379 | 7,216,882 | 3,844,416 | 1,830,015 | 786,244 | 2,324,906 |
| 335,642 | 185,173 | 128,882 | 58,482 | 109,655 | 52,839 |
| 297,087 | 171,640 | 164,162 | 232,206 | 398,211 | 140,025 |
| 15,457 | 33,837 | 3,470 | 18,370 | 49,471 | 97,668 |
| 363,457 | 535,049 | 157,850 | 57,020 | 526,340 | 47,048 |
| 899,577 | 709,786 | 194,410 | 367,458 | 646,593 | 1,104,228 |
| <u>123,656,016</u> | <u>119,455,275</u> | <u>109,582,472</u> | <u>104,963,752</u> | <u>111,855,746</u> | <u>117,469,736</u> |
| 16,360,311 | 14,755,887 | 15,320,549 | 18,562,206 | 22,676,988 | 23,063,427 |
| 45,003,004 | 43,476,726 | 41,629,068 | 37,973,587 | 35,940,052 | 34,327,665 |
| 15,946,677 | 19,564,728 | 13,513,583 | 16,037,811 | 24,427,731 | 18,132,685 |
| 5,610,030 | 5,059,096 | 4,601,791 | 4,782,131 | 3,518,856 | 13,868,437 |
| 7,955,698 | 6,153,578 | 11,957,408 | 11,435,111 | 10,906,628 | 11,296,061 |
| 9,574,677 | 9,169,355 | 8,666,141 | 8,349,044 | 7,951,457 | 7,613,357 |
| 16,661,477 | 31,209,188 | 10,943,071 | 2,438,127 | 7,216,099 | 1,687,981 |
| 3,175,000 | 3,405,000 | 2,508,050 | 2,516,100 | 2,556,100 | 2,470,661 |
| 2,586,455 | 2,422,079 | 1,329,166 | 971,713 | 1,187,383 | 970,388 |
| <u>122,873,329</u> | <u>135,215,637</u> | <u>110,468,827</u> | <u>103,065,830</u> | <u>116,381,294</u> | <u>113,430,662</u> |
| 782,687 | (15,760,362) | (886,355) | 1,897,922 | (4,525,548) | 4,039,074 |
| 8,879,908 | 9,362,022 | 21,817,720 | 11,784,483 | 7,927,995 | 9,652,384 |
| (7,334,089) | (10,627,817) | (12,938,988) | (9,577,715) | (8,324,538) | (8,037,958) |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | 44,885,000 | - | - | 4,000,000 |
| - | - | - | - | - | (55,114) |
| - | - | (305,812) | - | - | - |
| - | - | - | - | 3,500,000 | - |
| <u>1,545,819</u> | <u>(1,265,795)</u> | <u>53,457,920</u> | <u>2,206,768</u> | <u>3,103,457</u> | <u>5,559,312</u> |
| <u>\$ 2,328,506</u> | <u>\$ (17,026,157)</u> | <u>\$ 52,571,565</u> | <u>\$ 4,104,690</u> | <u>\$ (1,422,091)</u> | <u>\$ 9,598,386</u> |
| 5.8% | 6.2% | 4.3% | 4.1% | 4.2% | 3.4% |

Taxable Value of Property
Last Ten Fiscal Years

| Fiscal Year Ended June 30, | Real Property | Personal Property | Less: Tax-exempt Property (4) | Total Taxable Value | Total Direct Tax Rate |
|----------------------------|------------------|-------------------|-------------------------------|---------------------|-----------------------|
| 2003 | \$ 3,375,930,999 | \$ 299,043,900 | | \$ 3,674,974,899 | 16.8691 |
| 2004 | 3,554,607,491 | 274,842,600 | | 3,829,450,091 | 16.9015 |
| 2005 | 3,755,255,488 | 273,920,800 | | 4,029,176,288 | 16.9013 |
| 2006 | 3,964,733,709 | 256,014,650 | | 4,220,748,359 | 16.8156 |
| 2007 | 4,227,329,588 | 254,272,500 | | 4,481,602,088 | 16.6605 |
| 2008 | 4,469,676,977 | 266,530,700 | | 4,736,207,677 | 16.7825 |
| 2009 | 4,577,802,604 | 309,165,535 | | 4,886,968,139 | 16.7807 |
| 2010 | 4,595,490,848 | 263,449,000 | | 4,858,939,848 | 16.7970 |
| 2011 | 4,447,791,127 | 220,760,700 | | 4,668,551,827 | 16.8164 |
| 2012 | 4,422,577,957 | 212,313,200 | | 4,634,891,157 | 16.4660 |

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

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CITY OF ANN ARBOR, MICHIGAN

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

| City of Ann Arbor Direct Rate | | | | | | |
|-------------------------------------|-------------|-------------------|-------------------|-----------------|-------------------|--------------|
| | Fiscal Year | General Operating | Refuse Collection | Transportation* | Employee Benefits | Debt Service |
| Homestead | 2003 | 6.0315 | 2.5302 | 2.1085 | 2.1085 | 0.6916 |
| Non-Homestead | 2003 | 6.0315 | 2.5302 | 2.1085 | 2.1085 | 0.6916 |
| Homestead | 2004 | 6.0315 | 2.5264 | 2.1054 | 2.1054 | 0.7300 |
| Non-Homestead | 2004 | 6.0315 | 2.5264 | 2.1054 | 2.1054 | 0.7300 |
| Principal Residence Exemption (PRE) | 2005 | 6.2125 | 2.5137 | 2.0948 | 2.0948 | 0.6000 |
| Non-PRE | 2005 | 6.2125 | 2.5137 | 2.0948 | 2.0948 | 0.6000 |
| Principal Residence Exemption (PRE) | 2006 | 6.2318 | 2.4925 | 2.0772 | 2.0772 | 0.5800 |
| Non-PRE | 2006 | 6.2318 | 2.4925 | 2.0772 | 2.0772 | 0.5800 |
| Principal Residence Exemption (PRE) | 2007 | 6.1856 | 2.4740 | 2.0618 | 2.0618 | 0.5454 |
| Non-PRE | 2007 | 6.1856 | 2.4740 | 2.0618 | 2.0618 | 0.5454 |
| Principal Residence Exemption (PRE) | 2008 | 6.1682 | 2.4670 | 2.0560 | 2.0560 | 0.4661 |
| Non-PRE | 2008 | 6.1682 | 2.4670 | 2.0560 | 2.0560 | 0.4661 |
| Principal Residence Exemption (PRE) | 2009 | 6.1682 | 2.4670 | 2.0560 | 2.0560 | 0.4643 |
| Non-PRE | 2009 | 6.1682 | 2.4670 | 2.0560 | 2.0560 | 0.4643 |
| Principal Residence Exemption (PRE) | 2010 | 6.1682 | 2.4670 | 2.0560 | 2.0560 | 0.4806 |
| Non-PRE | 2010 | 6.1682 | 2.4670 | 2.0560 | 2.0560 | 0.4806 |
| Principal Residence Exemption (PRE) | 2011 | 6.1682 | 2.4670 | 2.0560 | 2.0560 | 0.5000 |
| Non-PRE | 2011 | 6.1682 | 2.4670 | 2.0560 | 2.0560 | 0.5000 |
| Principal Residence Exemption (PRE) | 2012 | 6.1682 | 2.4670 | 2.0560 | 2.0560 | 0.1250 |
| Non-PRE | 2012 | 6.1682 | 2.4670 | 2.0560 | 2.0560 | 0.1250 |

* Represents millage collected for Ann Arbor Transportation Authority.

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

Source: City of Ann Arbor Financial Services, Assessing Unit

| City of Ann Arbor Direct Rate | | Total Direct Tax Rate | Overlapping Rates | | | | Total |
|-------------------------------|---------------------|-----------------------|----------------------------|-------------------------------|------------------|-----------------------------|---------|
| Parks | Major Street Repair | | Ann Arbor Public Schools** | Ann Arbor District Library*** | Washtenaw County | Washtenaw Community College | |
| 1.4166 | 1.9822 | 16.8691 | 19.2398 | 1.9500 | 5.6420 | 3.8559 | 47.5568 |
| 1.4166 | 1.9822 | 16.8691 | 30.6320 | 1.9500 | 5.6420 | 3.8559 | 58.9490 |
| 1.4236 | 1.9792 | 16.9015 | 17.1741 | 1.9500 | 5.5819 | 3.8343 | 45.4418 |
| 1.4236 | 1.9792 | 16.9015 | 29.5202 | 1.9500 | 5.5819 | 3.8343 | 57.7879 |
| 1.4162 | 1.9693 | 16.9013 | 19.1890 | 1.9476 | 5.5493 | 3.7748 | 47.3620 |
| 1.4162 | 1.9693 | 16.9013 | 31.5090 | 1.9476 | 5.5493 | 3.7748 | 59.6820 |
| 1.4042 | 1.9527 | 16.8156 | 18.7994 | 1.9332 | 5.5024 | 3.7249 | 46.7755 |
| 1.4042 | 1.9527 | 16.8156 | 31.2636 | 1.9332 | 5.5024 | 3.7249 | 59.2397 |
| 1.3937 | 1.9382 | 16.6605 | 18.2226 | 1.9214 | 5.6768 | 3.7082 | 46.1895 |
| 1.3937 | 1.9382 | 16.6605 | 31.2154 | 1.9214 | 5.6768 | 3.7082 | 59.1823 |
| 1.5748 | 1.9944 | 16.7825 | 17.9610 | 1.9214 | 5.6768 | 3.6956 | 46.0373 |
| 1.5748 | 1.9944 | 16.7825 | 31.2072 | 1.9214 | 5.6768 | 3.6956 | 59.2835 |
| 1.5748 | 1.9944 | 16.7807 | 17.5203 | 1.9214 | 5.7018 | 3.6856 | 45.6098 |
| 1.5748 | 1.9944 | 16.7807 | 31.2040 | 1.9214 | 5.7018 | 3.6856 | 59.2935 |
| 1.5748 | 1.9944 | 16.7970 | 17.4132 | 1.5500 | 5.7418 | 3.6856 | 45.1876 |
| 1.5748 | 1.9944 | 16.7970 | 30.9625 | 1.5500 | 5.7418 | 3.6856 | 58.7369 |
| 1.5748 | 1.9944 | 16.8164 | 17.6315 | 1.5500 | 5.7448 | 3.6856 | 45.4283 |
| 1.5748 | 1.9944 | 16.8164 | 31.0971 | 1.5500 | 5.7448 | 3.6856 | 58.8939 |
| 1.5748 | 2.1250 | 16.5720 | 18.1329 | 1.5500 | 5.7518 | 3.6376 | 45.6443 |
| 1.5748 | 2.1250 | 16.5720 | 31.4245 | 1.5500 | 5.7518 | 3.6376 | 58.9359 |

CITY OF ANN ARBOR, MICHIGAN

Principal Property Taxpayers Current Year and Nine Years Ago

| Taxpayer | Type of Business | 2012 | | |
|-------------------------------|---------------------|-----------------------|------|-----------------------------------------|
| | | Taxable Value | Rank | Percentage of Total City Assessed Value |
| Briarwood Shopping Complex | Shopping Center | \$ 37,734,900 | 1 | 0.81% |
| AMCAP Arborland LLC | Shopping Center | 29,269,499 | 2 | 0.63% |
| Ann Arbor Campus Housing, LLC | Apartments | 27,033,600 | 3 | 0.58% |
| Detroit Edison | Utility | 26,923,599 | 4 | 0.58% |
| HUB Eisenhower Property | Office Building | 26,528,500 | 5 | 0.57% |
| THC Ann Arbor WP LLC | Apartments | 19,707,700 | 6 | 0.43% |
| McKinley Associates | Apartments & Office | 19,091,464 | 7 | 0.41% |
| THC Ann Arbor LV LLC | Apartments | 16,752,700 | 8 | 0.36% |
| Sterling-4 Eleven LP | Apartments & Retail | 15,320,100 | 9 | 0.33% |
| Michigan Consolidated Gas Co. | Utility | 15,297,200 | 10 | 0.33% |
| Windemere I Ltd Partnership | Apartments | | | |
| Village Cooperative Homes | Co-op Housing | | | |
| Glacier Hills | Apartments | | | |
| Pfizer | Pharmaceuticals | | | |
| Geddes Lakes Cooperative | Co-op Housing | | | |
| Total | | \$ 233,659,262 | | 5.04% |

Source: City of Ann Arbor Financial Services, Assessing Unit

Schedule 7
UNAUDITED

| 2003 | | |
|-----------------------|------|-----------------------------------------|
| Taxable Value | Rank | Percentage of Total City Assessed Value |
| \$ 35,975,316 | 2 | 0.98% |
| 19,733,504 | 4 | 0.54% |
| 27,022,655 | 3 | 0.74% |
| 15,354,353 | 6 | 0.42% |
| 12,437,000 | 9 | 0.34% |
| 14,001,751 | 7 | 0.38% |
| 13,153,339 | 8 | 0.36% |
| 12,414,549 | 10 | 0.34% |
| 200,365,900 | 1 | 5.45% |
| 15,862,230 | 5 | 0.43% |
| <u>\$ 366,320,597</u> | | <u>9.97%</u> |

Property Tax Levies and Collections
Last Ten Fiscal Years

| Fiscal Year Ended June 30 | Taxes Levied for the Fiscal Year* | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years (Real) | Collections in Subsequent Years (Personal) | Total Collections to Date | |
|------------------------------|-----------------------------------------|-------------------------------------------------|-----------------------|-------------------------------------------------|-----------------------------------------------------|---------------------------|-----------------------|
| | | Amount | Percentage of Levy | | | Amounts | Percentage of Levy |
| 2003 | \$61,992,129 | \$60,969,653 | 98.35% | \$ 769,746 | \$ 153,189 | \$61,892,588 | 99.84% |
| 2004 | 64,998,741 | 63,781,720 | 98.13% | 964,100 | 134,605 | 64,880,425 | 99.82% |
| 2005 | 68,610,496 | 67,417,239 | 98.26% | 1,057,616 | 75,912 | 68,550,767 | 99.91% |
| 2006 | 71,482,832 | 70,318,467 | 98.37% | 1,015,575 | 108,203 | 71,442,245 | 99.94% |
| 2007 | 75,429,967 | 73,974,415 | 98.07% | 1,330,102 | 118,029 | 75,422,546 | 99.99% |
| 2008 | 80,126,988 | 78,036,023 | 97.39% | 1,986,130 | 96,075 | 80,118,228 | 99.99% |
| 2009 | 81,928,011 | 79,444,679 | 96.97% | 2,377,225 | 64,885 | 81,886,789 | 99.95% |
| 2010 | 81,663,316 | 79,228,933 | 97.02% | 2,317,119 | 55,356 | 81,601,408 | 99.92% |
| 2011 | 78,565,863 | 76,336,483 | 97.16% | 2,121,932 | 16,935 | 78,475,350 | 99.88% |
| 2012 | 75,840,849 | 74,102,021 | 97.71% | 1,651,831 | 21,934 | 75,775,786 | 99.91% |

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

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

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

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CITY OF ANN ARBOR, MICHIGAN

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

| Fiscal Year | Governmental Activities | | | Business-Type Activities | | | |
|-------------|--------------------------------|--------------------------------|--------------------------------------|--------------------------------|------------------------------|-------------------------|----------------------------|
| | General Obligation Bonds | Special Assessment Bonds | Installment Purchase Agreement | General Obligation Bonds | Lease Contract Payable | [1] Revenue Bonds | Other Long-term Debt |
| 2003 | \$ 21,330 | \$ 2,335 | \$ 460 | \$ 34,774 | \$ 800 | \$ 42,210 | \$ 721 |
| 2004 | 19,465 | 1,930 | 3,644 | 32,552 | 400 | 75,240 | 782 |
| 2005 | 17,445 | 1,530 | 3,548 | 29,676 | - | 71,405 | 2,260 |
| 2006 | 60,235 | 1,165 | 3,500 | 27,616 | - | 66,750 | 2,972 |
| 2007 | 57,190 | 805 | 3,500 | 29,672 | - | 62,040 | 5,734 |
| 2008 | 54,140 | 680 | 3,911 | 27,510 | - | 105,160 | 6,431 |
| 2009 | 78,655 | 555 | 3,500 | 25,295 | - | 99,855 | 6,360 |
| 2010 | 124,855 | 430 | 3,500 | 23,365 | - | 94,215 | 9,445 |
| 2011 | 121,565 | 310 | 3,500 | 21,315 | - | 98,412 | 12,317 |
| 2012 | 118,345 | 220 | 3,500 | 19,190 | - | 102,180 | 1,470 |

Note: For fiscal year 2012 percent of personal income, the divisor used was for 2010 since 2011 and 2012 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.

Schedule 9
UNAUDITED

| Total Primary Government | Percentage of Personal Income | Per Capita |
|--------------------------------|-------------------------------------|---------------|
| \$ 102,630 | 0.79% | 900 |
| 134,013 | 1.00% | 1,175 |
| 125,864 | 0.92% | 1,101 |
| 162,238 | 1.17% | 1,419 |
| 158,941 | 1.14% | 1,390 |
| 197,832 | 1.45% | 1,683 |
| 214,220 | 1.56% | 1,869 |
| 255,810 | 1.94% | 2,267 |
| 257,419 | 1.91% | 2,259 |
| 244,905 | 1.81% | 2,150 |

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

| Fiscal Year | General Bonded Debt Outstanding | | | | Percentage of Actual Taxable Value of Property | Per Capita |
|-------------|---------------------------------|------------------------------------------------|--------------------------------------|-------------------------|------------------------------------------------|------------|
| | General Obligation Bonds | Less: Amounts Restricted to Repaying Principal | Less: Self-Supported Portion of Debt | Net General Bonded Debt | | |
| 2003 | \$ 21,330 | \$ (1,991) | \$ (2,335) | \$ 17,004 | 0.46% | \$ 187.01 |
| 2004 | 19,465 | (1,828) | (1,930) | 15,707 | 0.41% | 170.65 |
| 2005 | 17,445 | (1,622) | (1,530) | 14,293 | 0.35% | 152.59 |
| 2006 | 60,235 | (1,375) | (1,165) | 57,695 | 1.37% | 526.86 |
| 2007 | 57,190 | (1,271) | (805) | 55,114 | 1.23% | 500.23 |
| 2008 | 54,140 | (1,268) | (680) | 52,192 | 1.10% | 470.41 |
| 2009 | 78,655 | (1,248) | (555) | 76,852 | 1.57% | 670.60 |
| 2010 | 124,855 | (1,324) | (430) | 123,101 | 2.53% | 1,090.82 |
| 2011 | 121,565 | (1,516) | (310) | 119,739 | 2.56% | 1,050.97 |
| 2012 | 118,345 | (1,318) | (220) | 116,807 | 2.52% | 1,025.22 |

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

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

Direct and Overlapping Governmental Activities Debt

(dollars in thousands)

As of June 30, 2012

| Government Unit | Net Debt Outstanding | Estimated Percentage Applicable | Estimated Share of Overlapping Debt |
|--------------------------------------------|----------------------|---------------------------------|-------------------------------------|
| Direct debt [1] | | | |
| General obligation bonds | \$ 118,345 | 100.00% | \$ 118,345 |
| Special assessment bonds | 220 | 100.00% | 220 |
| Installment purchase agreement | 3,500 | 100.00% | 3,500 |
| Total city direct debt | \$ 122,065 | | \$ 122,065 |
| Overlapping debt | | | |
| Ann arbor school district | \$ 185,645 | 62.19% | \$ 115,453 |
| Washtenaw community college | 23,270 | 33.69% | 7,840 |
| Washtenaw county at large | 90,633 | 32.91% | 29,827 |
| Total overlapping debt | \$ 299,548 | | 153,120 |
| Total direct & overlapping debt | | | \$ 275,185 |

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

[1] Does not include self-supporting debt in business-type activities.

Legal Debt Margin Information
Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2012

| | |
|-------------------------------------------------------------|-----------------------|
| Assessed value of real and personal property | \$ 5,268,205,900 |
| Debt limit (10% of assessed value) | 526,820,590 |
| Debt applicable to limit: | |
| Net direct debt | 121,245,000 |
| Less: Special Assessment bonds (general obligation portion) | (230,000) |
| Total net debt applicable to limit | <u>121,015,000</u> |
| Legal debt margin | <u>\$ 405,805,590</u> |

| | Debt Limit | Total Net Debt Applicable to Limit | Legal Debt Margin | Total Net Debt Applicable to Limit as a Percentage of Debt Limit |
|------|----------------|---------------------------------------------|----------------------|---------------------------------------------------------------------------------|
| 2003 | \$ 437,051,260 | \$ 47,909,852 | \$ 389,141,408 | 10.96% |
| 2004 | 483,540,720 | 48,124,150 | 435,416,570 | 9.95% |
| 2005 | 522,238,970 | 43,944,619 | 478,294,351 | 8.41% |
| 2006 | 563,353,190 | 63,436,196 | 499,916,994 | 11.26% |
| 2007 | 588,230,120 | 56,724,615 | 531,505,505 | 9.64% |
| 2008 | 604,890,062 | 56,724,615 | 548,165,447 | 9.38% |
| 2009 | 607,716,850 | 80,146,618 | 527,570,232 | 13.19% |
| 2010 | 587,631,660 | 125,415,000 | 462,216,660 | 21.34% |
| 2011 | 549,528,970 | 120,935,000 | 428,593,970 | 22.01% |
| 2012 | 526,820,590 | 121,015,000 | 405,805,590 | 22.97% |

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

Pledged-Revenue Coverage
 Last Ten Fiscal Years

| Fiscal Year | Operating Revenue (1) | Operating Expenses (2) | Net Revenue Available For Debt Service | Debt Service | | Total | Coverage |
|-------------------------------------|-----------------------|------------------------|----------------------------------------|--------------|--------------|--------------|----------|
| | | | | Principal | Interest | | |
| Water Supply System: | | | | | | | |
| 2003 | \$ 16,510,943 | \$ 10,629,592 | \$ 5,881,351 | \$ 2,240,000 | \$ 1,779,305 | \$ 4,019,305 | 1.5 |
| 2004 | 16,105,264 | 11,065,321 | 5,039,943 | 2,470,000 | 1,580,236 | 4,050,236 | 1.2 |
| 2005 | 18,365,626 | 12,229,142 | 6,136,484 | 2,665,000 | 1,753,678 | 4,418,678 | 1.4 |
| 2006 | 18,719,846 | 12,793,461 | 5,926,385 | 3,090,000 | 1,266,128 | 4,356,128 | 1.4 |
| 2007 | 19,645,050 | 12,815,434 | 6,829,616 | 3,085,000 | 1,311,200 | 4,396,200 | 1.6 |
| 2008 | 20,878,987 | 13,227,385 | 7,651,602 | 3,175,000 | 1,201,181 | 4,376,181 | 1.7 |
| 2009 | 19,228,211 | 14,442,403 | 4,785,808 | 3,710,000 | 2,004,487 | 5,714,487 | 0.8 |
| 2010 | 20,386,564 | 12,440,872 | 7,945,692 | 3,870,000 | 1,890,994 | 5,760,994 | 1.4 |
| 2011 | 21,364,070 | 13,058,877 | 8,305,193 | 4,045,000 | 1,738,552 | 5,783,552 | 1.4 |
| 2012 | 22,301,008 | 12,562,435 | 9,738,573 | 4,584,250 | 1,669,928 | 6,254,178 | 1.6 |
| Sewage Disposal System: | | | | | | | |
| 2003 | \$ 16,555,436 | \$ 9,578,002 | \$ 6,977,434 | \$ 1,300,000 | \$ 367,060 | \$ 1,667,060 | 4.2 |
| 2004 | 15,938,987 | 10,904,443 | 5,034,544 | 1,115,000 | 322,820 | 1,437,820 | 3.5 |
| 2005 | 19,351,456 | 9,667,652 | 9,683,804 | 1,125,000 | 1,694,292 | 2,819,292 | 3.4 |
| 2006 | 20,291,760 | 9,621,514 | 10,670,246 | 1,440,000 | 1,243,005 | 2,683,005 | 4.0 |
| 2007 | 21,168,920 | 11,400,323 | 9,768,597 | 1,495,000 | 1,166,739 | 2,661,739 | 3.7 |
| 2008 | 22,263,810 | 10,571,368 | 11,692,442 | 1,490,000 | 1,110,639 | 2,600,639 | 4.5 |
| 2009 | 22,752,472 | 11,185,369 | 11,567,103 | 1,450,000 | 1,763,808 | 3,213,808 | 3.6 |
| 2010 | 19,851,400 | 10,306,331 | 9,545,069 | 2,040,000 | 2,054,391 | 4,094,391 | 2.3 |
| 2011 | 21,810,673 | 10,120,854 | 11,689,819 | 2,355,000 | 1,990,078 | 4,345,078 | 2.7 |
| 2012 | 21,593,098 | 10,177,877 | 11,415,221 | 2,696,000 | 1,851,394 | 4,547,394 | 2.5 |
| Stormwater Sewer System (3): | | | | | | | |
| 2003 | \$ 2,688,709 | \$ 1,681,136 | \$ 1,007,573 | \$ 105,000 | \$ 45,270 | \$ 150,270 | 6.7 |
| 2004 | 2,859,418 | 1,691,556 | 1,167,862 | 110,000 | 41,366 | 151,366 | 7.7 |
| 2005 | 3,578,596 | 1,449,544 | 2,129,052 | 115,000 | 36,243 | 151,243 | 14.1 |
| 2006 | 3,810,641 | 1,333,400 | 2,477,241 | 125,000 | 51,547 | 176,547 | 14.0 |
| 2007 | 4,564,942 | 2,261,839 | 2,303,103 | 130,000 | 22,802 | 152,802 | 15.1 |
| 2008 | 5,176,719 | 2,701,223 | 2,475,496 | 140,000 | 15,588 | 155,588 | 15.9 |
| 2009 | 5,517,486 | 2,501,139 | 3,016,347 | 145,000 | 7,643 | 152,643 | 19.8 |

(1) Includes 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

Demographic and Economic Statistics
 Last Ten Calendar Years

| Year | Population (1) | Personal income (2) | Per Capita Personal Income (2) | Median Age (1) | Education Level in Years of Schooling (1) | School Enrollment (3) | Unemployment Rate % (4) |
|------|----------------|---------------------|--------------------------------|----------------|-------------------------------------------|-----------------------|-------------------------|
| 2003 | 114,061 | \$ 12,989,048 | \$ 38,706 | 28.1 | 16.7 | 16,664 | 4.1 |
| 2004 | 114,061 | 13,391,280 | 39,528 | 28.1 | 16.8 | 16,724 | 4.4 |
| 2005 | 114,103 | 13,751,795 | 40,228 | 28.1 | 16.9 | 16,980 | 4.7 |
| 2006 | 114,216 | 13,892,850 | 40,381 | 27.3 | 16.10 | 16,879 | 4.4 |
| 2007 | 114,282 | 13,614,000 | 39,142 | 27.3 | 16.11 | 16,680 | 5.2 |
| 2008 | 114,282 | 13,766,000 | 39,107 | 27.3 | 16.12 | 17,012 | 6.3 |
| 2009 | 114,602 | 13,159,000 | 38,032 | 27.3 | 16.13 | 16,539 | 8.3 |
| 2010 | 112,852 | 13,496,000 | 39,085 | 28.1 | 16.14 | 16,536 | 8.1 |
| 2011 | 113,932 | N/A | N/A | 28.1 | 16.15 | 16,440 | 7.7 |
| 2012 | 113,934 | N/A | N/A | 28.1 | 16.5 | 16,544 | 6.2 |

Sources:

- (1) U. S. Census Bureau
- (2) Bureau of Economic Analysis
[http://www.bea.gov/scb/pdf/2010/09%20September/ Page 7\(135\)](http://www.bea.gov/scb/pdf/2010/09%20September/Page%207(135).pdf)
<http://research.stlouisfed.org/fred2/series/ANNA426PCPI?rid=139>
 *Note: 2011 data has not been released at this time. Scheduled to be released 11/26/12.
 *Note: 2012 data has not been released at this time.
- (3) Ann Arbor Public School's Child Accounting Office.
http://www.aaps.k12.mi.us/aaps.about/demographic_data
- (4) Michigan Employment Security Commission statistics for Washtenaw County.
http://stats.bls.gov/eag/eag.mi_annarbor_msa.htm

Principal Employers
Current Year and Nine Years Ago

| Taxpayer | 2012 | | | 2003 | | |
|-----------------------------------------|---------------|------|-------------------------------------|---------------|------|-------------------------------------|
| | Employees | Rank | Percentage of Total City Employment | Employees | Rank | Percentage of Total City Employment |
| University of Michigan | 27,003 | 1 | 63.38% | 14,996 | 1 | 42.96% |
| St. Joseph Mercy Health System | 5,304 | 2 | 12.45% | 4,505 | 3 | 12.90% |
| Ann Arbor Public Schools | 3,578 | 3 | 8.40% | 1,851 | 4 | 5.30% |
| Thomson Reuters | 1,785 | 4 | 4.19% | | | |
| Washtenaw County | 1,339 | 5 | 3.14% | 1,300 | 6 | 3.72% |
| Veterans Administration Medical Center | 1,230 | 6 | 2.89% | | | |
| City of Ann Arbor | 710 | 7 | 1.67% | 912 | 8 | 2.61% |
| Washtenaw Community College | 576 | 8 | 1.35% | | | |
| Domino's Pizza | 550 | 9 | 1.29% | 525 | 10 | 1.50% |
| Integrated Health Associates, Inc. | 532 | 10 | 1.24% | | | |
| NSK Corp | | | | 568 | 9 | 1.63% |
| ProQuest Co. | | | | 1,055 | 7 | 3.02% |
| Borders Group, Inc. | | | | 1,800 | 5 | 5.16% |
| Univ. of Mich Hospitals & Health System | | | | 7,398 | 2 | 21.20% |
| Total | 42,607 | | 100.00% | 34,910 | | 100.00% |

Source: Business Week (Prime Numbers: Top 100 Employers, January's Edition)
Crain's Detroit Business, Vol. 27, No. 52, 2012 Edition, 2012 Book of Lists and Detroit Yearbook

CITY OF ANN ARBOR, MICHIGAN

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

| | 2012 | 2011 | 2010 | 2009 |
|--------------------------------|------|------|------|------|
| Function/Program | | | | |
| General government | | | | |
| Financial Services | 45 | 48 | 49 | 49 |
| Community Services | 34 | 33 | 35 | 35 |
| Parks & Recreation | 20 | 20 | 19 | 17 |
| City Administrator Services | 30 | 31 | 31 | 29 |
| Mayor & Council | 1 | 1 | 1 | 1 |
| Other | | | | |
| Police | | | | |
| Officers | 118 | 150 | 152 | 152 |
| Civilians | 46 | 27 | 30 | 30 |
| Fire | | | | |
| Firefighters & Officers | 81 | 89 | 94 | 94 |
| Civilians | 1 | | | |
| Public Services | | | | |
| Project Management | 13 | 15 | 15 | 15 |
| Water | 26 | 26 | 26 | 23 |
| Wastewater Treatment | 35 | 35 | 35 | 34 |
| Field Operations | 126 | 129 | 135 | 125 |
| Other | 74 | 75 | 79 | 93 |
| 15th District Court | 36 | 37 | 39 | 39 |
| Retirement System | 4 | 4 | 4 | 3 |
| Downtown Development Authority | 4 | 3 | 3 | 3 |
| City Attorney | 13 | 13 | 14 | 14 |
| Per Budget Book | 706 | 736 | 761 | 800 |

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

| 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|------|------|------|------|------|------|
| 51 | 50 | 47 | 49 | 54 | 66 |
| 42 | 41 | 56 | 67 | 65 | 73 |
| 21 | 23 | 24 | 18 | 23 | 34 |
| 32 | 31 | 16 | 18 | 20 | 20 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| | | | | | 1 |
| 160 | 159 | 159 | 225 | 236 | 240 |
| 50 | 67 | 67 | | | |
| 94 | 94 | 94 | 102 | 100 | 115 |
| 17 | 16 | 17 | 19 | 34 | 35 |
| 26 | 24 | 21 | 24 | 28 | 32 |
| 35 | 34 | 32 | 35 | 36 | 39 |
| 125 | 128 | 124 | 146 | 155 | 174 |
| 87 | 92 | 103 | 74 | 50 | 50 |
| 41 | 41 | 41 | 41 | 41 | 40 |
| 4 | 4 | 4 | 4 | 4 | 4 |
| 3 | 3 | 3 | 3 | 3 | 3 |
| 14 | 14 | 14 | 14 | 13 | 14 |
| 803 | 822 | 823 | 840 | 863 | 941 |

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

| Function/Program | 2012 | 2011 | 2010 | 2009 | 2008 |
|---------------------------------------------------------|--------|--------|---------|---------|---------|
| Police | | | | | |
| Physical arrests | 2,610 | 2,630 | 1,605 | 2,000 | 1,685 |
| Parking violations | 95,990 | 86,780 | 137,271 | 157,668 | 167,102 |
| Traffic violations | 10,638 | 16,729 | NA | 23,764 | 22,893 |
| Fire | | | | | |
| Emergency responses | 5,843 | 5,808 | 4,985 | 6,045 | 5,996 |
| Fire extinguished | 431 | 281 | 226 | 258 | 265 |
| Inspections | 1,962 | 913 | 508 | 21 | 471 |
| Refuse Collection | | | | | |
| Refuse collected (tons/day) | 114.85 | 120.17 | 94.00 | 92.00 | 123.00 |
| Recyclables collected (tons/day) | 37.10 | 30.82 | 31.00 | 34.00 | 10.00 |
| Other Public works | | | | | |
| Street resurfacing (miles) | 6.20 | 4.72 | 6.92 | 4.92 | 4.34 |
| Potholes repaired (tons) | 392.78 | 500.00 | 394.60 | 423.70 | 444.34 |
| Parks and Recreation | | | | | |
| Athletic field permits issued | 1,032 | 1,067 | 893 | 839 | 814 |
| Community center admissions | 11,500 | 11,500 | 11,000 | 10,500 | 10,168 |
| Water | | | | | |
| Connections | 28,333 | 28,266 | 28,202 | 28,222 | 28,193 |
| Water main breaks | 72 | 96 | 85 | 58 | 110 |
| Average daily consumption (millions of gallons) | 14,600 | 13.782 | 12.699 | 12.675 | 12.800 |
| Peak daily consumption (millions of gallons) | 27,115 | 21.415 | 17.927 | 20.775 | 22.510 |
| Wastewater | | | | | |
| Average daily sewage treatment (millions of gallons) | 18.100 | 17.680 | 17.745 | 18.347 | 18.000 |

Source: Various services areas within City of Ann Arbor

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CITY OF ANN ARBOR, MICHIGAN

Capital Asset Statistics by Function/Program Last Ten Fiscal Years

| Function/Program | Fiscal Year | | | |
|-------------------------------------------|-------------|--------|--------|--------|
| | 2012 | 2011 | 2010 | 2009 |
| Police | | | | |
| Station | 1 | 1 | 1 | 1 |
| Zone Offices | 2 | 2 | 2 | 2 |
| Patrol units | 36 | 37 | 35 | 36 |
| Fire Stations | 5 | 5 | 5 | 5 |
| Refuse Collection | | | | |
| Collection Trucks | 26 | 27 | 28 | 18 |
| Other Public works | | | | |
| Streets (miles) | 295 | 295 | 295 | 295 |
| Streetlights | 7,139 | 7,134 | 7,134 | 7,134 |
| Traffic signals | 158 | 158 | 158 | 158 |
| Parks and Recreation | | | | |
| Acreage | 2,089 | 2,089 | 2,088 | 2,088 |
| Playgrounds | 77 | 77 | 73 | 73 |
| Baseball/softball diamonds | 34 | 34 | 34 | 34 |
| Soccer/football fields | 24 | 24 | 25 | 25 |
| Community centers | 2 | 2 | 2 | 2 |
| Water | | | | |
| Water mains (miles) | 464 | 472 | 485 | 485 |
| Fire hydrants | 2,960 | 2,909 | 3,555 | 3,555 |
| Storage Capacity (thousands of gallons) | 19,000 | 19,000 | 19,000 | 19,000 |
| Wastewater | | | | |
| Sanitary sewers (miles) | 364 | 364 | 405 | 405 |
| Storm sewers (miles) | 322 | 320 | 413 | 413 |
| Treatment capacity (thousands of gallons) | 48,000 | 48,000 | 50,000 | 50,000 |

Source: Various services areas within City of Ann Arbor

| Fiscal Year | | | | | | |
|-------------|--------|--------|--------|--------|--------|----|
| 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | |
| 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| 36 | 34 | 35 | 35 | 37 | 36 | 36 |
| 5 | 5 | 5 | 5 | 5 | 5 | 6 |
| 18 | 14 | 14 | 16 | 17 | 18 | |
| 295 | 295 | 295 | 295 | 291 | 290 | |
| 7,134 | 7,134 | 7,028 | 8,858 | 8,786 | 8,701 | |
| 158 | 154 | 154 | 154 | 153 | 150 | |
| 2,088 | 2,069 | 2,056 | 2,055 | 2,055 | 2,027 | |
| 85 | 78 | 153 | 153 | 153 | 147 | |
| 34 | 34 | 34 | 34 | 34 | 34 | |
| 25 | 25 | 25 | 23 | 23 | 22 | |
| 2 | 2 | 2 | 2 | 2 | 2 | |
| 490 | 481 | 482 | 478 | 441 | 440 | |
| 3,549 | 3,510 | 3,466 | 3,428 | 3,345 | 3,294 | |
| 19,000 | 19,000 | 19,000 | 19,000 | 19,000 | 19,000 | |
| 407 | 402 | 400 | 395 | 365 | 364 | |
| 388 | 368 | 360 | 341 | 271 | 271 | |
| 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | |

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