

**City of Ann Arbor, Michigan**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2017**



# City of Ann Arbor

## Comprehensive Annual Financial Report

County of Washtenaw

State of Michigan

Fiscal Year Ended June 30, 2017



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

December 6, 2017

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

The Comprehensive Annual Financial Report (CAFR) of the City of Ann Arbor for the year-end June 30, 2017, is submitted. Staff in the Accounting Services Unit prepared the report, with assistance from the Pension System, Downtown Development Authority, Housing Commission and other City staff. The City has the responsibility for all disclosure and accuracy of material contained in this report.

State law requires that all local governments, subject to certain size criteria, publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Ann Arbor for the fiscal year ended June 30, 2017.

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

Yeo & Yeo, P.C., have issued an unqualified ("clean") opinion on the City of Ann Arbor financial statements for the year ended June 30, 2017. The independent auditor's report is located at the front of the financial section of this report.

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

**Profile of the Government**

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

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

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

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

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

The city takes pride in the service provided to our citizens and our community's well-earned reputation. 2017 recognitions include:

- 2017 Best Cities for a Green Career (No. 22), GoodCall.com.
- 2017 Best Cities for Summer Internships (No. 13), GoodCall.com.
- 2017 Best Cities for Teachers (K-12) (No. 70), GoodCall.com.
- Top 100 Best Places to Live 2017 (No. 3), Livability.com.
- Michigan Transportation Asset Management Council 2017 Organization Award, Transportation Asset Management Conference.
- Best City to Live in America (No. 1), Niche.com.
- Best Green City for Families (No. 5), SmartAsset.
- 2017 U.S. News Best High Schools in Michigan: Pioneer (No. 8) | Skyline (No. 15) | Huron (No. 29), U.S. News and World Report.
- Best Midsize City for Basketball Fans (No. 5), WalletHub.
- Best Place to Raise a Family in Michigan (No. 10), WalletHub.
- Top 10 Percent of Cities with the Highest Credit Scores, WalletHub.

### **Local Economy**

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

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

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

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

The City of Ann Arbor enjoys a healthy local economy. The local area unemployment rate is 2.9% as of May 2017, receipts from sales taxes have increased modestly, and residential property values are increasing, primarily due to new construction. Offsetting some of this economic improvement are State laws limiting property tax revenues along with legislative uncertainty of funds provided by the State to the City.

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

### **Long-term Financial Planning**

The City Council and City Administrator are committed to strategies designed to ensure the long-term financial health of the City. The City's financial policies for pension and other post-employment benefits were updated to provide additional funding for these items.

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

### **Relevant Financial Policies**

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

## **Major Initiatives**

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

This project consists of upgrading, rehabilitating and/or replacing the aging and deteriorating facilities at the WWTP. The WWTP consists of an older West Plant (constructed in the 1930's) and a newer East Plant (constructed in the late 1970's). The Facilities Renovations Project is split into two phases, thereby providing significant construction and financial benefits. The first phase is the Storage Building Demolition and Improvements Project, which includes demolition of the Solids Re-aeration Tank and the Old Solids Storage Building, as well as some minor electrical modifications. The first phase is completed. The second phase of the Facilities Renovations Project includes complete replacement of the older West Plant, improvements to newer East Plant and replacement of the plant electrical grid and stand-by generators. The second phase project is State Revolving Funds funded and is 95% completed.

### **Gallup Universal Access Playground (construction cost = \$1,109,166)**

This project will provide a universal access playground located at Gallup Park opening in the fall of 2017. The Rotary Club of Ann Arbor has donated \$550,000 for the project budget and the Michigan Natural Resources Trust Fund awarded a grant of \$300,000. This universal access playground is designed to be usable by all people to the greatest extent possible exceeding standards under the Americans with Disabilities Act including features and surfacing that will be inclusive, stimulating and fun for all users, whether fully independent, or with mobility, sensory or visual impairments. Specific playground features include a water/sand play area, a sensory garden, adaptive swings and moving play activities such as whirl and spring riders with back supports. Other universally accessible features of the project include grills, picnic tables, benches, a fishing pier and a canoe/kayak launch.

## **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, 2016. This was the twenty-eighth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

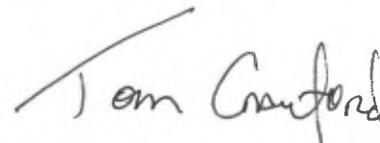
In addition, the City of Ann Arbor also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for fiscal year 2017. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

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

Sincerely,



Howard Lazarus,  
City Administrator



Tom Crawford,  
Chief Financial Officer

**City of Ann Arbor**  
**List of Elected and Appointed Officials**  
**June 30, 2017**

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Christopher Taylor – Mayor

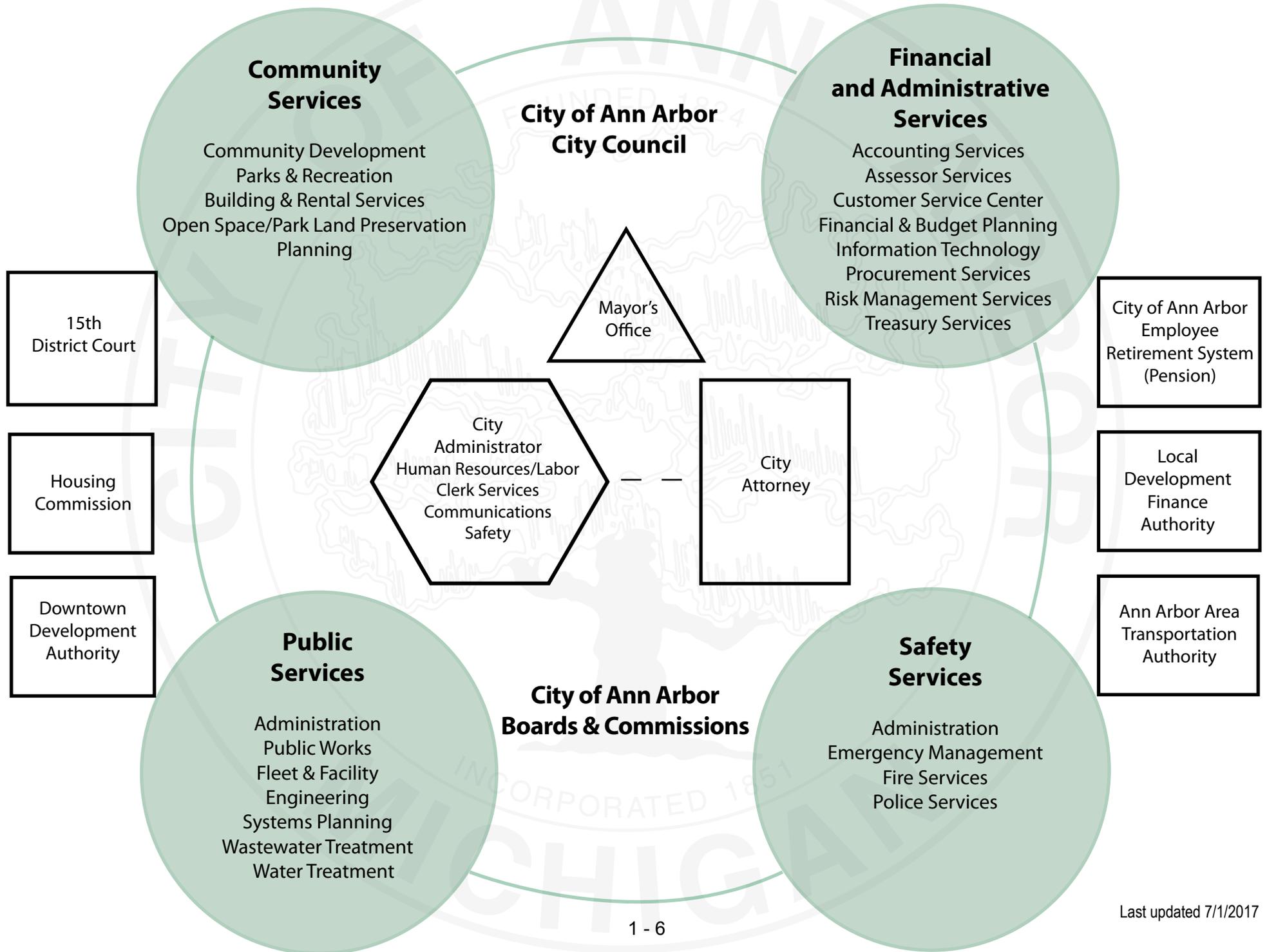
City Council

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

Other Officers and Officials

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

# CITY OF ANN ARBOR ORGANIZATIONAL CHART





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Ann Arbor  
Michigan**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

Executive Director/CEO



800.968.0010 | yeoandyeo.com

## Independent Auditors' Report

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ann Arbor, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Ann Arbor Housing Commission, a component unit, which statements reflect total assets and net position constituting 13.52 percent and 12.95 percent of the total assets and total net position of the discretely presented component units at June 30, 2017, respectively, and total revenues constituting 42.11 percent of the total revenues of the discretely presented component units for the year then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Ann Arbor Housing Commission, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ann Arbor, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### ***Required Supplementary Information***

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

#### ***Other Supplementary Information***

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

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2017 on our consideration of the City of Ann Arbor's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Ann Arbor's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Ann Arbor, MI  
December 6, 2017

# City of Ann Arbor Management's Discussion and Analysis June 30, 2017

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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, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page 1-1 of this report.

## FINANCIAL HIGHLIGHTS

- The City's governmental funds financial statements are prepared using modified accrual basis of accounting and all other funds are prepared using the full accrual basis of accounting resulting in fund financial statements and government-wide statements.
- Government-wide financial statements are comprised of governmental activities, business-type activities and discretely presented component units. Governmental activities include General Fund activities such as Public Safety and Parks and Recreation. Business-type activities include proprietary funds such as Water, Sewer, and Solid Waste.
  - In total, the assets of the City exceed its liabilities by \$1,068,633,247 at the close of the most recent fiscal year.
    - \$910,527,433 is the net investment in capital assets;
    - \$88,185,712 is restricted for specific purposes, such as capital projects;
    - \$69,920,102 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 (\$430,810) in governmental activities and \$70,350,912 in business-type activities.
  - The City's total net position increased by \$15,633,845 during the year, primarily due to increases in capital assets.
  - The City's total debt decreased by \$1,462,220, (new issues less retirements), during the current fiscal year due to the normally scheduled retirement of debt.
- Fund financial statements are comprised of 30 governmental funds and 12 proprietary funds. Governmental funds include the General Fund, the Street, Bridge, and Sidewalk Repair Millage Fund, and other special revenue, capital projects and debt service funds.
  - At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$90,944,181, decreasing \$2,769,002 during the fiscal year.
  - Of the above fund balance amount, \$16,243,676 is unassigned and may be used to meet the government's ongoing obligations to citizens and creditors, \$12,741,604 is assigned and \$5,494,990 is committed and may be used subject to the purpose of the fund in which they are located and the remaining amount of \$56,463,911 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 (\$23,199,147) and the Street, Bridge, and Sidewalk Repair Millage Fund (\$8,219,999) account for 34.5% of total fund balance including restricted amounts. The remaining amount is represented across the other 28 non-major funds.
  - While the General fund recognized a decrease to fund balance of \$1,936,202, the General fund unassigned fund balance increased from \$15,330,765 in FY2016 to \$16,243,676 in FY2017. The end result was a decrease in assigned fund balance of \$2,770,671. At the end of the current fiscal year, unassigned general fund balance was 18.7% of the total general fund expenditures.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

**City of Ann Arbor**  
**Management's Discussion and Analysis**  
**June 30, 2017**

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**GOVERNMENT-WIDE STATEMENTS**

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

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

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

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

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

**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.

**City of Ann Arbor**  
**Management's Discussion and Analysis**  
**June 30, 2017**

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

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

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

#### Proprietary funds

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

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

#### Fiduciary funds

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

#### ADDITIONAL INFORMATION

##### Notes to the financial statements

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

**City of Ann Arbor  
Management's Discussion and Analysis  
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Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to the major fund budgetary comparisons and a schedule concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 5-1 to 5-12 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be located on pages 6-1 to 6-8 of this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The government-wide financial analysis focuses on the net position and changes in net position of the City's governmental and business-type activities. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As the following table demonstrates, the City's assets exceeded its liabilities by \$1,068,633,247 at June 30, 2017 compared to \$1,052,999,402 at June 30, 2016.

**City of Ann Arbor  
Net Position  
Comparative Schedule - June 30, 2017 and 2016**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>June 30, 2017</b>	<b>June 30, 2016</b>	<b>June 30, 2017</b>	<b>June 30, 2016</b>	<b>June 30, 2017</b>	<b>June 30, 2016</b>
<b>Current and other assets</b>	\$134,375,388	\$140,680,590	\$135,025,617	\$134,893,465	\$269,401,005	\$275,574,055
<b>Capital assets</b>	806,191,291	807,547,164	412,781,303	398,801,228	\$1,218,972,594	1,206,348,392
<b>Total assets</b>	940,566,679	948,227,754	547,806,920	533,694,693	\$1,488,373,599	1,481,922,447
<b>Deferred outflow of resources</b>	12,596,025	14,594,638	17,488,488	19,978,540	\$30,084,513	34,573,178
<b>Long-term liabilities</b>	120,937,667	124,800,821	207,571,890	205,170,956	\$328,509,557	329,971,777
<b>Pension and OPEB</b>	47,725,771	61,960,165	19,898,209	26,303,002	\$67,623,980	88,263,167
<b>Other liabilities</b>	15,699,897	20,232,459	18,387,471	22,448,169	\$34,087,368	42,680,628
<b>Total liabilities</b>	184,363,335	206,993,445	245,857,570	253,922,127	\$430,220,905	460,915,572
<b>Deferred inflow of resources</b>	13,835,537	1,804,122	5,768,423	776,529	\$19,603,960	2,580,651
<b>Net position:</b>						
<b>Net investment in capital assets</b>	700,165,724	696,101,749	210,361,709	198,917,535	910,527,433	895,019,284
<b>Restricted</b>	55,228,918	57,396,250	32,956,794	33,715,280	88,185,712	91,111,530
<b>Unrestricted</b>	(430,810)	526,826	70,350,912	66,341,762	69,920,102	66,868,588
<b>Total net position</b>	<b>\$754,963,832</b>	<b>\$754,024,825</b>	<b>\$313,669,415</b>	<b>\$298,974,577</b>	<b>\$1,068,633,247</b>	<b>\$1,052,999,402</b>

**City of Ann Arbor**  
**Management's Discussion and Analysis**  
**June 30, 2017**

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

An additional portion of the City's net position at June 30, 2017 (\$88,185,712) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$69,920,102 may be used to meet the government's ongoing obligations to citizens and creditors, subject to the restrictions of the fund.

Long-term liabilities have remained relatively flat from 2016 to 2017. Pension and OPEB liabilities have decreased in fiscal year 2017 due to a favorable investment market for the pension liability and due to OPEB liability being paid off. Other liabilities have decreased from 2016 to 2017 primarily due to a decrease in Accounts Payable in Business-type Activities related to the timing of payment for a construction project in the sewer fund.

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

**City of Ann Arbor  
Management's Discussion and Analysis  
June 30, 2017**

**City of Ann Arbor  
Changes in Net Position  
Comparative Schedule - Years Ended June 30, 2017 and 2016**

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenue:</b>						
<b>Program revenue:</b>						
Charges for services	\$30,459,218	\$31,384,738	\$69,114,871	\$61,517,542	\$99,574,089	\$92,902,280
Operating contributions and grants	13,756,071	12,273,077	-	-	13,756,071	12,273,077
Capital contributions and grants	1,025,460	638,182	359,981	600,945	1,385,441	1,239,127
<b>General revenue:</b>						
Property taxes	73,120,969	71,544,363	12,306,559	12,072,979	85,427,528	83,617,342
State shared revenues and grants	10,712,412	10,215,633	-	-	10,712,412	10,215,633
Investment income	10,347	1,558,594	(11,349)	1,774,736	(1,002)	3,333,330
Other	500,138	320,426	98,767	59,650	598,905	380,076
<b>Total revenue</b>	<b>129,584,615</b>	<b>127,935,013</b>	<b>81,868,829</b>	<b>76,025,852</b>	<b>211,453,444</b>	<b>203,960,865</b>
<b>Expenses:</b>						
<b>Governmental activities:</b>						
General government	17,463,340	15,951,143	-	-	17,463,340	15,951,143
Public safety	46,375,914	45,158,518	-	-	46,375,914	45,158,518
Public works	40,196,459	38,305,144	-	-	40,196,459	38,305,144
Community and economic development	2,098,986	2,925,711	-	-	2,098,986	2,925,711
Culture and recreation	14,074,974	12,865,261	-	-	14,074,974	12,865,261
Other - Public Transportation	10,269,099	10,038,406	-	-	10,269,099	10,038,406
Debt service	3,340,791	4,837,529	-	-	3,340,791	4,837,529
<b>Business-type activities:</b>						
Water	-	-	19,288,471	19,188,325	19,288,471	19,188,325
Sewer	-	-	18,621,741	17,880,966	18,621,741	17,880,966
Parking	-	-	1,871,468	2,048,444	1,871,468	2,048,444
Airport	-	-	791,342	670,167	791,342	670,167
Stormwater	-	-	5,802,413	5,616,057	5,802,413	5,616,057
Solid waste	-	-	15,624,601	18,301,294	15,624,601	18,301,294
<b>Total expenses</b>	<b>133,819,563</b>	<b>130,081,712</b>	<b>62,000,036</b>	<b>63,705,253</b>	<b>195,819,599</b>	<b>193,786,965</b>
<b>Increase (decrease) in net position before transfers</b>	<b>(4,234,948)</b>	<b>(2,146,699)</b>	<b>19,868,793</b>	<b>12,320,599</b>	<b>15,633,845</b>	<b>10,173,900</b>
<b>Transfers</b>	<b>5,173,955</b>	<b>460,882</b>	<b>(5,173,955)</b>	<b>(460,882)</b>	<b>-</b>	<b>-</b>
<b>Increase in net position</b>	<b>939,007</b>	<b>(1,685,817)</b>	<b>14,694,838</b>	<b>11,859,717</b>	<b>15,633,845</b>	<b>10,173,900</b>
<b>Net position: beginning of year</b>	<b>754,024,825</b>	<b>755,710,642</b>	<b>298,974,577</b>	<b>287,114,860</b>	<b>1,052,999,402</b>	<b>1,042,825,502</b>
<b>Net position: end of year</b>	<b>\$754,963,832</b>	<b>\$754,024,825</b>	<b>\$313,669,415</b>	<b>\$298,974,577</b>	<b>\$1,068,633,247</b>	<b>\$1,052,999,402</b>

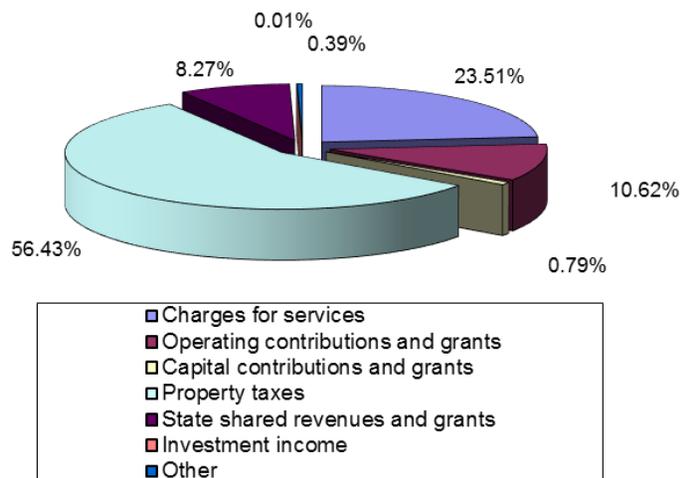
## City of Ann Arbor Management's Discussion and Analysis June 30, 2017

The City's net position increased by \$15,633,845 during the current fiscal year and \$10,173,900 in the prior fiscal year.

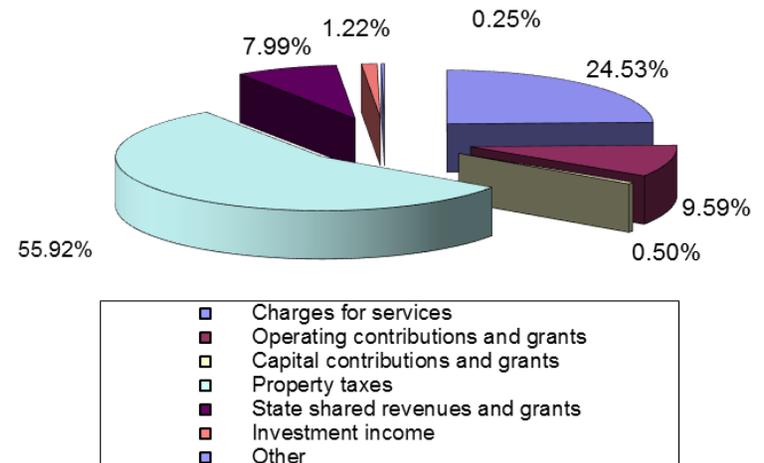
Governmental activities increased the City's net position by \$939,007. During fiscal year 2016, governmental activities decreased by \$1,685,817. Key elements are as follows:

- Property taxes increased 2.2% during fiscal year 2017 and 2.8% in fiscal year 2016.
- Investment income decreased 99% due to a change in market value. Last year, investment income increased 23%. This is attributable to fluctuations in the market value of the investments. It is important to note that the City holds all of its investments until they mature and do not experience a realized loss on investments.
- Charges for services decreased 2.95% compared to an increase of 7.5% in fiscal year 2016 primarily due to a decrease in revenue from engineering fees and a decrease in Culture and Recreation revenue, primarily from the Canoe Liveries and Golf Courses.
- Capital contributions and grants increased 60.7% due to a developer contribution for a Street, Bridge, and Sidewalk Repair Millage fund project as compared to a decrease of 26% in fiscal year 2016.

**2017 Governmental Activities - Revenues by Source**



**2016 Governmental Activities - Revenues by Source**

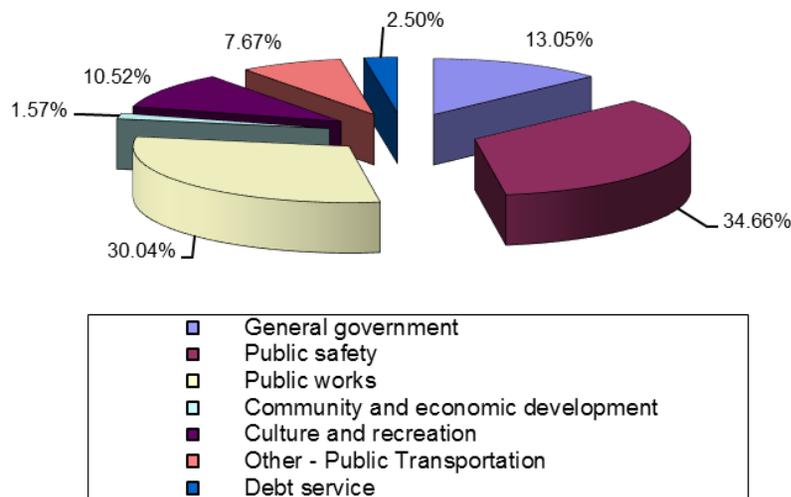


## City of Ann Arbor Management's Discussion and Analysis June 30, 2017

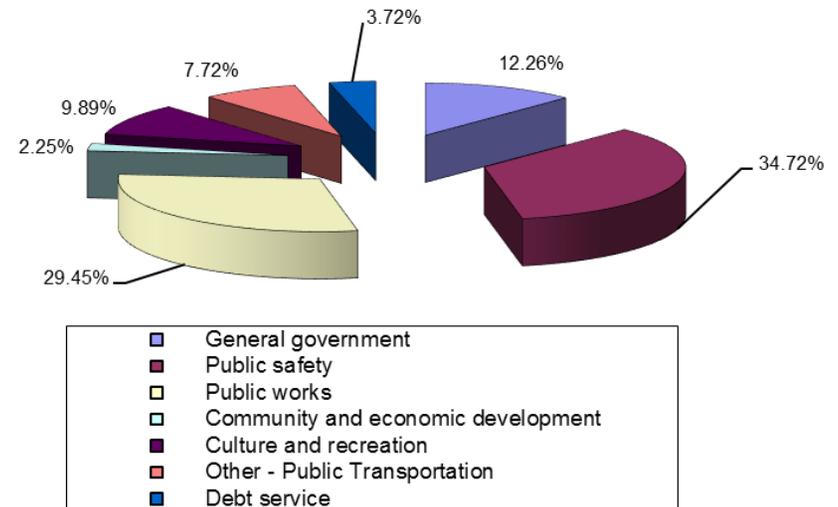
Expenses for governmental activities increased \$3,737,851 from 2016 to 2017. Key elements are as follows:

- General Government expenses increased \$1.5 million due to Customer Service employees being moved from Public Works, an increase in personnel expense, and an Internal Service Fund allocation adjustment that increased from prior year.
- Public Safety expenses increased \$1.2 million due to an increase in personnel expenses for pension in both police and fire, and an increase in in fleet maintenance and repair for police.
- Public Works expenses increased by \$1.9 million due to an increase in depreciation expense for street infrastructure.
- Culture and Recreation expense increased by \$1.2 million due to increased partnerships to acquire greenspace, an increase in contribution to the Fleet fund, and an increase in small non-capitalized equipment.
- Expenses for Community and economic development decreased by \$827K to reduced activity in affordable housing.
- Expenses for Debt Service decreased \$1.5 million due to overall debt decreasing due to lower interest rates on refunded debt.

**2017 Governmental Activities - Expenses by Function**



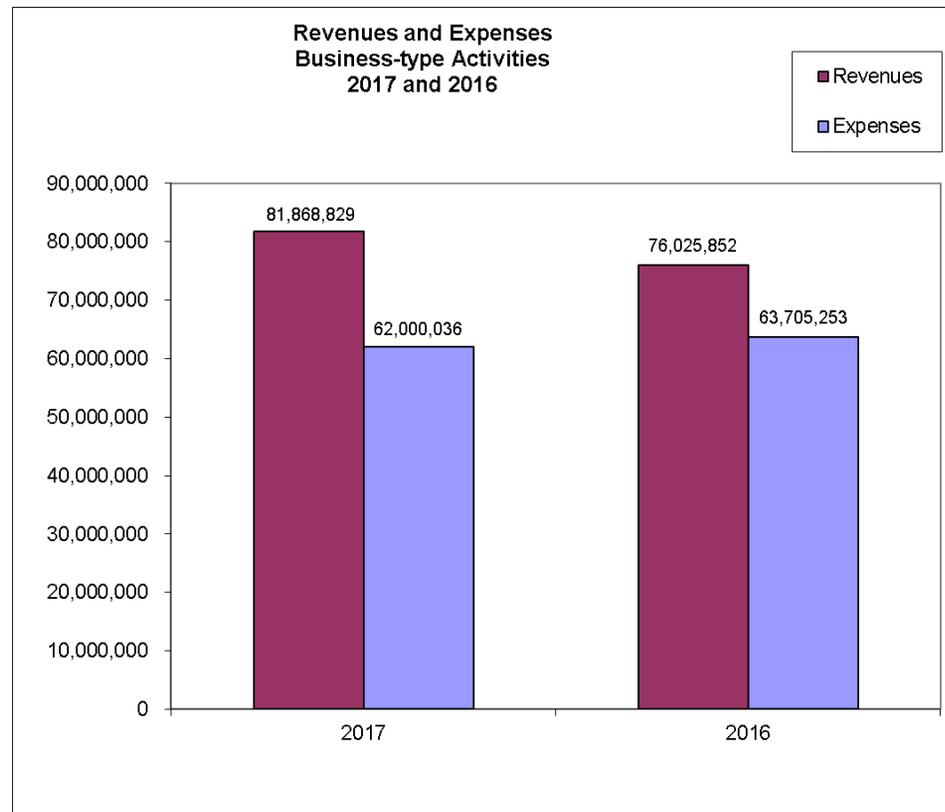
**2016 Governmental Activities - Expenses by Function**



# City of Ann Arbor Management's Discussion and Analysis June 30, 2017

Business-type activities. Business-type activities increased the City's net position by \$14,694,838 for fiscal year 2017 and by \$11,859,717 for fiscal year 2016, accounting for 94% and 100% of the total growth in the government's net position for the current year and prior year, respectively. Key elements of this increase are as follows:

- Revenues increased by \$5,842,977, or 8%, in fiscal year 2017 due to increased metered services for water & sewer and revenue from a resolution passed in fiscal year 2017 that allows developments to make payments to the City in lieu of performing sanitary flow mitigation. In the prior year, the revenues were relatively flat.
- Expenses decreased by \$1,705,217, or 3% in fiscal year 2017, compared to an increase of \$6,503,799, or 11%, in fiscal year 2016, primarily due to the following:
  - Solid Waste expenses have decreased \$2,676,693 primarily due to a decrease in the contingent liability for landfill cleanup offset by an increase in both recycling contracted services and front-loader commercial collection contracted services.



**City of Ann Arbor  
Management's Discussion and Analysis  
June 30, 2017**

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Financial Analysis of the Government's Funds

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

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$90,944,181 at June 30, 2017 versus \$93,713,183 at June 30, 2016, a decrease of \$2,769,002. Of the total fund balance amount, \$16,243,676 at June 30, 2017 is unassigned and unrestricted under GASB #54 fund balance classifications which indicates this money is available for spending at the government's discretion. At June 30, 2016, \$15,330,765 was unassigned and unrestricted.

The General fund is the chief operating fund of the City. At the end of the current fiscal year, unrestricted, unassigned fund balance of the general fund was \$16,243,676 at June 30, 2017. At June 30, 2016, the unrestricted, unassigned fund balance was \$15,330,765. Total fund balance was \$23,199,147 and \$25,135,349 at June 30, 2017 and 2016, respectively. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 18.7% at June 30, 2017 of total General Fund expenditures. Unassigned fund balance was 19.04% at June 30, 2016 of total General Fund expenditures. The fund balance of the City's General Fund decreased by \$1,936,202 during the current fiscal year in comparison to an increase of \$2,652,049 during the prior fiscal year. For fiscal year 2017, this is primarily attributable to a planned use of fund balance in the FY2017 budget.

The Street, Bridge, and Sidewalk Repair Millage fund balance decreased by \$5,044,961 in fiscal year 2017 compared to a decrease of \$1,800,684 in fiscal year 2016. This decrease is attributable to more projects planned than budgeted and more fund balance having been used.

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

Unrestricted net position of the water, sanitary, stormwater sewer, parking system, solid waste and airport, at the end of the year amounted to \$68,187,249. Water, sanitary, parking, and airport funds had an increase in net position for the year totaling \$16,129,563. The Solid Waste and Stormwater funds had a decrease in net position of \$2,266,524. The Stormwater decrease was due to increased funding of construction projects for storm components. The Solid Waste decrease was due to transfers out to fund improvements at the maintenance facility, increased contract services for commercial pick-up and increased costs for recycling processing. 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 2.96% increase in fiscal year 2017 compared to a 2.3% increase in fiscal year 2016. The General Fund revenues and other financing sources were under expenditures and other financing uses by \$1,936,202.

**City of Ann Arbor  
Management's Discussion and Analysis  
June 30, 2017**

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental/business-type activities as of June 30, 2017 was \$1,218,972,594 compared to \$1,206,348,392 at June 30, 2016 (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 1.05% compared to 1.19% in fiscal year 2016. Major capital asset events during the fiscal year 2017 included an increase in improvements other than buildings (\$27,911,444) capitalized from Construction in Progress, and an increase in infrastructure (\$24,324,308) for road and other improvements. Additional information on the City's capital assets can be located in note 5 on pages 4-42 to 4-44 of this report.

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Land	\$60,154,573	\$59,869,749	\$7,461,349	\$7,291,349	\$67,615,922	\$67,161,098
Construction in progress	7,027,752	2,991,316	129,199,156	132,685,515	136,226,908	135,676,831
Buildings	166,400,455	167,632,859	190,563,827	190,563,824	356,964,282	358,196,683
Improvements other than buildings	23,951,889	23,128,472	245,321,099	218,233,072	269,272,988	241,361,544
Machinery and equipment	12,808,296	15,950,743	27,873,709	28,843,245	40,682,005	44,793,988
Vehicles	21,897,692	19,477,586	2,075,059	2,785,547	23,972,751	22,263,133
Intangible assets	1,173,590	1,173,590	-	-	1,173,590	1,173,590
Infrastructure	821,161,513	796,837,205	-	-	821,161,513	796,837,205
Less: accumulated depreciation	(308,384,469)	(279,514,356)	(189,712,896)	(181,601,324)	(498,097,365)	(461,115,680)
<b>Total capital assets net of depreciation</b>	<b>\$806,191,291</b>	<b>\$807,547,164</b>	<b>\$412,781,303</b>	<b>\$398,801,228</b>	<b>\$1,218,972,594</b>	<b>\$1,206,348,392</b>

**City of Ann Arbor  
Management's Discussion and Analysis  
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Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$172,074,000. Of that amount, \$114,894,000 comprises debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

The City's total debt decreased by \$1,462,220 or .44% during the fiscal year, due to retirement of debt. A summary of the City of Ann Arbor's Outstanding Debt can be found on pages 4-48 to 4-51 with additional information on the City's long-term debt included on page 4-52.

**City of Ann Arbor's Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	107,489,000	111,532,000	7,405,000	9,855,000	114,894,000	121,387,000
Special Assessment Bonds	-	15,000	-	-	-	15,000
Revenue Bonds	-	-	57,180,000	62,770,000	57,180,000	62,770,000
Revolving Loans	-	-	\$123,499,978	\$114,299,561	123,499,978	114,299,561
Drain Notes	-	-	16,187,222	14,721,632	16,187,222	14,721,632
Capital Leases	-	-	21,154	63,459	21,154	63,459
Deferred amounts:						
For issuance premiums	1,003,706	605,087	1,087,821	1,215,561	2,091,527	1,820,648
For issuance discounts	(208,770)	(218,264)	(3,777)	(13,688)	(212,547)	(231,952)
Compensated absences	12,653,731	12,866,998	2,194,492	2,259,431	14,848,223	15,126,429
<b>Total outstanding debt</b>	<b>\$120,937,667</b>	<b>\$124,800,821</b>	<b>\$207,571,890</b>	<b>\$205,170,956</b>	<b>\$328,509,557</b>	<b>\$329,971,777</b>

State statutes limit the amount of the general obligation debt a governmental entity may issue to 10% of its total assessed valuation. The current debt limitation for the City is \$664,362,240, which is significantly in excess of the City's outstanding general obligation debt. Additional information on the City's long-term debt can be located in note 9 of this report.

**City of Ann Arbor**  
**Management's Discussion and Analysis**  
**June 30, 2017**

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Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for fiscal year 2018:

- Property tax revenues are budgeted to increase 2.22% in fiscal year 2018.
- Average salary costs were budgeted to increase 3.00% in fiscal year 2018.
- Healthcare costs were projected to increase 6.20% in fiscal year 2018.
- Pension contributions are projected to increase 2.0% in fiscal year 2018.

Contacting the City's Financial Management

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

**City of Ann Arbor**  
**Statement of Net Position**  
**June 30, 2017**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 253,883	\$ 14,068,841	\$ 14,322,724	\$ 1,753,087
Equity in pooled cash and investments	119,218,222	95,598,844	214,817,066	2,505,306
Investments	2,050,210	-	2,050,210	17,696,483
Receivables				
Taxes, net	156,945	24,713	181,658	-
Accounts, net	1,849,108	12,578,491	14,427,599	2,736,180
Special assessments	487,676	116,343	604,019	-
Improvement charges	1,403	215,581	216,984	-
Accrued interest and other	6,876	-	6,876	-
Loans	11,920	-	11,920	-
Due from other units of government	3,940,266	6,342,920	10,283,186	-
Internal balances	(1,579,077)	1,579,077	-	-
Inventories	957,094	674,815	1,631,909	8,132
Prepaid items	2,466,918	3,825,992	6,292,910	55,385
Net other post employment benefits asset	4,553,944	-	4,553,944	-
Capital assets not being depreciated	67,182,325	136,660,505	203,842,830	343,627
Capital assets, net of accumulated depreciation	739,008,966	276,120,798	1,015,129,764	446,681
Total assets	<u>940,566,679</u>	<u>547,806,920</u>	<u>1,488,373,599</u>	<u>25,544,881</u>
<b>Deferred Outflows of Resources</b>				
Deferred charges on refunding	2,258,369	2,957,804	5,216,173	-
Deferred amount relating to net pension liability	10,337,656	14,530,684	24,868,340	36,824
Total deferred outflows of resources	<u>12,596,025</u>	<u>17,488,488</u>	<u>30,084,513</u>	<u>36,824</u>
Total assets and deferred outflows of resources	<u>953,162,704</u>	<u>565,295,408</u>	<u>1,518,458,112</u>	<u>25,581,705</u>

See Accompanying Notes to the Financial Statements

**City of Ann Arbor**  
**Statement of Net Position**  
**June 30, 2017**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Liabilities</b>				
Accounts payable	\$ 7,904,043	\$ 10,024,249	\$ 17,928,292	\$ 3,123,859
Accrued and other liabilities	2,513,003	1,675,021	4,188,024	1,032,636
Deposits	1,167,236	139,052	1,306,288	-
Due to other units of government	552,043	-	552,043	283,705
Unearned revenue	-	-	-	612,532
Noncurrent liabilities				
Estimated claims payable due within one year	1,988,162	-	1,988,162	-
Estimated claims payable due in more than one year	1,575,410	6,549,149	8,124,559	-
Debt due within one year	10,351,676	11,914,082	22,265,758	71,883
Debt due in more than one year	110,585,991	195,657,808	306,243,799	214,038
Net pension liability	47,725,771	19,898,209	67,623,980	99,434
Total liabilities	<u>184,363,335</u>	<u>245,857,570</u>	<u>430,220,905</u>	<u>5,438,087</u>
<b>Deferred Inflows of Resources</b>				
Deferred amount relating to net pension liability	<u>13,835,537</u>	<u>5,768,423</u>	<u>19,603,960</u>	<u>28,825</u>
Total liabilities and deferred inflows of resources	<u>198,198,872</u>	<u>251,625,993</u>	<u>449,824,865</u>	<u>5,466,912</u>
<b>Net Position</b>				
Net investment in capital assets	700,165,724	210,361,709	910,527,433	790,308
Restricted for				
Debt service	376,393	13,919,996	14,296,389	-
Endowment (non-expendable)	1,984,000	-	1,984,000	-
Equipment replacement	-	18,855,807	18,855,807	-
Landfill	-	180,991	180,991	-
Highways and streets	30,634,165	-	30,634,165	-
Culture and recreation	16,003,208	-	16,003,208	-
Other purposes	6,231,152	-	6,231,152	176
Unrestricted (deficit)	<u>(430,810)</u>	<u>70,350,912</u>	<u>69,920,102</u>	<u>19,324,309</u>
Total net position	<u>\$ 754,963,832</u>	<u>\$ 313,669,415</u>	<u>\$ 1,068,633,247</u>	<u>\$ 20,114,793</u>

See Accompanying Notes to the Financial Statements

**City of Ann Arbor**  
**Statement of Activities**  
**For the Year Ended June 30, 2017**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
<b>Primary government</b>								
<b>Governmental activities</b>								
General government	\$ 17,463,340	\$ 8,200,188	\$ 750,457	\$ -	\$ (8,512,695)	\$ -	\$ (8,512,695)	\$ -
Public safety	46,375,914	9,807,563	1,348,200	-	(35,220,151)	-	(35,220,151)	-
Public works	40,196,459	3,611,282	10,874,323	1,025,460	(24,685,394)	-	(24,685,394)	-
Public transportation	10,269,099	-	-	-	(10,269,099)	-	(10,269,099)	-
Community and economic development	2,098,986	-	5,566	-	(2,093,420)	-	(2,093,420)	-
Recreation and culture	14,074,974	4,548,675	777,525	-	(8,748,774)	-	(8,748,774)	-
Interest and fiscal charges on long-term debt	3,340,791	4,291,510	-	-	950,719	-	950,719	-
<b>Total governmental activities</b>	<b>133,819,563</b>	<b>30,459,218</b>	<b>13,756,071</b>	<b>1,025,460</b>	<b>(88,578,814)</b>	<b>-</b>	<b>(88,578,814)</b>	<b>-</b>
<b>Business-type activities</b>								
Water	19,288,471	26,602,226	-	54,285	-	7,368,040	7,368,040	-
Sewer	18,621,741	27,363,541	-	-	-	8,741,800	8,741,800	-
Parking	1,871,468	2,657,169	-	-	-	785,701	785,701	-
Airport	791,342	923,228	-	72,400	-	204,286	204,286	-
Stormwater	5,802,413	7,404,199	-	233,296	-	1,835,082	1,835,082	-
Solid waste	15,624,601	4,164,508	-	-	-	(11,460,093)	(11,460,093)	-
<b>Total business-type activities</b>	<b>62,000,036</b>	<b>69,114,871</b>	<b>-</b>	<b>359,981</b>	<b>-</b>	<b>7,474,816</b>	<b>7,474,816</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 195,819,599</b>	<b>\$ 99,574,089</b>	<b>\$ 13,756,071</b>	<b>\$ 1,385,441</b>	<b>(88,578,814)</b>	<b>7,474,816</b>	<b>(81,103,998)</b>	<b>-</b>
<b>Component units</b>								
Housing Commission	\$ 21,971,131	\$ 117,895	\$ 20,301,492	\$ 156,430				(1,395,314)
SmartZone LDFA	2,605,128	-	-	-				(2,605,128)
Downtown Development Authority	25,588,102	21,409,960	-	-				(4,178,142)
<b>Total Component units</b>	<b>\$ 50,164,361</b>	<b>\$ 21,527,855</b>	<b>\$ 20,301,492</b>	<b>\$ 156,430</b>				<b>(8,178,584)</b>
<b>General revenues</b>								
Property taxes					73,120,969	12,306,559	85,427,528	9,454,115
State-shared revenue					10,712,412	-	10,712,412	-
Unrestricted investment earnings (loss)					10,347	(11,349)	(1,002)	186,646
Miscellaneous					500,138	98,767	598,905	2,280,386
Transfers					5,173,955	(5,173,955)	-	-
<b>Total general revenues and transfers</b>					<b>89,517,821</b>	<b>7,220,022</b>	<b>96,737,843</b>	<b>11,921,147</b>
Change in net position					939,007	14,694,838	15,633,845	3,742,563
Net position - beginning of year					754,024,825	298,974,577	1,052,999,402	16,372,230
Net position - end of year					<b>\$ 754,963,832</b>	<b>\$ 313,669,415</b>	<b>\$ 1,068,633,247</b>	<b>\$ 20,114,793</b>

See Accompanying Notes to the Financial Statements

**City of Ann Arbor  
Governmental Funds  
Balance Sheet  
June 30, 2017**

	General	Special Revenue Fund Street, Bridge, and Sidewalk Repair Millage Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 167,892	\$ -	\$ 62,905	\$ 230,797
Equity in pooled cash and investments	23,867,206	11,226,150	56,710,815	91,804,171
Investments	-	-	2,050,210	2,050,210
Receivables				
Taxes, net	147,192	5,596	4,157	156,945
Accounts, net	1,023,945	61,343	612,822	1,698,110
Special assessments	6,230	63,840	417,606	487,676
Accrued interest and other	-	-	6,876	6,876
Improvement charges	-	1,403	-	1,403
Loans	-	-	11,920	11,920
Due from other units of government	1,473,761	-	2,466,505	3,940,266
Due from other funds	87,616	-	-	87,616
Inventories	35,592	-	-	35,592
Prepaid items	925	-	-	925
Advances to other funds	504,352	-	-	504,352
	<u>\$ 27,314,711</u>	<u>\$ 11,358,332</u>	<u>\$ 62,343,816</u>	<u>\$ 101,016,859</u>
<b>Total assets</b>				

See Accompanying Notes to the Financial Statements

**City of Ann Arbor  
Governmental Funds  
Balance Sheet  
June 30, 2017**

	General	Special Revenue Fund Street, Bridge, and Sidewalk Repair Millage Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Liabilities</b>				
Accounts payable	\$ 997,346	\$ 3,035,572	\$ 2,131,333	\$ 6,164,251
Accrued and other liabilities	1,418,309	37,518	146,399	1,602,226
Due to other funds	-	-	7,382	7,382
Deposits payable	1,167,236	-	-	1,167,236
Due to other units of government	526,443	-	-	526,443
Total liabilities	<u>4,109,334</u>	<u>3,073,090</u>	<u>2,285,114</u>	<u>9,467,538</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue	<u>6,230</u>	<u>65,243</u>	<u>533,667</u>	<u>605,140</u>
<b>Fund Balances</b>				
Non-spendable	540,869	-	1,984,000	2,524,869
Restricted for				
Road maintenance and repairs	-	8,219,999	22,414,166	30,634,165
Culture and recreation	-	-	16,003,208	16,003,208
Law enforcement	-	-	924,870	924,870
Other special revenue funds	-	-	5,306,282	5,306,282
Debt service	-	-	1,070,517	1,070,517
Committed	-	-	5,494,990	5,494,990
Assigned	6,414,602	-	6,327,002	12,741,604
Unassigned	<u>16,243,676</u>	<u>-</u>	<u>-</u>	<u>16,243,676</u>
Total fund balances	<u>23,199,147</u>	<u>8,219,999</u>	<u>59,525,035</u>	<u>90,944,181</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 27,314,711</u>	<u>\$ 11,358,332</u>	<u>\$ 62,343,816</u>	<u>\$ 101,016,859</u>

See Accompanying Notes to the Financial Statements

**City of Ann Arbor  
Governmental Funds  
Reconciliation of Fund Balances of Governmental Funds  
to Net Position of Governmental Activities  
June 30, 2017**

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<b>Total fund balances for governmental funds</b>	<b>\$ 90,944,181</b>
Total net position for governmental activities in the statement of net position is different because:	
Capital assets net of accumulated depreciation used in governmental activities are not financial resources and therefore are not reported in the funds.	729,271,396
Capital assets not being depreciated used in governmental activities are not financial resources and therefore are not reported in the funds.	67,092,320
Certain receivables are not available to pay for current period expenditures and therefore are deferred in the funds.	605,140
The net other post employment asset is not a current financial resource and therefore is not reported in the funds.	4,553,944
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(695,123)
Compensated absences	(12,653,731)
Union contracts	(214,175)
Deferred inflows of resources resulting from net pension liability	(13,835,537)
Deferred outflow of resources resulting from net pension liability	10,337,656
Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.	
Bonds payable	(107,489,000)
Unamortized bond discounts/premiums	(794,936)
Unamortized deferred loss on refunding	2,258,369
Net pension liability	(47,725,771)
Internal service funds are included as part of governmental activities.	33,309,099
<b>Net position of governmental activities</b>	<b>\$ 754,963,832</b>

See Accompanying Notes to the Financial Statements

**City of Ann Arbor  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2017**

	Special Revenue Fund		Nonmajor Governmental Funds	Total Governmental Funds
	General	Street, Bridge, and Sidewalk Repair Millage Fund		
<b>Revenues</b>				
Taxes	\$ 54,617,165	\$ 10,628,035	\$ 7,873,785	\$ 73,118,985
Licenses and permits	1,575,626	-	6,135,171	7,710,797
Federal grants	-	27,360	1,139,364	1,166,724
State-shared revenue	12,245,672	-	10,388,313	22,633,985
Local contributions	36,583	2,716,942	590,411	3,343,936
Charges for services	9,521,856	13,864	5,328,495	14,864,215
Fines and forfeitures	4,528,221	-	176,159	4,704,380
Interest income (loss)	(1,038)	1,173	3,791	3,926
Rental income	661,086	-	-	661,086
Other revenue	296,274	14,484	422,020	732,778
<b>Total revenues</b>	<u>83,481,445</u>	<u>13,401,858</u>	<u>32,057,509</u>	<u>128,940,812</u>

See Accompanying Notes to the Financial Statements

**City of Ann Arbor  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2017**

	General	Special Revenue Fund Street, Bridge, and Sidewalk Repair Millage Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Expenditures</b>				
Current				
General government	\$ 12,799,210	\$ -	\$ 2,354,178	\$ 15,153,388
Public safety	45,188,642	-	3,314,364	48,503,006
Public works	3,982,099	6,261,332	9,122,813	19,366,244
Public transportation	10,269,099	-	-	10,269,099
Community and economic development	2,169,450	-	-	2,169,450
Recreation and culture	7,867,827	-	5,329,954	13,197,781
Capital outlay	22,900	15,347,326	5,791,871	21,162,097
Debt service				
Principal retirement	-	-	4,793,000	4,793,000
Interest and fiscal charges	-	-	3,448,031	3,448,031
Payment to refunded bonds escrow agent	-	-	555,599	555,599
Total expenditures	<u>82,299,227</u>	<u>21,608,658</u>	<u>34,709,810</u>	<u>138,617,695</u>
Excess (deficiency) of revenues over expenditures	<u>1,182,218</u>	<u>(8,206,800)</u>	<u>(2,652,301)</u>	<u>(9,676,883)</u>

See Accompanying Notes to the Financial Statements

**City of Ann Arbor  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2017**

	General	Special Revenue Fund Street, Bridge, and Sidewalk Repair Millage Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Other financing sources (uses)</b>				
Transfers in	\$ 1,214,886	\$ 3,805,968	\$ 10,041,174	\$ 15,062,028
Transfers out	(4,335,556)	(644,129)	(3,207,312)	(8,186,997)
Issuance of refunding bonds	-	-	24,030,000	24,030,000
Premium on issuance of debt	-	-	479,365	479,365
Payment to refunded bonds escrow agent	-	-	(24,509,365)	(24,509,365)
Sale of fixed assets	2,250	-	30,600	32,850
	<u>(3,118,420)</u>	<u>3,161,839</u>	<u>6,864,462</u>	<u>6,907,881</u>
Total other financing sources and uses				
Net change in fund balance	(1,936,202)	(5,044,961)	4,212,161	(2,769,002)
Fund balance - beginning of year	<u>25,135,349</u>	<u>13,264,960</u>	<u>55,312,874</u>	<u>93,713,183</u>
Fund balance - end of year	<u>\$ 23,199,147</u>	<u>\$ 8,219,999</u>	<u>\$ 59,525,035</u>	<u>\$ 90,944,181</u>

See Accompanying Notes to the Financial Statements

**City of Ann Arbor  
Governmental Funds  
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2017**

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<b>Net change in fund balances - total governmental funds</b>	<b>\$ (2,769,002)</b>
Total change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(35,148,850)
Capital outlay	31,773,848
Sale of capital assets (net book value)	(125,467)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Deferred inflow of resources	(430,328)
Expenses are recorded when incurred in the statement of activities.	
Accrued interest	68,944
Compensated absences	213,267
Union contracts	(214,175)
Net other post employment obligation	5,403,932
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	13,384,406
Net change in the deferred inflows and outflows of resources related to the net pension liability	(15,799,989)
Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.	
Debt issued	(24,030,000)
Repayments of long-term debt	4,793,000
Payment to escrow agent	25,064,964
Amortization of premiums, discounts and similar items	38,306
Debt premium for new issue	(479,365)
Internal service funds are also included as governmental activities	(804,484)
<b>Change in net position of governmental activities</b>	<b>\$ 939,007</b>

See Accompanying Notes to the Financial Statements

**City of Ann Arbor  
Proprietary Funds  
Statement of Net Position  
June 30, 2017**

	Enterprise Funds						Internal Service Funds	
	Water Supply System	Sewage Disposal System	Parking System	Airport	Stormwater Sewer System	Solid Waste		Total
<b>Assets</b>								
Current assets								
Cash and cash equivalents	\$ 3,390,149	\$ 10,497,519	\$ -	\$ 30	\$ -	\$ 181,143	\$ 14,068,841	\$ 23,086
Equity in pooled cash and investments	31,488,970	31,107,438	1,848,865	1,103,824	9,796,217	20,253,530	95,598,844	27,414,051
Receivables								
Taxes, net	18,222	-	-	-	-	6,491	24,713	-
Accounts, net	5,118,648	5,016,106	-	77,418	1,621,053	745,266	12,578,491	150,998
Special assessments, current	11,822	22,668	-	-	-	-	34,490	-
Improvement charges	24,679	40,725	-	-	716	-	66,120	-
Due from other units of government	209,995	1,423,045	500	-	755,799	-	2,389,339	-
Inventories	601,594	73,221	-	-	-	-	674,815	921,502
Prepaid items	3,862	3,531,209	-	-	290,921	-	3,825,992	2,465,993
Total current assets	<u>40,867,941</u>	<u>51,711,931</u>	<u>1,849,365</u>	<u>1,181,272</u>	<u>12,464,706</u>	<u>21,186,430</u>	<u>129,261,645</u>	<u>30,975,630</u>
Noncurrent assets								
Special assessments receivable	23,194	33,521	-	-	25,138	-	81,853	-
Improvement charges	65,076	83,898	-	-	487	-	149,461	-
Due from other units of government	3,953,581	-	-	-	-	-	3,953,581	-
Capital assets not being depreciated	4,331,762	124,973,535	3,934,897	708,927	474,956	2,236,428	136,660,505	90,005
Capital assets, net of accumulated depreciation	<u>105,044,701</u>	<u>107,601,118</u>	<u>30,966,568</u>	<u>1,388,439</u>	<u>19,849,550</u>	<u>11,270,422</u>	<u>276,120,798</u>	<u>9,737,570</u>
Total noncurrent assets	<u>113,418,314</u>	<u>232,692,072</u>	<u>34,901,465</u>	<u>2,097,366</u>	<u>20,350,131</u>	<u>13,506,850</u>	<u>416,966,198</u>	<u>9,827,575</u>
Total assets	<u>154,286,255</u>	<u>284,404,003</u>	<u>36,750,830</u>	<u>3,278,638</u>	<u>32,814,837</u>	<u>34,693,280</u>	<u>546,227,843</u>	<u>40,803,205</u>
<b>Deferred Outflows of Resources</b>								
Deferred amount on refunding	1,001,320	1,724,488	231,996	-	-	-	2,957,804	-
Deferred amount relating to net pension liability	<u>5,227,376</u>	<u>4,940,015</u>	<u>-</u>	<u>-</u>	<u>1,951,259</u>	<u>2,412,034</u>	<u>14,530,684</u>	<u>-</u>
Total deferred outflows of resources	<u>6,228,696</u>	<u>6,664,503</u>	<u>231,996</u>	<u>-</u>	<u>1,951,259</u>	<u>2,412,034</u>	<u>17,488,488</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>160,514,951</u>	<u>291,068,506</u>	<u>36,982,826</u>	<u>3,278,638</u>	<u>34,766,096</u>	<u>37,105,314</u>	<u>563,716,331</u>	<u>40,803,205</u>

See Accompanying Notes to the Financial Statements

**City of Ann Arbor  
Proprietary Funds  
Statement of Net Position  
June 30, 2017**

	Enterprise Funds						Internal Service Funds	
	Water Supply System	Sewage Disposal System	Parking System	Airport	Stormwater Sewer System	Solid Waste		Total
<b>Liabilities</b>								
Current liabilities								
Accounts payable	\$ 2,698,801	\$ 6,076,870	\$ -	\$ 64,966	\$ 224,720	\$ 958,892	\$ 10,024,249	\$ 1,739,792
Accrued and other liabilities	95,435	85,297	-	-	26,494	39,641	246,867	1,479
Due to other funds	-	-	-	80,234	-	-	80,234	-
Accrued interest payable	298,072	995,307	55,162	1,992	77,621	-	1,428,154	-
Deposits	139,052	-	-	-	-	-	139,052	-
Due to other units of government	-	-	-	-	-	-	-	25,600
Bonds payable, current	2,214,189	3,143,489	1,934,055	-	-	-	7,291,733	-
Other debt, current	966,405	1,830,000	-	-	829,182	-	3,625,587	-
Estimated claims payable, current	-	-	-	-	-	-	-	1,988,162
Compensated absences, current	379,635	350,167	-	-	129,040	116,766	975,608	-
Capital lease payable, current	-	-	-	-	-	21,154	21,154	-
<b>Total current liabilities</b>	<b>6,791,589</b>	<b>12,481,130</b>	<b>1,989,217</b>	<b>147,192</b>	<b>1,287,057</b>	<b>1,136,453</b>	<b>23,832,638</b>	<b>3,755,033</b>
Noncurrent liabilities								
Bonds payable, net	37,116,426	136,275,092	5,689,368	-	15,358,038	-	194,438,924	-
Estimated claims payable, net	-	-	-	-	-	6,549,149	6,549,149	1,575,410
Compensated absences, net	725,765	324,907	-	-	55,330	112,882	1,218,884	-
Advances from other funds	-	-	-	504,352	-	-	504,352	-
Net pension liability	7,169,342	6,823,173	-	-	2,580,650	3,325,044	19,898,209	-
<b>Total noncurrent liabilities</b>	<b>45,011,533</b>	<b>143,423,172</b>	<b>5,689,368</b>	<b>504,352</b>	<b>17,994,018</b>	<b>9,987,075</b>	<b>222,609,518</b>	<b>1,575,410</b>
<b>Total liabilities</b>	<b>51,803,122</b>	<b>155,904,302</b>	<b>7,678,585</b>	<b>651,544</b>	<b>19,281,075</b>	<b>11,123,528</b>	<b>246,442,156</b>	<b>5,330,443</b>
<b>Deferred Inflows of Resources</b>								
Deferred charge on refunding	2,078,367	1,978,014	-	-	748,123	963,919	5,768,423	-
<b>Total liabilities and deferred inflows of resources</b>	<b>53,881,489</b>	<b>157,882,316</b>	<b>7,678,585</b>	<b>651,544</b>	<b>20,029,198</b>	<b>12,087,447</b>	<b>252,210,579</b>	<b>5,330,443</b>

See Accompanying Notes to the Financial Statements

**City of Ann Arbor  
Proprietary Funds  
Statement of Net Position  
June 30, 2017**

	Enterprise Funds						Internal Service Funds	
	Water Supply System	Sewage Disposal System	Parking System	Airport	Stormwater Sewer System	Solid Waste		Total
<b>Net Position</b>								
Net investment in capital assets	\$ 70,080,763	\$ 93,050,560	\$ 27,510,038	\$ 2,097,366	\$ 4,137,286	\$ 13,485,696	\$ 210,361,709	\$ 9,827,575
Restricted for								
Debt service	3,525,661	10,394,335	-	-	-	-	13,919,996	-
Equipment replacement	11,130,385	7,725,422	-	-	-	-	18,855,807	-
Landfill	-	-	-	-	-	180,991	180,991	-
Unrestricted	<u>21,896,653</u>	<u>22,015,873</u>	<u>1,794,203</u>	<u>529,728</u>	<u>10,599,612</u>	<u>11,351,180</u>	<u>68,187,249</u>	<u>25,645,187</u>
Total net position	<u>\$ 106,633,462</u>	<u>\$ 133,186,190</u>	<u>\$ 29,304,241</u>	<u>\$ 2,627,094</u>	<u>\$ 14,736,898</u>	<u>\$ 25,017,867</u>	311,505,752	<u>\$ 35,472,762</u>
Some amounts reported for business-type activities in the statement of net position are different because certain internal service funds assets and liabilities are reported with business-type activities							<u>2,163,663</u>	
Net position of business-type activities							<u>\$ 313,669,415</u>	

See Accompanying Notes to the Financial Statements

**City of Ann Arbor**  
**Proprietary Funds**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**For the Year Ended June 30, 2017**

	Enterprise Funds							Internal Service Funds
	Water Supply System	Sewage Disposal System	Parking System	Airport	Stormwater Sewer System	Solid Waste	Total	
<b>Operating revenue</b>								
Charges for services	\$ 26,602,226	\$ 27,363,541	\$ 2,657,169	\$ 923,228	\$ 7,404,199	\$ 4,164,508	\$ 69,114,871	\$ 48,890,212
<b>Operating expenses</b>								
Personnel services	7,277,862	6,392,848	-	280,918	2,337,733	3,319,594	19,608,955	8,586,332
Municipal service charge	407,904	537,084	-	29,616	214,548	304,428	1,493,580	1,425,612
Information technology charge	827,713	305,044	-	11,760	121,433	188,906	1,454,856	717,239
Other operating costs	6,071,276	4,978,902	-	374,604	2,118,351	11,685,102	25,228,235	35,230,349
Depreciation	3,791,568	3,846,967	1,687,836	68,426	687,587	887,120	10,969,504	2,623,721
<b>Total operating expenses</b>	<b>18,376,323</b>	<b>16,060,845</b>	<b>1,687,836</b>	<b>765,324</b>	<b>5,479,652</b>	<b>16,385,150</b>	<b>58,755,130</b>	<b>48,583,253</b>
<b>Operating income (loss)</b>	<b>8,225,903</b>	<b>11,302,696</b>	<b>969,333</b>	<b>157,904</b>	<b>1,924,547</b>	<b>(12,220,642)</b>	<b>10,359,741</b>	<b>306,959</b>
<b>Nonoperating revenue (expenses)</b>								
Property taxes	-	-	-	-	-	12,306,559	12,306,559	-
Interest income (loss)	8,523	(26,662)	219	(966)	8,044	(507)	(11,349)	6,423
Gain on sale of assets	32,750	45,750	-	-	12,750	10,189	101,439	459,127
Loss on disposal of assets	-	(2,672)	-	-	-	-	(2,672)	-
Interest expense	(849,314)	(2,579,421)	(183,632)	(26,018)	(438,320)	-	(4,076,705)	-
<b>Total nonoperating revenues (expenses)</b>	<b>(808,041)</b>	<b>(2,563,005)</b>	<b>(183,413)</b>	<b>(26,984)</b>	<b>(417,526)</b>	<b>12,316,241</b>	<b>8,317,272</b>	<b>465,550</b>
<b>Income before contributions and transfers</b>	<b>7,417,862</b>	<b>8,739,691</b>	<b>785,920</b>	<b>130,920</b>	<b>1,507,021</b>	<b>95,599</b>	<b>18,677,013</b>	<b>772,509</b>
Capital contributions	54,285	-	-	72,400	233,296	-	359,981	955,882
Transfers in	2,063,167	-	-	-	134,492	-	2,197,659	-
Transfers out	(1,573,189)	(1,553,369)	-	(8,124)	(2,950,909)	(1,286,023)	(7,371,614)	(1,701,076)
<b>Change in net position</b>	<b>7,962,125</b>	<b>7,186,322</b>	<b>785,920</b>	<b>195,196</b>	<b>(1,076,100)</b>	<b>(1,190,424)</b>	<b>13,863,039</b>	<b>27,315</b>
Net position - beginning of year	98,671,337	125,999,868	28,518,321	2,431,898	15,812,998	26,208,291	297,642,713	35,445,447
Net position - end of year	\$ 106,633,462	\$ 133,186,190	\$ 29,304,241	\$ 2,627,094	\$ 14,736,898	\$ 25,017,867	\$ 311,505,752	\$ 35,472,762
Change in net position - total enterprise funds							\$ 13,863,039	
Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities							831,799	
Change in net position of business-type activities							\$ 14,694,838	

See Accompanying Notes to the Financial Statements

**City of Ann Arbor**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2017**

	Enterprise Funds							Internal Service Funds
	Water Supply System	Sewage Disposal System	Parking System	Airport	Stormwater Sewer System	Solid Waste	Total	
<b>Cash flows from operating activities</b>								
Receipts from customers	\$ 26,617,462	\$ 31,067,956	\$ 2,657,869	\$ 937,610	\$ 7,129,226	\$ 4,136,985	\$ 72,547,108	\$ -
Payments to suppliers	(5,536,395)	(8,631,502)	-	(351,802)	(2,117,514)	(9,939,771)	(26,576,984)	(36,634,193)
Payments to employees	(7,048,784)	(6,231,805)	-	(280,918)	(2,251,859)	(3,336,910)	(19,150,276)	(8,586,332)
Payments for interfund services used	(1,288,756)	(736,590)	-	(44,519)	(600,803)	(2,767,924)	(5,438,592)	48,761,672
Net cash provided (used) by operating activities	<u>12,743,527</u>	<u>15,468,059</u>	<u>2,657,869</u>	<u>260,371</u>	<u>2,159,050</u>	<u>(11,907,620)</u>	<u>21,381,256</u>	<u>3,541,147</u>
<b>Cash flows from noncapital financing activities</b>								
Transfer from other funds	2,063,167	-	-	-	134,492	-	2,197,659	-
Transfers to other funds	(1,573,189)	(1,553,369)	-	(8,124)	(2,950,909)	(1,286,023)	(7,371,614)	(1,701,076)
Repayment of advances from other funds	-	-	-	(77,050)	-	-	(77,050)	-
Property taxes	-	-	-	-	-	12,306,559	12,306,559	-
Net cash provided (used) by noncapital financing activities	<u>489,978</u>	<u>(1,553,369)</u>	<u>-</u>	<u>(85,174)</u>	<u>(2,816,417)</u>	<u>11,020,536</u>	<u>7,055,554</u>	<u>(1,701,076)</u>
<b>Cash flows from capital and related financing activities</b>								
Proceeds from sale of bonds and notes	171,278	11,771,973	-	-	2,093,681	-	14,036,932	-
Capital contributions	54,285	-	-	-	233,296	-	287,581	955,882
Purchases/construction of capital assets	(5,601,416)	(17,271,465)	-	-	(938,351)	(1,070,426)	(24,881,658)	(4,815,133)
Principal and interest paid on long-term debt	(4,669,317)	(7,206,949)	(2,651,699)	(26,283)	(1,057,876)	(42,305)	(15,654,429)	-
Proceeds from sale of capital assets	32,750	45,751	-	-	12,750	11,998	103,249	473,001
Net cash provided (used) by capital and related financing activities	<u>(10,012,420)</u>	<u>(12,660,690)</u>	<u>(2,651,699)</u>	<u>(26,283)</u>	<u>343,500</u>	<u>(1,100,733)</u>	<u>(26,108,325)</u>	<u>(3,386,250)</u>

See Accompanying Notes to the Financial Statements

**City of Ann Arbor  
Proprietary Funds  
Statement of Cash Flows  
For the Year Ended June 30, 2017**

	Enterprise Funds							Internal Service Funds
	Water Supply System	Sewage Disposal System	Parking System	Airport	Stormwater Sewer System	Solid Waste	Total	
<b>Cash flows from investing activities</b>								
Interest received	\$ 8,523	\$ (26,662)	\$ 219	\$ (966)	\$ 8,044	\$ (507)	\$ (11,349)	\$ 6,423
Net increase (decrease) in cash and cash equivalents	3,229,608	1,227,338	6,389	147,948	(305,823)	(1,988,324)	2,317,136	(1,539,756)
Cash and cash equivalents - beginning of year	<u>31,649,511</u>	<u>40,377,619</u>	<u>1,842,476</u>	<u>955,906</u>	<u>10,102,040</u>	<u>22,422,997</u>	<u>107,350,549</u>	<u>28,976,893</u>
Cash and cash equivalents - end of year	<u>\$ 34,879,119</u>	<u>\$ 41,604,957</u>	<u>\$ 1,848,865</u>	<u>\$ 1,103,854</u>	<u>\$ 9,796,217</u>	<u>\$ 20,434,673</u>	<u>\$ 109,667,685</u>	<u>\$ 27,437,137</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>								
Operating income (loss)	\$ 8,225,903	\$ 11,302,696	\$ 969,333	\$ 157,904	\$ 1,924,547	\$ (12,220,642)	\$ 10,359,741	\$ 306,959
Adjustments to reconcile operating income to net cash from operating activities								
Depreciation and amortization expense	3,791,568	3,846,967	1,687,836	68,426	687,587	887,120	10,969,504	2,623,721
Changes in assets and liabilities								
Receivables (net)	(202,604)	1,757,510	-	14,382	480,826	(27,523)	2,022,591	(128,540)
Due from other units of government	217,840	1,946,905	700	-	(755,799)	-	1,409,646	-
Inventories	128,166	20,100	-	-	-	-	148,266	24,341
Prepaid items	3,862	(232,418)	-	-	(258,114)	-	(486,670)	145,714
Accounts payable	367,731	(3,334,744)	-	19,659	(5,871)	47,386	(2,905,839)	(167,587)
Accrued and other liabilities	(201,068)	(144,550)	-	-	(66,392)	(71,497)	(483,507)	(83)
Due to other units of government	-	-	-	-	-	-	-	25,600
Estimated claims payable	-	-	-	-	-	(576,645)	(576,645)	711,022
Customer deposits payable	(18,017)	-	-	-	-	-	(18,017)	-
Net pension liability	362,868	345,347	-	-	130,617	168,293	1,007,125	-
Compensated absences	67,278	(39,754)	-	-	21,649	(114,112)	(64,939)	-
Net cash provided (used) by operating activities	<u>\$ 12,743,527</u>	<u>\$ 15,468,059</u>	<u>\$ 2,657,869</u>	<u>\$ 260,371</u>	<u>\$ 2,159,050</u>	<u>\$ (11,907,620)</u>	<u>\$ 21,381,256</u>	<u>\$ 3,541,147</u>

**Non-cash activity:**

The Airport Fund received equipment valued at \$72,400 from a grant during the year ended June 30, 2017.

See Accompanying Notes to the Financial Statements

**City of Ann Arbor**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**June 30, 2017**

	Pension and Employee Benefit Trust Funds	Agency Funds
<b>Assets</b>		
Cash	\$ -	\$ 134,922
Equity in pooled cash and investments	6,359,861	147,472
Investments, at fair value:		
Equities	346,454,426	-
Fixed income	205,642,941	-
Other	77,013,153	-
Receivables		
Accrued interest and other	772,318	-
Due from brokers for securities sold	16,070,078	-
Capital assets, net	362,391	-
Other assets	19,766	-
Total assets	652,694,934	282,394
<b>Deferred Outflows of Resources</b>		
Deferred pension amounts	356,121	-
Total assets and deferred outflows of resources	653,051,055	\$ 282,394
<b>Liabilities</b>		
Accounts payable	3,189,003	\$ -
Due to broker for securities purchased	427,689	-
Mortgage payable, due in one year	28,601	-
Mortgage payable, due in more than one year	163,503	-
Net pension liability	488,020	-
Due to others	-	137,134
Due to other governments	-	103,319
Deposits	-	41,941
Total liabilities	4,296,816	\$ 282,394
<b>Deferred Inflows of Resources</b>		
Deferred pension amounts	141,475	
Total liabilities and deferred inflows of resources	4,438,291	
<b>Net Position</b>		
Restricted for pensions and other post employment benefits	\$ 648,612,764	

See Accompanying Notes to the Financial Statements

**City of Ann Arbor**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2017**

	Pension and Other Employee Benefit Trust Funds
<b>Additions</b>	
Investment income:	
From investing activities:	
Appreciation (depreciation) in fair value of investments	\$ 65,912,481
Interest and dividends	6,444,571
Total investment income	72,357,052
Investment management fees	(1,063,745)
Net investment income from investing activities	71,293,307
From securities lending activities:	
Gross earnings	43,313
Borrower rebates received (paid)	(12,383)
Securities lending fees	(9,227)
Net investment income from securities and lending activities	21,703
Total net investment income	71,315,010
Contributions:	
Employer	30,092,980
Plan member	3,325,000
Total contributions	33,417,980
Total additions	104,732,990
<b>Deductions</b>	
Benefits	47,615,436
Refunds of contributions	1,027,656
Administrative expenses	881,116
Total deductions	49,524,208
Change in net position	55,208,782
Net position - beginning of year	593,403,982
Net position - end of year	\$ 648,612,764

See Accompanying Notes to the Financial Statements

**City of Ann Arbor**  
**Discretely Presented Component Units**  
**Combining Statement of Net Position**  
**June 30, 2017**

	Housing Commission	SmartZone Local Development Finance Authority	Downtown Development Authority	Total
<b>Assets</b>				
Cash	\$ 1,444,554	\$ -	\$ 308,533	\$ 1,753,087
Equity in pooled cash and investments	-	2,505,306	-	2,505,306
Investments, at fair value	-	-	17,696,483	17,696,483
Receivables	1,122,573	608,134	1,005,473	2,736,180
Other assets	63,517	-	-	63,517
Capital assets not being depreciated	343,627	-	-	343,627
Capital assets being depreciated, net	446,681	-	-	446,681
Total assets	3,420,952	3,113,440	19,010,489	25,544,881
<b>Deferred Outflows of Resources</b>				
Deferred pension amounts	36,824	-	-	36,824
Total assets and deferred outflows of resources	3,457,776	3,113,440	19,010,489	25,581,705
<b>Liabilities</b>				
Accounts payable	42,217	309,028	2,772,614	3,123,859
Accrued and other liabilities	406,338	-	626,298	1,032,636
Due to other units of government	198,541	-	85,164	283,705
Unearned revenue	4,398	608,134	-	612,532
Debt due within one year	47,283	-	24,600	71,883
Debt due in more than one year	25,930	-	188,108	214,038
Net pension liability	99,434	-	-	99,434
Total liabilities	824,141	917,162	3,696,784	5,438,087
<b>Deferred Inflows of Resources</b>				
Deferred pension amounts	28,825	-	-	28,825
Total liabilities and deferred inflows of resources	852,966	917,162	3,696,784	5,466,912
<b>Net Position</b>				
Net investment in capital assets	790,308	-	-	790,308
Restricted	176	-	-	176
Unrestricted	1,814,326	2,196,278	15,313,705	19,324,309
Total net position	\$ 2,604,810	\$ 2,196,278	\$ 15,313,705	\$ 20,114,793

See Accompanying Notes to the Financial Statements

**City of Ann Arbor**  
**Discretely Presented Component Units**  
**Combining Statement of Activities**  
**For the Year Ended June 30, 2017**

	<u>Housing Commission</u>	<u>SmartZone Local Development Finance Authority</u>	<u>Downtown Development Authority</u>	<u>Total</u>
<b>Expenses</b>				
Housing and economic development	\$ 21,971,131	\$ 2,605,128	\$ 25,588,102	\$ 50,164,361
<b>Program revenues</b>				
Charges for services	117,895	-	21,409,960	21,527,855
Operating grants and contributions	20,301,492	-	-	20,301,492
Capital grants and contributions	156,430	-	-	156,430
<b>Total program revenue</b>	<u>20,575,817</u>	<u>-</u>	<u>21,409,960</u>	<u>41,985,777</u>
Net program expense	<u>(1,395,314)</u>	<u>(2,605,128)</u>	<u>(4,178,142)</u>	<u>(8,178,584)</u>
<b>General revenues</b>				
Property taxes	-	3,169,097	6,285,018	9,454,115
Interest income	4,869	80	181,697	186,646
Other income	2,117,931	162,455	-	2,280,386
<b>Total general revenues</b>	<u>2,122,800</u>	<u>3,331,632</u>	<u>6,466,715</u>	<u>11,921,147</u>
Change in net position	727,486	726,504	2,288,573	3,742,563
Net position - beginning of year	<u>1,877,324</u>	<u>1,469,774</u>	<u>13,025,132</u>	<u>16,372,230</u>
Net position - end of year	<u>\$ 2,604,810</u>	<u>\$ 2,196,278</u>	<u>\$ 15,313,705</u>	<u>\$ 20,114,793</u>

See Accompanying Notes to the Financial Statements

**City of Ann Arbor**  
**Notes to the Financial Statements**  
**June 30, 2017**

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**Note 1 - Summary of Significant Accounting Policies**

**Reporting entity**

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

**Blended Component Unit**

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

**Discretely Presented Component Units**

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

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

Downtown Development Authority (DDA). The DDA was created to finance rehabilitation and redevelopment in the downtown area. Commissioners of the DDA are appointed by the Mayor and approved by City Council. Development plans are approved by Council and Council must approve all modifications to the plans. The DDA's budget must be approved by City Council. The DDA's primary source of funding is charges for services (parking) and tax increment financing revenues. Bonds secured by those revenues are issued by the City on behalf of the DDA, which does not have the ability to issue debt. During the fiscal year, the DDA paid \$3.5 million to the City as part of an agreement between the City and DDA, wherein the DDA distributes 17% of the parking revenues to the City. Also, during the fiscal year the DDA transferred \$6.9 million for debt service payments. The City transferred \$.12 million to the DDA for construction projects. 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. Except for the Executive Director, all employees of the Housing Commission are City employees. City Council is notified of all grant applications and any changes to contracts with the U.S. Department of Housing and Urban Development, the Commission's primary funding source. The Commission maintains its own accounting records and bank accounts. The City provides limited, special purpose financial support to the Commission, subject to request and Council approval, and is contingently liable for its debt. The Housing Commission issues separate audited financial statements.

**City of Ann Arbor**  
**Notes to the Financial Statements**  
**June 30, 2017**

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

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

Related Organizations – The Ann Arbor Area Transportation Authority (AAATA) and the Ann Arbor Economic Development Corporation (EDC) are not included in the financial reporting entity. The members of the governing board of each are appointed by the Mayor and confirmed by the City Council, but the City's accountability for these organizations does not extend beyond making these appointments. The EDC, whose purpose is to foster business development within the City and which has issued bonds bearing the City's tax-exempt status (for which the City is not contingently liable), had assets and fund balance of \$39,503 as of June 30, 2017.

**Government-wide and fund financial statements**

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

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

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

**Measurement focus, basis of accounting, and financial statement presentation**

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

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

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

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

The City reports the following major governmental funds:

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

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

The government reports the following major proprietary funds:

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

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

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

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

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

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

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Additionally, the government reports the following:

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

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

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

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

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

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

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

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

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

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

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

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

**Assets, liabilities, and net position or equity**

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

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

Investments are stated at fair value.

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

All trade and property tax receivables are shown net of an allowance for uncollectible amounts of \$857,540.

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, 2016 as controlled by the Headlee Amendment, Act 415 and City Charter, is 6.1120 mills raising \$32.4 million. Other tax rates and amounts raised are as follows: employee benefits (2.0373) raising \$10.8 million, refuse collection (2.4445) raising \$12.9 million, Ann Arbor Transportation Authority (2.0373) raising \$10.8 million, street, bridge, & sidewalk repair(2.1057) raising \$11.2 million, parks maintenance and repair (1.0900) raising \$5.8 million, and open space and parkland preservation Millage (0.4735) raising \$2.5 million. Real and personal property located in the City as of December 31, 2015 were assessed and equalized at \$6,643,622,400, 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 2016 taxable value on March 1, 2017, was \$5,286,631,685. Property taxes are due July 31st of each year and any delinquent real property taxes are turned over to Washtenaw County for collection the following March 1st. Delinquent personal property taxes are immaterial.

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

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March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

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

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

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

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

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

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

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

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

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

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

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance

costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

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

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

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

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

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

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

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

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

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

**Use of Estimates**

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

**Encumbrances**

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting (under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation) is utilized in the governmental funds. Outstanding encumbrances at year-end of \$438,832 are included in assigned fund balance of the General Fund, \$8,219,999 in restricted fund balance of the Street, Bridge and Sidewalk Millage Fund, and \$5,894,331 in the restricted or assigned fund balance of the other governmental funds. The encumbrances do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

**Adoption of New Accounting Standards**

Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* addresses the other postemployment benefit plans (OPEB) – defined benefit and defined contribution – administered through trusts. This Statement will improve the financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts. This information will enhance the transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year.

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Statement No. 74 is effective for the fiscal year ending June 30, 2017.

Statement No. 77, *Tax Abatement Disclosures* requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14* amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

#### **Upcoming Accounting and Reporting Changes**

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

Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined OPEB plans, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services. It also requires additional note disclosures and required supplementary information. Statement No. 75 is effective for the fiscal year ending June 30, 2018.

Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Statement No. 81 is effective for the fiscal year ending June 30, 2018.

Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

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

Statement No. 85, *Omnibus 2017* addresses practice issues that were identified during implementation and application of certain GASB Statements. This statement covers issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits), which is effective for the fiscal year ending June 30, 2018.

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Statement No. 86, *Certain Debt Extinguishment Issues* is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The statement provides uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irremovable trust for the purpose of extinguishing that debt were acquired. The effective date is for the fiscal year ending June 30, 2018.

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

**Note 2 - Stewardship, Compliance, and Accountability**

**Budgetary information**

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). The City Administrator is required by City Charter to prepare and submit an annual budget to City Council. A budget is prepared for the General Fund and special revenue funds; these budgets are prepared on the modified accrual basis and are adopted by City Council as required by the State of Michigan. Budgetary control is maintained at the departmental level for the General Fund. The City Administrator is authorized to transfer budgeted amounts within General Fund departments. Budgetary control for the special revenue funds is maintained at the fund level. Revisions to a department total of the General Fund or to the fund total of a special revenue fund must be approved by City Council; some supplemental budgetary appropriations, of immaterial size, were necessary during the fiscal year. At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Any outstanding encumbrances are carried forward to the succeeding fiscal year. Annual operating plans are prepared for debt service, capital projects, enterprise and internal service funds (i.e., those funds not legally required to have adopted budgets under State law).

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

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

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

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

The City Administrator's recommended budget is submitted to City Council at the second meeting in April. The City Council, with at least seven affirmative votes, must adopt the budget no later than the end of its second meeting in May. According to City Charter, should the City Council not adopt an amended budget, the City Administrator's recommended budget will automatically take effect as submitted.

After the budget has been adopted, City Council may amend the budget by a concurring vote of not fewer than eight members.

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

The City Administrator is authorized to transfer appropriated funds between major expenditure categories within departments. However, any revisions which alter the total appropriations of a department must be approved by City Council. For budgetary purposes, the General Fund is composed of several departments. Expenditures may not legally exceed appropriations at the department level. The City utilizes an encumbrance system as a management control technique to assist in controlling expenditures. Under this procedure, encumbrances representing purchase orders, contracts, and other commitments are closely monitored throughout the fiscal year. All appropriations lapse at the end of the fiscal year, except for certain capital projects which are approved without regard to fiscal year. For any of these projects which are under construction at year-end, the appropriations are allowed to carry forward with the amount being adopted for the current budget year.

**Excess of expenditures over appropriations**

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the City were adopted on a department level basis for the General Fund and the fund level for the special revenue funds. During the year ended June 30, 2017, the City did not incur any expenditures in excess of the amounts appropriated at the legal level of budgetary control.

**Note 3 - Deposits and Investments**

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

	Equity in Pooled			Total
	Cash	Cash and Investments	Investments	
Governmental activities	\$ 253,883	\$ 119,218,222	\$ 2,050,210	\$ 121,522,315
Business-type activities	14,068,841	95,598,844	-	109,667,685
	-			
Total	14,322,724	214,817,066	2,050,210	231,190,000
Fiduciary funds	134,922	6,507,333	629,110,520	635,752,775
Component units	1,753,087	2,505,306	17,696,483	21,954,876
Total	<u>\$ 16,210,733</u>	<u>\$ 223,829,705</u>	<u>\$ 648,857,213</u>	<u>\$ 888,897,651</u>

The breakdown between deposits and investments is as follows:

**Deposits and investments**

Bank deposits	\$ 21,113,361
Certificates of deposit due within one year	750,750
Investments in securities, mutual funds, and similar vehicles:	
City investment pool	218,167,223
Nonmajor governmental funds	2,050,209
Employees' Retirement System	473,914,251
Retiree Health Care Trust Fund	155,196,269
Downtown Development Authority	17,696,483
Cash on hand	<u>9,105</u>
<b>Total</b>	<b><u>\$888,897,651</u></b>

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

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"Equity in Pooled Cash and Investments." The cash resources of the pension and other employee benefit trust funds and certain component units are invested separately.

**Deposits**

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

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Insured</u>	<u>Uninsured</u>
City cash pool	\$ 19,088,555	\$ 21,499,525	\$ 332,212	\$ 21,167,313
15th District Court	271,820	266,030	250,000	16,030
Downtown Development Authority	308,333	608,553	250,000	358,553
Housing Commission	<u>1,444,454</u>	<u>1,497,767</u>	<u>890,778</u>	<u>606,989</u>
<b>Totals</b>	<u>\$ 21,113,162</u>	<u>\$ 23,871,875</u>	<u>\$ 1,722,990</u>	<u>\$ 22,148,885</u>

The uninsured bank balance of \$22,148,885 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 \$772,463 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**

The following is a summary of the City's investments as of June 30, 2017:

U.S. treasuries	\$ 79,851,645
U.S. agencies	136,579,907
MI Class	1,000,351
Accrued interest	<u>735,320</u>
<b>Total investments</b>	<u>\$ 218,167,223</u>

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

Custodial Credit Risk – Investments – For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that investment securities be held in third-party safekeeping by a designated institution and that the safekeeping agent follow the procedure of delivery vs. payment. As of June 30, 2017, none of the City's investments were exposed to risk since the securities are held in the City's name by the counterparty.

Credit Risk – The City analyzes credit risk of banking institutions and issuers of securities prior to depositing or investing City funds. State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating

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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, 2017, all of the City's investments in securities of the U.S. Treasury and U.S. agencies were rated AAA by Standard & Poor's (S&P) and Aaa by Moody's. All of the City's investments comply with its policy regarding the types of investments it may hold.

Concentration of Credit Risk – At June 30, 2017, the investment portfolio was concentrated as follows:

<u>Investment Type</u>	<u>Issuer</u>	<u>% of Portfolio</u>
U.S. agencies	Federal National Mortgage Association	27.13%
U.S. agencies	Federal Farm Credit Bank	13.80%
U.S. agencies	Federal Home Loan Mortgage	11.52%
U.S. agencies	Federal Home Loan Bank	10.66%

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

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

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

Interest Rate Risk – As of June 30, 2017, maturities of the City's debt securities were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investments in Maturities (fair value by years)</u>		
		<u>&lt;1</u>	<u>1-5</u>	<u>6-10</u>
U.S. treasuries	\$ 81,840,159	\$ 25,631,253	\$ 56,015,440	\$ 193,466
U.S. agencies	<u>136,579,907</u>	<u>33,984,703</u>	<u>102,595,204</u>	<u>-</u>
	<u>\$ 218,420,066</u>	<u>\$ 59,615,956</u>	<u>\$ 158,610,644</u>	<u>\$ 193,466</u>

Of the above balances, \$80,554,690 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

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than fifteen years from the date of purchase, and the weighted average maturity of the portfolio shall not exceed 6.5 years.

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

The City's only recurring fair value measurements as of June 30, 2017 were related to its investments in U.S. treasuries, U.S agencies and money market cash funds. These investments are valued using quoted market pricing of the underlying securities (Level 1 inputs).

**Investments – City of Ann Arbor Employees' Retirement System**

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

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

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

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The adopted asset allocation policy as of June 30, 2017 is as follows:

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

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

Investment holdings – The System’s investments are held by an independent trust company. Following is a summary of the System’s investments as of June 30, 2017: (investments at fair value, as determined by quoted market price).

	Domestic	Foreign	Total	On Loan
<b>Equities</b>				
Common stock	\$ 14,025,123	\$ 138,897	\$ 14,164,020	\$ 2,293,014
Common stock funds	169,037,601	66,287,693	235,325,294	-
Private equity	9,862,045	-	9,862,045	-
Total equities	192,924,769	66,426,590	259,351,359	2,293,014
<b>Fixed income</b>				
Government agency funds	86,696,788	-	86,696,788	-
Corporate bonds	-	3,220,516	3,220,516	-
Corporate bond funds	20,561,333	7,374,681	27,936,014	-
Bank loan participation	15,081,281	-	15,081,281	-
Private credit	4,728,739	-	4,728,739	-
Index linked government bonds	19,909,076	-	19,909,076	-
Total fixed income	146,977,217	10,595,197	157,572,414	-
<b>Other investments</b>				
Real estate	35,647,391	-	35,647,391	-
Hedge funds	6,401,041	7,901,659	14,302,700	-
Short-term investment funds	7,040,387	-	7,040,387	-
Total other investments	49,088,819	7,901,659	56,990,478	-
<b>Total investments</b>	<b>\$ 388,990,805</b>	<b>\$ 84,923,446</b>	<b>\$ 473,914,251</b>	<b>\$ 2,293,014</b>

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

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

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

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

The System's fixed income securities consisted of the following at June 30, 2017:

Government agency funds	\$ 86,696,788
Corporate bonds	3,220,516
Corporate bond funds	27,936,014
Bank loan participation	15,081,281
Private credit	4,728,739
Index linked government bonds	<u>19,909,076</u>
	<u>\$ 157,572,414</u>

The System's investments in corporate bond funds and hedge funds are not rated; also, the other fixed income securities at June 30, 2017 were essentially in "funds" and therefore not rated, with the exception of corporate bonds.

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

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

Inasmuch as all of the debt or fixed income securities as of June 30, 2017, except for the corporate bonds, are essentially held in funds by the portfolio managers, maturity information is not available. For the year ended June 30, 2017 the System's only corporate bond fund was a partnership hedge fund. As such, the System had no maturities to report.

Rate of Return – For the year ended June 30, 2017, the annual money-weighted rate of return on plan investments, net of investment expenses, was 11.93 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

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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, 2017, the total collateral received from borrowers had a fair value of \$2,342,376, all of which was cash.

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

The System had the following recurring fair value measurements as of June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Equities</b>				
Common stock	\$ 14,164,020	\$ -	\$ -	\$ 14,164,020
Common stock funds	20,603,202	214,722,092	-	235,325,294
Private equity	-	-	9,862,045	9,862,045
Total equities	<u>34,767,222</u>	<u>214,722,092</u>	<u>9,862,045</u>	<u>259,351,359</u>
<b>Fixed income</b>				
Government agency funds	-	86,696,788	-	86,696,788
Corporate bonds	-	-	3,220,516	3,220,516
Corporate bond funds	7,374,681	20,561,333	-	27,936,014
Bank load participation	-	-	15,081,281	15,081,281
Private credit	-	-	4,728,739	4,728,739
Index linked government bond	19,909,076	-	-	19,909,076
Total fixed income	<u>27,283,757</u>	<u>107,258,121</u>	<u>23,030,536</u>	<u>157,572,414</u>
<b>Other investments</b>				
Real estate	-	-	35,647,391	35,647,391
Hedge funds	-	-	14,302,700	14,302,700
Short-term investment funds	7,040,387	-	-	7,040,387
Total other investments	<u>7,040,387</u>	<u>-</u>	<u>49,950,091</u>	<u>56,990,478</u>
<b>Total investments</b>	<u>\$ 69,091,366</u>	<u>\$ 321,980,213</u>	<u>\$ 82,842,672</u>	<u>\$ 473,914,251</u>

**Investments – Retiree Health Care Trust Fund**

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

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

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

The Association’s investments are held by an independent trust company. Following is a summary of the Association’s investments as of June 30, 2017:

	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>	<u>On Loan</u>
<b>Equities</b>				
Common stock	\$ 18,897,468	\$ 2	\$ 18,897,470	\$ 1,795,404
Common stock funds	<u>42,995,079</u>	<u>25,210,518</u>	<u>68,205,597</u>	<u>-</u>
Total equities	<u>61,892,547</u>	<u>25,210,520</u>	<u>87,103,067</u>	<u>1,795,404</u>
<b>Fixed income</b>				
Corporate bond funds	31,359,286	3,598,797	34,958,083	-
Bank loan participation	5,367,003	-	5,367,003	-
Index linked government bonds	6,563,257	-	6,563,257	-
Private credit	<u>1,182,184</u>	<u>-</u>	<u>1,182,184</u>	<u>-</u>
Total fixed income	<u>44,471,730</u>	<u>3,598,797</u>	<u>48,070,527</u>	<u>-</u>
<b>Other investments</b>				
Real estate	14,614,091	-	14,614,091	-
Short-term investment fund	<u>5,408,584</u>	<u>-</u>	<u>5,408,584</u>	<u>-</u>
Total other investments	<u>20,022,675</u>	<u>-</u>	<u>20,022,675</u>	<u>-</u>
Total investments	<u>\$ 126,386,952</u>	<u>\$ 28,809,317</u>	<u>\$ 155,196,269</u>	<u>\$ 1,795,404</u>

Custodial Credit Risk – For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the Association will not be able to recover the value of its

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

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

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

	<u>2017</u>
Corporate bond funds	\$ 34,958,083
Bank loan participation	5,367,003
Index linked government bonds	6,563,257
Private credit	<u>1,182,184</u>
	<u>\$ 48,070,527</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.

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

Inasmuch as all of the debt or fixed income securities as of June 30, 2017, is essentially held in funds by the portfolio managers, maturity information is not available.

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

At June 30, 2017, the total collateral received from borrowers had a fair value of \$1,834,452, all of which was cash.

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

The System had the following recurring fair value measurements as of June 30, 2017:

	Level 1	Level 2	Level 3	Total
<b>Equities</b>				
Common stock	\$ 6,925,540	\$ 11,971,930	\$ -	\$ 18,897,470
Common stock funds	5,028,617	63,039,112	137,868	68,205,597
Total equities	<u>11,954,157</u>	<u>75,011,042</u>	<u>137,868</u>	<u>87,103,067</u>
<b>Fixed income</b>				
Corporate bond funds	3,598,797	31,359,286	-	34,958,083
Bank loan participation	-	-	5,367,003	5,367,003
Index linked government bonds	6,563,257	-	-	6,563,257
Private credit	-	-	1,182,184	1,182,184
Total fixed income	<u>10,162,054</u>	<u>31,359,286</u>	<u>6,549,187</u>	<u>48,070,527</u>
<b>Other investments</b>				
Real estate	5,573,152	-	9,040,939	14,614,091
Short-term investment fund	5,369,294	39,290	-	5,408,584
Total other investments	<u>10,942,446</u>	<u>39,290</u>	<u>9,040,939</u>	<u>20,022,675</u>
Total investments	<u>\$ 33,058,657</u>	<u>\$ 106,409,618</u>	<u>\$ 15,727,994</u>	<u>\$ 155,196,269</u>

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**Investments – DDA Component Unit**

**Custodial Credit Risk – Deposits** – As of June 30, 2017, the carrying amounts of the DDA's deposits were \$308,333 and the bank balance was \$608,553 of which \$358,553 was exposed to custodial credit risk because it was uninsured and uncollateralized. For the deposits held at the City of Ann Arbor, it is impossible to determine custodial credit risk since the DDA's deposits are pooled with other City deposits.

**Custodial Credit Risk – Investments** – Following is a summary of the DDA's investments as of June 30, 2017:

U.S. government agencies	\$ 13,426,983
Money market accounts	3,722,877
Certificates of deposit	<u>546,623</u>
<b>Total investments</b>	<b><u>\$ 17,696,483</u></b>

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

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

risk. As of June 30, 2017, all of the investments in U.S. agencies were rated AA+ by Standard & Poor's Global Investor Services.

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

As of June 30, 2017, the maturities of the DDA's investments in U.S. agencies were as follows:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Investments in Maturities (fair value by years)</b>		
		<b>1-5</b>	<b>6-10</b>	<b>More than 10</b>
U.S. securities	<u>\$ 13,426,983</u>	<u>\$ 12,927,865</u>	<u>\$ 499,118</u>	<u>\$ -</u>

**Fair Value** – The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Authority's only recurring fair value measurements as of June 30, 2017 were related to its investments in government agency funds. These investments are valued using quoted market pricing of the underlying securities (Level 1 inputs).

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

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**Note 4 - Receivables**

Receivables as of year-end for the governmental and business-type activities, of which \$414,532 and \$4,184,895, respectively, are not expected to be collected within one year, are as follows:

	Governmental Activities	Business-type Activities
Taxes, net	\$ 156,945	\$ 24,713
Accounts, net	1,849,108	12,578,491
Special assessments	487,676	116,343
Improvement charges	1,403	215,581
Accrued interest and other	6,876	-
Loans	11,920	-
Due from other governments	<u>3,940,266</u>	<u>6,342,920</u>
	<u>\$ 6,454,194</u>	<u>\$ 19,278,048</u>

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**Note 5 - Capital Assets**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 59,869,749	\$ 284,824	\$ -	\$ 60,154,573
Construction-in-progress	<u>2,991,316</u>	<u>5,076,850</u>	<u>1,040,414</u>	<u>7,027,752</u>
Total capital assets not being depreciated	<u>62,861,065</u>	<u>5,361,674</u>	<u>1,040,414</u>	<u>67,182,325</u>
Capital assets being depreciated				
Land improvements	23,128,472	940,105	116,688	23,951,889
Intangible assets	1,173,590	-	-	1,173,590
Infrastructure	796,837,205	25,965,246	1,640,938	821,161,513
Buildings, additions and improvements	167,632,859	-	1,232,404	166,400,455
Machinery and equipment	15,950,743	1,302,455	4,444,902	12,808,296
Vehicles	<u>19,477,586</u>	<u>4,059,915</u>	<u>1,639,809</u>	<u>21,897,692</u>
Total capital assets being depreciated	<u>1,024,200,455</u>	<u>32,267,721</u>	<u>9,074,741</u>	<u>1,047,393,435</u>
Less accumulated depreciation for				
Land improvements	8,972,719	855,537	47,399	9,780,857
Intangible assets	1,173,590	-	-	1,173,590
Infrastructure	216,599,933	29,689,144	1,623,845	244,665,232
Buildings, additions and improvements	26,323,516	4,138,040	1,190,481	29,271,075
Machinery and equipment	13,291,393	806,579	4,414,798	9,683,174
Vehicles	<u>13,153,205</u>	<u>2,283,271</u>	<u>1,625,935</u>	<u>13,810,541</u>
Total accumulated depreciation	<u>279,514,356</u>	<u>37,772,571</u>	<u>8,902,458</u>	<u>308,384,469</u>
Net capital assets being depreciated	<u>744,686,099</u>	<u>(5,504,850)</u>	<u>172,283</u>	<u>739,008,966</u>
Governmental activities capital assets, net	<u>\$ 807,547,164</u>	<u>\$ (143,176)</u>	<u>\$ 1,212,697</u>	<u>\$ 806,191,291</u>

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	Beginning Balance	Increases	Decreases	Transfers & Adjustments	Ending Balance
<b>Business-type activities</b>					
Capital assets not being depreciated					
Land	\$ 7,291,349	\$ 170,000	\$ -	\$ -	\$ 7,461,349
Construction-in-progress	132,685,515	23,601,672	27,088,031	-	129,199,156
Total capital assets not being depreciated	<u>139,976,864</u>	<u>23,771,672</u>	<u>27,088,031</u>	<u>-</u>	<u>136,660,505</u>
Capital assets being depreciated					
Land improvements	218,233,072	27,088,027	-	-	245,321,099
Buildings, additions and improvements	190,563,824	-	-	3	190,563,827
Machinery and equipment	28,843,245	1,182,388	2,205,491	53,567	27,873,709
Vehicles	2,785,547	-	710,488	-	2,075,059
Total capital assets being depreciated	<u>440,425,688</u>	<u>28,270,415</u>	<u>2,915,979</u>	<u>53,570</u>	<u>465,833,694</u>
Less accumulated depreciation for					
Land improvements	84,344,178	4,624,943	-	(1)	88,969,120
Buildings, additions and improvements	70,994,672	4,821,768	-	(4)	75,816,436
Machinery and equipment	24,148,081	1,326,459	2,201,006	53,567	23,327,101
Vehicles	2,114,393	196,334	710,488	-	1,600,239
Total accumulated depreciation	<u>181,601,324</u>	<u>10,969,504</u>	<u>2,911,494</u>	<u>53,562</u>	<u>189,712,896</u>
Net capital assets being depreciated	<u>258,824,364</u>	<u>17,300,911</u>	<u>4,485</u>	<u>8</u>	<u>276,120,798</u>
Business-type capital assets, net	<u>\$ 398,801,228</u>	<u>\$ 41,072,583</u>	<u>\$ 27,092,516</u>	<u>\$ 8</u>	<u>\$ 412,781,303</u>

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers &amp; Adjustments</u>	<u>Ending Balance</u>
<b>Component Units</b>					
Capital assets not being depreciated					
Land	\$ 343,627	\$ -	\$ -	\$ -	\$ 343,627
Capital assets being depreciated					
Buildings, additions and improvements	3,135,780	5,050	34,139	-	3,106,691
Machinery and equipment	<u>402,815</u>	<u>9,345</u>	<u>53,986</u>	<u>-</u>	<u>358,174</u>
Total capital assets being depreciated	<u>3,538,595</u>	<u>14,395</u>	<u>88,125</u>	<u>-</u>	<u>3,464,865</u>
Less accumulated depreciation for					
Buildings, additions and improvements	2,748,488	1,671	10,630	-	2,739,529
Machinery and equipment	<u>270,920</u>	<u>55,395</u>	<u>47,660</u>	<u>-</u>	<u>278,655</u>
Total accumulated depreciation	<u>3,019,408</u>	<u>57,066</u>	<u>58,290</u>	<u>-</u>	<u>3,018,184</u>
Net capital assets being depreciated	<u>519,187</u>	<u>(42,671)</u>	<u>29,835</u>	<u>-</u>	<u>446,681</u>
Component unit capital assets, net	<u>\$ 862,814</u>	<u>\$ (42,671)</u>	<u>\$ 29,835</u>	<u>\$ -</u>	<u>\$ 790,308</u>

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

**Governmental activities**

General government	\$ 389,578
Public safety	147,771
Public works	33,391,159
Recreation and culture	1,220,342
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>2,623,721</u>
<b>Total governmental activities</b>	<u><b>37,772,571</b></u>

**Business-type activities**

Water	3,791,568
Sewer	3,846,967
Parking	1,687,836
Airport	68,426
Stormwater	687,587
Solid waste	<u>887,120</u>
<b>Total business-type activities</b>	<u><b>10,969,504</b></u>
<b>Total primary government</b>	<u><b>\$ 48,742,075</b></u>

**Note 6 - Interfund Receivables, Payables, and Transfers**

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>Due from/to other funds</b>		
General Fund	Nonmajor funds	\$ 7,382
General Fund	Airport Fund	80,234
		<u>\$ 87,616</u>
<b>Advances due to/from other funds</b>		
General Fund	Airport Fund	<u>\$ 504,352</u>

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

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The details for interfund transfers are as follows:

	<b>Transfer In</b>					<b>Total</b>
	<b>General Fund</b>	<b>Street, Bridge, and Sidewalk Repair Millage Fund</b>	<b>Water Supply System Fund</b>	<b>Stormwater System Fund</b>	<b>Nonmajor funds</b>	
<b>Transfer Out</b>						
General Fund	\$ -	\$ 100,000	\$ 110,288	\$ -	\$ 4,125,268	\$ 4,335,556
Street, Bridge, and Sidewalk Repair Millage Fund	-	-	595,692	48,437	-	644,129
Water Supply System Fund	1,025,472	322,400	-	28,517	196,800	1,573,189
Sewer Disposal System Fund	14,004	793,231	688,596	57,538	-	1,553,369
Airport Fund	-	-	8,124	-	-	8,124
Stormwater System Fund	91,992	2,584,058	225,710	-	49,149	2,950,909
Solid Waste Fund	44,004	-	186,996	-	1,055,023	1,286,023
Nonmajor funds	39,414	6,279	147,981	-	3,013,638	3,207,312
Internal service funds	-	-	99,780	-	1,601,296	1,701,076
<b>Total</b>	<b>\$ 1,214,886</b>	<b>\$ 3,805,968</b>	<b>\$ 2,063,167</b>	<b>\$ 134,492</b>	<b>\$ 10,041,174</b>	<b>\$ 17,259,687</b>

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

**City of Ann Arbor**  
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**Note 7 - Leases**

**Operating Leases Payable**

The City is the lessee of various properties (primarily office and storage space, as well as parking facilities) under operating leases for periods through 2019. The expenses and related revenues in connection with the leases are recorded in the General Fund, special revenue funds and pension trust funds. The total rent expense for fiscal year 2017 was \$233,199. The following is a table of future minimum noncancellable lease payments by the City:

<u>Year ending June 30,</u>	
2018	\$ 184,680
2019	<u>89,288</u>
	<u>\$ 273,968</u>

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

**Operating Leases Receivable**

The City is the lessor of various parking, office and airport facilities under operating leases for periods through 2036. Revenues and the related expenses for these leases are recorded in various funds. The total rent revenue for fiscal year 2017 was \$1,106,828. The total revenue includes \$541,751 for cell towers, \$31,315 for office space, \$350,117 for airport hangers, and \$183,645 for other rentals. All related City assets are fully depreciated. The following is a table of future minimum noncancellable lease payments to the City:

<u>Year ending June 30,</u>	
2018	\$ 1,018,077
2019	920,515
2020	825,013
2021	603,513
2022	633,374
2023-2027	2,080,382
2028-2032	929,384
2033-2036	<u>364,117</u>
	<u>\$ 7,374,375</u>

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

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**Capital leases**

The City has entered into certain lease agreements as lessee for financing of two materials recovery facility loaders. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. The following is an analysis of the items recorded under capital leases in the enterprise funds as of June 30, 2017:

Future payments	
<u>Year ending June 30,</u>	
2018	<u>\$ 21,154</u>
Asset	
Equipment	\$ 211,528
Less accumulated depreciation	88,137
Total	<u>\$ 123,391</u>

**Note 8 - Contingent Liabilities**

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

**Landfill** – The City owns and maintains a closed landfill in full compliance with Michigan Department of Environmental Quality (MDEQ) requirements. The City had received approval for an onsite and (interim) offsite Remedial Action Plan (RAP) that has been implemented. This implementation included a slurry wall almost two miles in length enclosing most of the landfill. As part of these requirements, the City has posted a \$1,000,000 letter of credit to

ensure compliance with the landfill cleanup regulations. The City is working on a final RAP and evaluating the feasibility of treating the collected landfill groundwater prior to discharge to the sanitary sewer. Treating the water onsite with discharge to surface or groundwater may reduce annual operating costs because of reduced payments for discharge to the sanitary system. Capital costs associated with the landfill cleanup were funded by a series of voter-approved bonds totaling \$28,000,000. Operating and maintenance costs for the closed landfill are funded out of the annual solid waste budget. A liability has been accrued in the solid waste fund for offsite remediation in the amount of \$6,549,149. These costs will be funded through the City's earmarked solid waste (refuse collection) property tax levy. The projects to be accomplished are subject to major changes (both in the nature of the work to be accomplished and in the cost thereof) due to inflation, changes in technology or changes in regulatory requirements.

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

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

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**Note 9 - Long-Term Debt**

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

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>									
Bonds and notes payable									
General obligation bonds									
2002 special assessment (G.O. portion)	\$ 290,000	2017	4.4 - 4.7%	\$0	\$ 25,000	\$ -	\$ 25,000	\$ -	\$ -
2008 court and police facilities	27,660,000	2038	4.0 - 5.0%	\$700,000	24,665,000	-	23,965,000	700,000	700,000
2009 capital improvements (BAB)	49,420,000	2035	3.5 - 6.5%	\$1,555,000 - \$3,350,000	43,265,000	-	1,495,000	41,770,000	1,555,000
2012 transportation fund	2,670,000	2023	2.0 - 2.4%	\$245,000 - \$270,000	1,770,000	-	240,000	1,530,000	245,000
2013 1st and Washington (series A)	4,480,000	2032	1.75 - 3.0%	\$200,000 - \$305,000	3,925,000	-	195,000	3,730,000	200,000
2013 1st and Washington (series B)	4,045,000	2032	2.0 - 3.75%	\$185,000 - \$280,000	3,510,000	-	180,000	3,330,000	185,000
2013 clean energy	560,000	2024	4.25 - 4.34%	\$53,000 - \$54,000	427,000	-	53,000	374,000	54,000
2015 open space preservation refunding	16,235,000	2034	2.0 - 3.375%	\$740,000 - \$1,140,000	16,235,000	-	725,000	15,510,000	740,000
2015 maintenance facility refunding	17,710,000	2029	2.0 - 3.0%	\$1,220,000 - \$1,575,000	17,710,000	-	1,195,000	16,515,000	1,220,000
2017 court and police refunding	24,030,000	2035	3 - 3.25%	\$290,000 - \$1,760,000	-	24,030,000	-	24,030,000	290,000
Total general obligation bonds					<u>111,532,000</u>	<u>24,030,000</u>	<u>28,073,000</u>	<u>107,489,000</u>	<u>5,189,000</u>
Special assessment obligations									
2002 special assessment	525,000	2017	4.4 - 4.7%	\$0	15,000	-	15,000	-	-
Less deferred amounts									
For issuance premiums					605,087	479,365	80,746	1,003,706	43,851
For issuance discounts					(218,264)	-	(9,494)	(208,770)	(9,130)
Total bonds payable					<u>111,933,823</u>	<u>24,509,365</u>	<u>28,159,252</u>	<u>108,283,936</u>	<u>5,223,721</u>
Compensated absences					<u>12,866,998</u>	<u>4,914,688</u>	<u>5,127,955</u>	<u>12,653,731</u>	<u>5,127,955</u>
Total governmental activities					<u>\$ 124,800,821</u>	<u>\$ 29,424,053</u>	<u>\$ 33,287,207</u>	<u>\$ 120,937,667</u>	<u>\$ 10,351,676</u>

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	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type activities</b>									
Bonds and notes payable									
General obligation bonds									
2007 parking	\$ 4,250,000	2017	4.0 - 4.25%	\$0	\$ 205,000	\$ -	\$ 205,000	\$ -	\$ -
2009 parking - refunding	3,570,000	2017	3.0 - 3.5%	\$0	555,000	-	555,000	-	-
2012 parking - refunding	2,230,000	2022	2.0%	\$230,000 - \$250,000	1,400,000	-	220,000	1,180,000	225,000
2015 parking - refunding	6,335,000	2020	2.0 - 3.0%	\$700,000 - \$1,400,000	4,905,000	-	1,420,000	3,485,000	1,400,000
2016 parking - refunding	2,790,000	2027	2.0%	\$245,000 - \$305,000	2,790,000	-	50,000	2,740,000	245,000
Total general obligation bonds					<u>9,855,000</u>	<u>-</u>	<u>2,450,000</u>	<u>7,405,000</u>	<u>1,870,000</u>
Revenue bonds									
2008 water	23,375,000	2018	4.0%	\$1,225,000	2,400,000	-	1,175,000	1,225,000	1,225,000
2012 water - refunding	10,450,000	2024	2.0 - 2.5%	\$660,000 - \$680,000	6,080,000	-	1,355,000	4,725,000	660,000
2016 water - refunding	16,285,000	2027	2.0 - 2.5%	\$305,000 - \$1,830,000	16,285,000	-	425,000	15,860,000	305,000
2008 sewer	24,550,000	2019	3.5 - 4.0%	\$850,000 - \$900,000	2,550,000	-	800,000	1,750,000	850,000
2013 sewer - refunding	17,985,000	2025	3.25 - 4.75%	\$1,675,000 - \$1,890,000	16,175,000	-	1,835,000	14,340,000	1,865,000
2016 sewer - refunding	19,280,000	2031	2.0 - 2.5%	\$390,000 - \$1,725,000	19,280,000	-	-	19,280,000	390,000
Total revenue bonds					<u>62,770,000</u>	<u>-</u>	<u>5,590,000</u>	<u>57,180,000</u>	<u>5,295,000</u>
Revolving loans									
DWRF 7319-01	4,575,000	2031	2.50%	\$205,000 - \$285,000	3,630,000	-	200,000	3,430,000	205,000
DWRF 7146-01	557,950	2024	2.125%	\$30,000 - \$32,950	237,950	-	25,000	212,950	30,000
DWRF 7325-01	624,750	2030	2.50%	\$30,000 - \$38,271	458,271	-	30,000	428,271	30,000
DWRF 7333-01	5,614,250	2032	2.50%	\$215,000 - \$305,602	4,055,604	-	210,000	3,845,604	215,000
DWRF 7362-01	8,864,396	2034	2.50%	\$375,000 - \$542,720	7,987,720	-	360,001	7,627,719	365,000
DWRF 7375-01	3,025,000	2035	2.00%	\$121,405 - \$168,099	2,545,244	171,277	125,000	2,591,521	121,405
2004 SWQIF 3002-01	874,672	2024	1.625%	\$45,000 - \$50,000	384,672	-	45,000	339,672	45,000
2005 SWQIF 3002-02	879,382	2025	1.625%	\$45,000 - \$50,000	429,382	-	45,000	384,382	45,000
2006 SWQIF 3002-03	889,903	2026	1.625%	\$45,000 - \$50,000	479,903	-	45,000	434,903	45,000
2007 SWQIF 3002-04	964,976	2027	1.625%	\$50,000 - \$55,000	569,976	-	50,000	519,976	50,000
2008 SWQIF 3002-05	900,000	2028	2.50%	\$45,000 - \$55,000	595,000	-	45,000	550,000	45,000
2009 SWQIF 3010-01	1,310,000	2029	2.50%	\$65,000 - \$80,000	920,000	-	60,000	860,000	65,000
2010 SWQIF 3010-02	1,320,000	2030	2.50%	\$60,000 - \$80,000	990,000	-	60,000	930,000	60,000
2012 SWQIF 3010-03	1,365,000	2032	2.50%	\$60,000 - \$84,760	1,139,760	-	60,000	1,079,760	60,000
2013 SWQIF 3010-04	891,703	2033	2.50%	\$35,000 - \$56,703	746,703	-	35,000	711,703	35,000
2012 CWRF 5441-01	34,407,832	2036	2.50%	\$1,380,000 - \$2,150,000	34,407,832	-	1,347,832	33,060,000	1,380,000
2013 CWRF 5441-02	73,305,000	2038	2.00%	\$2,730,312 - \$3,995,688	54,721,544	11,771,973	-	66,493,517	-
Total revolving loans					<u>114,299,561</u>	<u>11,943,250</u>	<u>2,742,833</u>	<u>123,499,978</u>	<u>2,796,405</u>

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	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type activities continued</b>									
Drain notes									
2006 Mallets Creek project	\$ 1,613,905	2028	1.625%	\$79,076 - \$95,652	\$ 1,016,883	\$ -	\$ 71,168	\$ 945,715	\$ 79,076
2009 Allen Creek Pioneer High School project	2,522,126	2031	2.5%	\$115,000 - \$156,126	1,991,126	-	110,000	1,881,126	115,000
2010 Stadium Blvd phase I 5337-01	165,000	2029	2.5%	\$10,000	130,000	-	10,000	120,000	10,000
2010 Stadium Blvd phase II 5337-02	916,204	2032	2.5%	\$38,440 - \$57,660	763,995	-	38,440	725,555	38,440
2010 Allen Creek West Park project 5434-01	994,635	2031	2.5%	\$43,245 - \$62,465	788,020	-	43,245	744,775	43,245
2010 Allen Creek Sylvan Ave project 5435-01	405,000	2030	2.5%	\$20,000 - \$25,000	310,000	-	20,000	290,000	20,000
2011 Swift Run cistern 5471-01	26,362	2032	2.5%	\$1,000 - \$2,862	22,862	-	1,000	21,862	1,000
2011 County Farm streambank 5469-01	349,699	2032	2.5%	\$15,000 - \$27,199	287,199	-	15,000	272,199	15,000
2011 Mallets Creek E Stadium Bridge project 5505-01	162,209	2033	2.5%	\$5,000 - \$12,209	137,209	-	5,000	132,209	5,000
2011 Mallets Creek Burns Park project 5464-01	1,052,556	2032	2.5%	\$46,885 - \$65,622	867,360	-	46,887	820,473	46,885
2011 Traver Creek cistern 5472.01	182,434	2032	2.5%	\$8,822 - \$17,019	153,762	-	8,822	144,940	8,822
2011 Allen Creek cistern I 5470-01	140,746	2032	2.5%	\$5,000 - \$10,746	120,746	-	5,000	115,746	5,000
2011 Allen Creek cistern II 5470-02	31,261	2032	2.5%	\$1,000 - \$2,761	27,761	-	1,000	26,761	1,000
2012 Leslie Park project 5516-01	648,479	2033	2.5%	\$27,129 - \$44,855	569,353	-	27,130	542,223	27,129
2012 Allen Creek Willard Street project 5511-01	123,819	2032	2.5%	\$5,000 - \$11,319	101,319	-	5,000	96,319	5,000
2012 SRF tree planting 5504-01	167,467	2033	2.5%	\$5,000 - \$14,967	149,967	-	5,000	144,967	5,000
2013 Huron River infrastructure I 5504-03	215,795	2034	2.5%	\$10,000 - \$18,295	162,345	35,950	10,000	188,295	10,000
2013 Huron River infrastructure II 5504-02	278,379	2035	2.0%	\$10,000 - \$18,379	268,379	-	10,000	258,379	10,000
2013 Allen Creek Miller Ave 5436-01	805,723	2034	2.0%	\$35,000 - \$51,373	736,373	-	35,000	701,373	35,000
2013 Allen Creek Madison Ave 5437-01	890,130	2034	2.0%	\$40,000 - \$50,466	800,466	-	40,000	760,466	40,000
2013 Allen Creek Fourth Ave I 5510-01	175,163	2033	2.0%	\$5,000 - \$10,163	155,163	-	5,000	150,163	5,000
2013 Allen Creek Forest Ave 5512-01	211,099	2034	2.0%	\$10,000 - \$16,099	191,099	-	10,000	181,099	10,000
2014 Allen Creek West Park Fairgrounds	2,430,000	2034	2.0 - 3.5%	\$100,000 - \$170,000	2,265,000	-	95,000	2,170,000	100,000
2014 Mallets Creek Stone School 5475-01	2,025,000	2035	2.5%	\$83,859 - \$123,322	1,901,859	18,104	80,000	1,839,963	83,858
2014 Mallets Creek Springwater 5508-01	332,447	2035	2.5%	\$15,000 - \$22,602	317,602	-	15,000	302,602	15,000
2014 SRF (Washtenaw County)	TBD	TBD	2.0%	\$94,597	114,376	94,600	114,376	94,600	-
2015 Huron River Green Infrastructure (HRGI) - Tree Planting 5504-04	188,503	2036	2.5%	\$5,000 - \$13,503	27,453	161,050	10,000	178,503	5,000
2015 HRGI Geddes 5594-01	944,757	2037	2.5%	\$37,232 - \$60,502	343,955	600,802	-	944,757	37,232
2016 Allen Creek 5509-01	574,594	2037	2.5%	\$22,470 - \$35,310	-	574,594	-	574,594	22,470
2016 Mallets Creek Drain 5508-02	688,666	2037	2.5%	\$24,421 - \$43,957	-	688,666	-	688,666	24,421
2016 HRGI Tree Planting 5504-05	128,892	2037	2.5%	\$5,604 - \$8,406	-	128,892	-	128,892	5,604
Total drain notes					14,721,632	2,302,658	837,068	16,187,222	829,182

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	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type activities continued</b>									
Less deferred amounts									
For issuance premiums					\$ 1,215,561	\$ -	\$ 127,740	\$ 1,087,821	\$ 128,567
For issuance discounts					(13,688)	-	(9,911)	(3,777)	(1,834)
Total bonds payable					202,848,066	14,245,908	11,737,730	205,356,244	10,917,320
Capital leases					63,459	-	42,305	21,154	21,154
Compensated absences					2,259,431	910,669	975,608	2,194,492	975,608
Total business-type activities					<u>\$ 205,170,956</u>	<u>\$ 15,156,577</u>	<u>\$ 12,755,643</u>	<u>\$ 207,571,890</u>	<u>\$ 11,914,082</u>
<b>Component units</b>									
<b>Downtown Development Authority</b>									
Installment purchase agreement	\$ 1,278,765	2018	6%	\$24,600	\$ 310,415	\$ -	\$ 285,815	\$ 24,600	\$ 24,600
Compensated absences					170,867	17,241	-	188,108	-
<b>Total Downtown Development Authority</b>					481,282	17,241	285,815	212,708	24,600
<b>Ann Arbor Housing Commission</b>									
Compensated absences					53,879	92,151	72,817	73,213	47,283
Total component units					<u>\$ 535,161</u>	<u>\$ 109,392</u>	<u>\$ 358,632</u>	<u>\$ 285,921</u>	<u>\$ 71,883</u>
					Beginning Balance	Additions	Reductions	Ending Balance	
Deferred amount on refunding - governmental activities					\$ (488,409)	\$ (1,802,916)	\$ (32,956)	\$ (2,258,369)	
Deferred amount on refunding - business-type activities					(3,027,832)	-	(70,028)	(2,957,804)	
Total					<u>\$ (3,516,241)</u>	<u>\$ (1,802,916)</u>	<u>\$ (102,984)</u>	<u>\$ (5,216,173)</u>	

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Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 5,189,000	\$ 3,498,014	\$ 10,811,741	\$ 4,568,685
2019	5,393,000	3,289,451	13,755,082	4,209,549
2020	5,563,000	3,149,565	13,079,109	3,881,383
2021	5,719,000	3,005,069	12,664,408	3,578,712
2022	5,883,000	2,853,150	12,944,502	3,281,218
2023-2027	31,137,000	11,655,926	61,351,093	11,930,422
2028-2032	31,650,000	6,418,138	44,961,101	5,795,832
2033-2037	16,955,000	1,233,035	30,636,026	1,264,134
2038	-	-	3,995,692	(8,022)
	107,489,000	35,102,348	204,198,754	38,501,913
Unscheduled maturities	-	-	94,600	-
	<u>\$ 107,489,000</u>	<u>\$ 35,102,348</u>	<u>\$ 204,293,354</u>	<u>\$ 38,501,913</u>

Year Ending June 30,	Component Units	
	Principal	Interest
2018	<u>\$ 24,600</u>	<u>\$ 123</u>

**Refunding Bond**

During fiscal year 2017, the City issued \$24,030,000 of refunding bonds to partially advance refund \$23,295,000 of the 2008 court and police facilities bond to provide resources to purchase U.S. government securities that were placed in an irrevocable trust to generate resources for all future debt service payments. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities. The refunding resulted in a savings of \$6,160,116 and an economic gain of \$3,655,528.

**Note 10 - Risk Management**

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

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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 \$1,511,822 at June 30, 2017 and is included in estimated claims payable. The total estimated claims payable of \$3,563,572 is reflected in the insurance fund at June 30, 2017. A liability for claims must be reported if information prior to the issuance of the financial statements indicates it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claim liability amount for the last two years are summarized below:

	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Year End
2016 \$	4,280,982	\$ 16,191,797	\$ 17,620,229	\$ 2,852,550
2017	2,852,550	21,097,456	20,386,434	3,563,572

**Note 11 - Employee Retirement and Benefit Systems**

**General Information about the Defined Benefit Pension Plan**

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

Retirement System, 532 South Maple Road, Ann Arbor, Michigan, 48103 or by calling 734-794-6710.

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

Plan membership – At June 30, 2016, the date of the latest actuarial valuation, System membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	1,017
Inactive employees entitled to, but not yet receiving benefits	151
Active employees	<u>685</u>
	<u>1,853</u>

Benefits provided – The System provides retirement, disability, and death benefits. Retirement benefits for general plan members are calculated as 2.5 percent of the member's final three-year average salary or five-year average salary depending on hire date, times the member's years of service. Benefits for public safety plan members (police and fire) are calculated as 2.75 percent of the member's final three-year average salary or five-year average salary depending on hire date, times the member's years of service. Effective January 1, 2017, the Retirement System was amended and restated to add to the existing defined benefit plan (to be called the "Traditional Retirement Plan"), a defined contribution money purchase pension plan (the "Dual Retirement Plan") which will only apply to non-union, AFSCME, and Teamsters Civilian Supervisor employees first hired or rehired on or after January 1, 2017. Employees who are members of the Dual Retirement Plan will also participate in and accrue benefits

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under the Traditional Retirement Plan, but at a rate of accruals that is 50% of the rate of accruals for members of the Traditional Retirement Plan who were hired or rehired prior to January 1, 2017. Certain collective bargaining units may agree that newly hired or rehired members of that union will be covered by the Dual Retirement Plan on dates after January 1, 2017. The Traditional Retirement Plan and the Dual Retirement Plan are together called the City of Ann Arbor Employees Retirement System (CAAERS).

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

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

The System offers a minimum benefit of \$9,800 adjusted by a cost of living factor each year and prorated for less than 20 years of service. In addition, annually, the Board of Trustees, in consultation with its actuary and upon receipt of the actuarial report for each fiscal year, determines whether to grant a permanent pension benefit adjustment

or pay a one-time supplemental benefit based upon the amount, if any, of funds in the pension adjustment account which may be distributed to eligible retirees and beneficiaries. The aggregate cost of such benefit adjustment or supplemental benefit distribution is funded by a transfer from the pension adjustment account to the pension reserve. No pension benefit adjustment or supplemental benefit can be paid unless the amount available in the pension adjustment account is equal to or greater than 1% of the total pension payroll. The term "total pension payroll" means the total amount of pension benefits paid to retirees and beneficiaries in the prior fiscal year as reflected in the annual actuarial report.

Contributions – All plan members are required to contribute 6% of annual compensation. The City is required to contribute at an actuarially determined rate; the rate for 2017 was 21.73% of annual covered payroll, respectively, depending on employee group. Plan provisions and contribution requirements are established and can be amended by the City Council. System administrative costs are financed through investment earnings.

Net pension liability – The total pension liability was determined by an actuarial valuation as of June 30, 2016 (and rolled forward to June 30, 2017), using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 (see the discussion of the System's investment allocation policy) are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Allocation Range</b>	<b>Long-term Expected Real Rate of Return</b>
<b>Equities</b>			
Domestic equities	31%	25% - 37%	5.7%
Developed foreign equities	12%	9% - 15%	6.3%
Emerging markets equities	6%	0% - 9%	9.6%
Private equities	3%	0% - 5%	9.3%
	<u>52%</u>	<u>34% - 66%</u>	
<b>Fixed income</b>			
Investment grade bonds	19%	15% - 24%	2.5%
TIPS*	8%	0% - 10%	3.0%
High yield bonds	3%	1% - 5%	5.0%
Bank loans	2%	0% - 4%	5.1%
Emerging market debts	2%	0% - 4%	5.4%
	<u>34%</u>	<u>16% - 47%</u>	
<b>Other investments</b>			
Real estate	9%	2% - 12%	5.7%
Natural resources	3%	0% - 5%	4.8%
Hedge funds	2%	1% - 5%	3.8%
Cash	0%	<5%	1.5%
	<u>14%</u>	<u>3% - 27%</u>	
	<u>100%</u>		

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

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payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

<b>Total Pension Liability</b>	
Service cost	\$ 8,869,000
Interest on the total pension liability	37,755,000
Experience differences	3,488,000
Other changes	30,337
Benefit payments and refunds	<u>(35,436,000)</u>
Net change in total pension liability	14,706,337
Total pension liability - beginning	<u>544,679,321</u>
Total pension liability - ending (a)	<u>\$ 559,385,658</u>
<b>Plan Fiduciary Net Position</b>	
Employer contributions	\$ 13,253,118
Employee contributions	3,325,000
Pension plan net investment income	54,242,661
Benefit payments and refunds	(35,436,000)
Pension plan administrative expense	(761,779)
Other	<u>30,337</u>
Net change in plan fiduciary net position	34,653,337
Plan fiduciary net position - beginning	<u>456,620,321</u>
Plan fiduciary net position - ending (b)	<u>491,273,658</u>
Net pension liability (a-b)	<u>\$ 68,112,000</u>
Plan fiduciary net position as a percentage of total pension liability	87.82%
Covered employee payroll	\$ 51,059,000
Net pension liability as a percentage of covered employee payroll	133.40%
Primary government	\$ 67,623,980
Fiduciary funds	<u>488,020</u>
	<u>\$ 68,112,000</u>

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

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

	1% Decrease	Current Discount Rate	1% Increase
Total pension liability	\$ 620,138,000	\$ 559,385,658	\$ 508,070,000
Fiduciary net position	<u>491,273,658</u>	<u>491,273,658</u>	<u>491,273,658</u>
Net pension liability	<u>\$ 128,864,342</u>	<u>\$ 68,112,000</u>	<u>\$ 16,796,342</u>

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

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions – For the year ended June 30, 2017 the employer recognized pension expense of \$16,700,526. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences in experience	\$ 2,366,261	\$ (1,373,435)	\$ 992,826
Excess (deficit) investment returns	<u>22,858,200</u>	<u>(18,372,000)</u>	<u>4,486,200</u>
Total	<u>\$ 25,224,461</u>	<u>\$ (19,745,435)</u>	<u>\$ 5,479,026</u>
Statement of Net Position	\$ 24,868,340	\$ (19,603,960)	\$ 5,264,380
Statement of Fiduciary Net Position	<u>356,121</u>	<u>(141,475)</u>	<u>214,646</u>
	<u>\$ 25,224,461</u>	<u>\$ (19,745,435)</u>	<u>\$ 5,479,026</u>

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

Year ended,	
2018	\$ 3,761,716
2019	4,830,114
2020	1,480,196
2021	<u>(4,593,000)</u>
	<u>\$ 5,479,026</u>

**General Information about the Hybrid Pension Plan**

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

Under the defined contribution plan, the employees contribute 3% of their wages and the employer contributes 5.2% for General members. Employees vest 100% in the defined contribution plan after five years of service. In accordance with these requirements, the City employees contributed \$9,067 towards the defined benefit component, and for the defined contributed plan, the City contributed \$15,404 and the employees contributed \$9,089 for the year ended June 30, 2017. The total pension liability, net plan position, and net pension liability of the defined benefit component are included in above.

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**Note 12 - Other Postemployment Benefits**

**Plan description**

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

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

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

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

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

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

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

	2017
Retirees and surviving spouses currently covered	1,043
Spouses of retirees currently covered	546
Vested active participants	696
 Total membership	 2,285

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

Contributions – The Plan is funded by actuarially determined contributions from the City, under a trust agreement established pursuant to Section 501(c)(9) of the Internal Revenue Code, which allows for the formation of such a plan. The VEBA is included as a pension and other employee benefits trust fund in the City's comprehensive annual financial report. For the year ended June 30, 2017, the City's average contribution rate was 31.39 percent of

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covered-employee payroll. Plan members are not required to contribute to the plan.

The contribution requirements of plan members and the City are established and may be amended by the City Council. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the actuary. For fiscal year ended June 30, 2017, the City contributed approximately \$16,820,000 to the plan, including \$13,360,000 for current premiums and an additional \$3,460,000 to prefund benefits.

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best-estimate of arithmetic real rates of return for each major class included in the target asset allocation as of June 30, 2017 are summarized below along with the Boards adopted asset allocation policy:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>
<b>Equities</b>		
Domestic equities	33.0%	5.7%
Developed foreign equities	12.0%	6.3%
Emerging markets equities	7.0%	9.6%
Private equities	3.0%	9.3%
<b>Fixed income</b>		
Investment grade bonds	12.0%	2.5%
TIPS	7.0%	3.0%
High yield bonds	6.0%	5.0%
Bank loans	4.0%	5.1%
Emerging market debts	3.0%	5.4%
<b>Other investments</b>		
Real estate	10.0%	5.7%
Natural resources	3.0%	4.8%
Cash	0.0%	1.5%

Rate of return – For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 11.78%. The money-weighted rate of return expresses

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

Net OPEB liability – the components of the net OPEB liability as of June 30, 2017 were as follows:

Total OPEB liability	\$ 254,029,000
Plan fiduciary net position	<u>157,339,000</u>
Net OPEB liability	<u>\$ 96,690,000</u>

Plan fiduciary net position as a percentage of the total OPEB liability is 61.94%.

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

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

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study from May 2013.

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

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

	<u>1% Decrease</u>	<u>Discount rate</u>	<u>1% Increase</u>
	6.00%	7.00%	8.00%
Net OPEB liability	\$ 131,239,000	\$ 96,690,000	\$ 69,153,000

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates – The following presents the net OPEB liability of the City, as well as what the City’s net OPEB liability would be if were calculated using healthcare cost trend rates that are 1% lower (7.25%) or 1% higher (9.25%) than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare cost</u>	<u>1% Increase</u>
		<u>trend rates</u>	
Net OPEB liability	\$ 67,256,000	\$ 96,690,000	\$ 132,636,000

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

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funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 11,168,000
Interest on net OPEB obligation	59,000
Adjustment to annual required contribution	<u>(46,000)</u>
Annual OPEB cost	11,181,000
Other adjustments	82,012
Contribution made	<u>(16,666,944)</u>
Change in net OPEB obligation	(5,403,932)
Net OPEB obligation, beginning of year	<u>849,988</u>
Net OPEB obligation (asset), end of year	<u>\$ (4,553,944)</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the new OPEB obligation for 2017 and the prior two years were as follows:

Fiscal year ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2017	\$ 11,181,000	149%	\$ (4,553,944)
6/30/2016	11,305,000	134%	849,988
6/30/2015	12,145,999	123%	4,809,936

As of June 30, 2017, the most recent actuarial valuation date, the plan was 56.6 percent funded. The actuarial accrued liability for benefits was \$278.9 million, and the actuarial value of assets was \$157.9 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$120.9 million. The covered payroll (annual payroll of active employees covered by the plan) was \$53.6 million, and the ratio of the UAAL to the covered payroll was 225.7 percent.

**Note 13 - Permanent Fund**

In 1964, the City became the recipient of an endowment from Elizabeth Dean which is recorded as a permanent fund. The corpus of the trust is to remain invested and may not be liquidated in order to generate investment income. This investment income is to be used for the purchase and maintenance of trees in the City of Ann Arbor. Net appreciation on investments is not considered investment income until realized. The amount in the Elizabeth Dean fund is shown as restricted for endowment on the statement of net position. The corpus of the trust is and shall remain \$1,984,000. Fund balance at June 30, 2017 was \$2,132,786, representing the corpus of the trust and appreciation of investments from prior years. This amount is reflected in cash, equity in pooled cash, investments and accrued interest. The corpus of the trust is restricted to the limitations established by the trust and is considered nonspendable. The entire amount exceeding the corpus, \$1,984,000, is also restricted to the limitations established by the trust, but is available for expenditure and is restricted as to use.

**Note 14 - Significant Commitments**

As of June 30, 2017, the City had \$13,644,787 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.

**City of Ann Arbor**  
**Notes to the Financial Statements**  
**June 30, 2017**

**Note 15 - Advances from Pooled Investments**

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

		Total	
Principal	Interest	Requirements	
\$ 108,835	\$ 31,332	\$	140,167
113,436	26,729		140,165
118,233	21,932		140,165
123,233	16,933		140,166
128,445	11,721		140,166
133,878	6,288		140,166
50,630	1,035		51,665
\$ 776,690	\$ 115,970	\$	892,660

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

FY	2009 Retirement System \$400,000 07/01/08 Due 3-1 & 9-1		2009 Airport - Hangars \$1,150,000 07/03/08 Due 6-1 & 12-1	
	Principal	Interest	Principal	Interest
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
	\$ 192,104	\$ 28,902	\$ 584,586	\$ 87,068

Interest Rate	4.45%	4.09%	
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**City of Ann Arbor**  
**Notes to the Financial Statements**  
**June 30, 2017**

**Note 16 - Details of Fund Balance Categories and Classifications**

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

	General Fund	Street, Bridge, and Sidewalk Repair Millage Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>				
Long-term advances	\$ 504,352	\$ -	\$ -	\$ 504,352
Inventories and prepaids	36,517	-	-	36,517
Trust corpus	-	-	1,984,000	1,984,000
<b>Total nonspendable</b>	<u>540,869</u>	<u>-</u>	<u>1,984,000</u>	<u>2,524,869</u>
<b>Restricted</b>				
Debt service	-	-	1,070,517	1,070,517
Culture and recreation	-	-	16,003,208	16,003,208
Road maintenance and repairs	-	-	22,414,166	22,414,166
Road construction	-	8,219,999	-	8,219,999
Law enforcement	-	-	924,870	924,870
Energy projects	-	-	100,000	100,000
Community television network	-	-	4,136,419	4,136,419
Major grants	-	-	1,069,863	1,069,863
<b>Total restricted</b>	<u>-</u>	<u>8,219,999</u>	<u>45,719,043</u>	<u>53,939,042</u>
<b>Committed</b>				
Culture and recreation	-	-	64,068	64,068
Energy projects	-	-	265,509	265,509
Special assistance	-	-	10,963	10,963
Construction code	-	-	4,624,403	4,624,403
Cemetery perpetual care	-	-	100,186	100,186
Alternative transportation	-	-	429,861	429,861
<b>Total committed</b>	<u>-</u>	<u>-</u>	<u>5,494,990</u>	<u>5,494,990</u>
<b>Assigned</b>				
Capital projects	-	-	6,327,002	6,327,002
Future market needs	434,607	-	-	434,607
Affordable housing initiatives	747,441	-	-	747,441
Subsequent years expenditures and potential retirement payouts	5,232,554	-	-	5,232,554
<b>Total assigned</b>	<u>6,414,602</u>	<u>-</u>	<u>6,327,002</u>	<u>12,741,604</u>
<b>Unassigned</b>	<u>16,243,676</u>	<u>-</u>	<u>-</u>	<u>16,243,676</u>
<b>Total fund balances</b>	<u>\$ 23,199,147</u>	<u>\$ 8,219,999</u>	<u>\$ 59,525,035</u>	<u>\$ 90,944,181</u>

**Note 17 - Net Investment in Capital Assets**

	Governmental Activities	Business-type Activities
<b>Capital assets</b>		
Capital assets not being depreciated	\$ 67,182,325	\$ 136,660,505
Capital assets - net of accumulated depreciation	<u>739,008,966</u>	<u>276,120,798</u>
<b>Total capital assets</b>	806,191,291	412,781,303
<b>Less:</b>		
Government obligation bonds	(107,489,000)	(7,405,000)
Revenue bonds	-	(57,180,000)
Revolving loans	-	(123,499,978)
Drain notes	-	(16,187,220)
Capital leases	-	(21,154)
Premiums	(1,003,706)	(1,087,821)
Discounts	208,770	3,775
Deferred amount on refunding	<u>2,258,369</u>	<u>2,957,804</u>
<b>Net investment in capital assets</b>	<u>\$ 700,165,724</u>	<u>\$ 210,361,709</u>

**Note 18 - Tax Abatements**

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

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

**City of Ann Arbor**  
**Notes to the Financial Statements**  
**June 30, 2017**

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application and local approval is then forwarded to the Michigan State Tax Commission for final approval.

The exemption is a reduction in the millage rate. All current abated properties in the City pay half the millage rate for all taxing authorities except the 6 mill State Education Tax. Tax abated properties are tracked by statute on a separate assessment roll.

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

For the fiscal year ended June 30, 2017, the City abated \$32,192 under this program.

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

For the fiscal year ended June 30, 2017, the City abated \$486,366 under this program.

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

## **REQUIRED SUPPLEMENTARY INFORMATION**

### **GENERAL FUND**

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

### **SPECIAL REVENUE FUND**

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

**City of Ann Arbor**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
<b>Revenues</b>				
Taxes				
Property taxes	\$ 54,359,689	\$ 54,359,689	\$ 54,617,165	\$ 257,476
Licenses and permits	2,054,500	2,054,500	1,575,626	(478,874)
State-shared revenue and grants	11,956,953	11,956,953	12,245,672	288,719
Contributions and donations	1,000	1,000	36,583	35,583
Charges for services	8,935,795	8,935,795	9,521,856	586,061
Fines and forfeitures	4,392,285	4,392,285	4,528,221	135,936
Interest income (loss)	467,161	467,161	(1,038)	(468,199)
Rental income	606,483	606,483	661,086	54,603
Other revenue	73,400	127,400	296,274	168,874
Sale of fixed assets	-	-	2,250	2,250
Transfers in	1,190,467	1,190,467	1,214,886	24,419
Total revenues	<u>84,037,733</u>	<u>84,091,733</u>	<u>84,698,581</u>	<u>606,848</u>

**City of Ann Arbor**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Expenditures</b>				
General government				
Mayor and council	\$ 375,406	\$ 381,510	\$ 374,320	\$ (7,190)
Administration	1,015,406	1,122,997	1,062,445	(60,552)
Human resources	1,839,055	1,934,749	1,919,871	(14,878)
Attorney	2,144,764	2,214,058	2,187,133	(26,925)
Finance	7,513,715	7,838,827	7,556,701	(282,126)
Clerk/elections	1,142,166	1,231,470	1,197,228	(34,242)
Environmental coordination services	228,953	144,811	142,902	(1,909)
District court	4,533,708	4,593,690	4,400,176	(193,514)
Planning	1,252,731	1,168,487	1,100,661	(67,826)
Other unallocated	2,989,207	1,985,624	764,809	(1,220,815)
Municipal service charge	<u>(7,822,266)</u>	<u>(7,877,266)</u>	<u>(7,907,036)</u>	<u>(29,770)</u>
Total general government	<u>15,212,845</u>	<u>14,738,957</u>	<u>12,799,210</u>	<u>(1,939,747)</u>
Public safety				
Police department	26,593,353	27,174,846	27,066,739	(108,107)
Fire department	15,788,415	16,511,871	16,392,000	(119,871)
Building department	<u>1,637,620</u>	<u>1,796,457</u>	<u>1,729,903</u>	<u>(66,554)</u>
Total public safety	<u>44,019,388</u>	<u>45,483,174</u>	<u>45,188,642</u>	<u>(294,532)</u>
Public works				
Public services	9,644,672	9,854,957	7,949,944	(1,905,013)
Municipal service charge	<u>(5,484,237)</u>	<u>(5,484,237)</u>	<u>(3,967,845)</u>	<u>1,516,392</u>
Total public works	<u>4,160,435</u>	<u>4,370,720</u>	<u>3,982,099</u>	<u>(388,621)</u>

**City of Ann Arbor**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Public transportation				
Transportation	\$ 10,249,942	\$ 10,249,942	\$ 10,269,099	\$ 19,157
Community development				
Community development	4,492,775	4,968,868	4,358,773	(610,095)
Municipal service charge	(2,295,912)	(2,295,912)	(2,189,323)	106,589
Total community and economic development	<u>2,196,863</u>	<u>2,672,956</u>	<u>2,169,450</u>	<u>(503,506)</u>
Recreation and culture				
Parks and recreation	<u>8,139,256</u>	<u>8,157,154</u>	<u>7,867,827</u>	<u>(289,327)</u>
Capital outlay	<u>109,124</u>	<u>109,124</u>	<u>22,900</u>	<u>(86,224)</u>
Transfers out	<u>3,549,780</u>	<u>4,345,651</u>	<u>4,335,556</u>	<u>(10,095)</u>
Total expenditures	<u>87,637,633</u>	<u>90,127,678</u>	<u>86,634,783</u>	<u>(3,492,895)</u>
Excess (deficiency) of revenues over expenditures	(3,599,900)	(6,035,945)	(1,936,202)	4,099,743
Fund balance - beginning of year	<u>25,135,349</u>	<u>25,135,349</u>	<u>25,135,349</u>	<u>-</u>
Fund balance - end of year	<u>\$ 21,535,449</u>	<u>\$ 19,099,404</u>	<u>\$ 23,199,147</u>	<u>\$ 4,099,743</u>

**City of Ann Arbor**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Street, Bridge, and Sidewalk Repair Millage**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
<b>Revenues</b>				
Taxes	\$ 10,641,796	\$ 10,641,796	\$ 10,628,035	\$ (13,761)
Federal grants	-	27,360	27,360	-
Contributions and donations	-	2,095,000	2,716,942	621,942
Charges for services	-	8,572	13,864	5,292
Interest income	225,312	225,312	1,173	(224,139)
Other revenue	-	-	14,484	14,484
Transfers in	50,000	1,030,825	3,805,968	2,775,143
	<u>10,917,108</u>	<u>14,028,865</u>	<u>17,207,826</u>	<u>3,178,961</u>
Total revenues				
<b>Expenditures</b>				
Current				
Public works	12,899,158	6,801,504	6,261,332	(540,172)
Capital outlay	-	15,267,055	15,347,326	80,271
Transfers out	71,022	763,211	644,129	(119,082)
	<u>12,970,180</u>	<u>22,831,770</u>	<u>22,252,787</u>	<u>(578,983)</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	(2,053,072)	(8,802,905)	(5,044,961)	3,757,944
Fund balance - beginning of year	<u>13,264,960</u>	<u>13,264,960</u>	<u>13,264,960</u>	<u>-</u>
Fund balance - end of year	<u>\$ 11,211,888</u>	<u>\$ 4,462,055</u>	<u>\$ 8,219,999</u>	<u>\$ 3,757,944</u>

**City of Ann Arbor**  
**Required Supplementary Information**  
**City of Ann Arbor Employees' Retirement System**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**June 30, 2017**

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

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

**City of Ann Arbor**  
**Required Supplementary Information**  
**City of Ann Arbor Employees' Retirement System**  
**Schedule of Employers' Net Pension Liability**  
**June 30, 2017**

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

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

**City of Ann Arbor**  
**Required Supplementary Information**  
**City of Ann Arbor Employees' Retirement System**  
**Schedule of Employer Contributions**  
**June 30, 2017**

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

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

**Notes to Schedule of Employer Contributions**

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

Other information        There were no benefit changes during the year.

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	24
Asset valuation method	5-year smoothed market
Inflation	3.5%
Salary increases	3.5% including inflation
Investment rate of return	7% net of pension plan investment expense, including inflation
Retirement age	50 to 60 dependent on years of service
Mortality	RP-2000 combined table

**City of Ann Arbor**  
**Required Supplementary Information**  
**City of Ann Arbor Employees' Retirement System**  
**Schedule of Investment Returns**  
**June 30, 2017**

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

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

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

**City of Ann Arbor**  
**Required Supplementary Information**  
**Other Post Employment Benefits**  
**Schedule of Changes in Net OPEB Liability and Related Ratios**  
**June 30, 2017**

Fiscal year ended June 30,	2017
<b>Total OPEB Liability</b>	
Service cost	\$ 3,071,000
Interest	17,058,000
Benefit payments	<u>(13,207,000)</u>
Net change in total OPEB liability	6,922,000
Total OPEB liability - beginning	<u>247,107,000</u>
Total OPEB liability - ending (a)	<u><u>\$ 254,029,000</u></u>
<b>Plan Fiduciary Net Position</b>	
Employer contributions	\$ 16,820,000
Net investment income (loss)	17,225,000
Benefit payments and refunds	(13,207,000)
Administrative expense	(130,000)
Other	<u>(153,000)</u>
Net change in plan fiduciary net position	20,555,000
Plan fiduciary net position - beginning	<u>136,784,000</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 157,339,000</u></u>
Net OPEB liability (a-b)	<u><u>\$ 96,690,000</u></u>
Plan fiduciary net position as a percentage of total OPEB liability	61.94%
Covered employee payroll	\$ 53,583,000
Net OPEB liability as a percentage of covered employee payroll	180.45%

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

**City of Ann Arbor**  
**Required Supplementary Information**  
**Other Post Employment Benefits**  
**Schedule of Employer Contributions**  
**June 30, 2017**

Actuarial Valuation Date	Annual Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
6/30/2017	\$ 11,168,000	\$ 16,819,824	\$ (5,651,824)	\$ 53,583,000	31.39%

Notes: Actuarially determined contribution amounts are calculated as of December 31 each year, which is 6 months prior to the beginning of the fiscal year in which contributions are reported.

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Entry age
Amortization method	Level percentage of projected pay (amortization of the unfunded AAL)
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.0%
Projected salary increase	3.5%
Healthcare cost trend rate	8.25% initial, 4.5% ultimate
Inflation rate	3.5%
Post-retirement benefits increases	None
Inflation rate	3.0%
Salary increases	3.5%, average, including inflation
Investment rate of return	7%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Medical Pre-65: 8.25% for 2017, decreasing .25% per year to an ultimate rate of 4.5%; Medical Post-65: 6.25% for 2017, decreasing .25% per year to an ultimate rate of 4.5% for 2031.

**City of Ann Arbor**  
**Required Supplementary Information**  
**Other Post Employment Benefits**  
**Schedule of Investment Returns**  
**June 30, 2017**

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

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

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

**City of Ann Arbor**  
**Required Supplementary Information**  
**Other Post Employment Benefits**  
**Schedule of Funding Progress and Schedule of Employer Contributions**  
**June 30, 2017**

Schedule of Funding Progress

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)
6/30/2017	\$ 157,924,000	\$ 278,866,000	\$ 120,942,000	56.6%	\$ 53,583,000	225.7%
6/30/2016	143,250,000	291,684,000	148,434,000	49.1%	47,957,000	309.5%
6/30/2015	132,162,000	275,912,000	143,750,000	47.9%	48,759,000	294.8%
6/30/2014	116,566,000	264,164,000	147,598,000	44.1%	47,957,000	307.8%
6/30/2013	99,822,000	258,853,000	159,031,000	38.6%	45,063,000	352.9%
6/30/2012	87,660,000	249,844,000	162,184,000	35.1%	44,004,000	368.6%
6/30/2011	82,416,000	241,122,000	158,706,000	34.2%	45,921,000	345.6%
6/30/2010	73,205,000	242,842,000	169,637,000	30.1%	48,688,000	348.4%
6/30/2009	70,770,000	232,180,000	161,410,000	30.5%	51,076,000	316.0%

Schedule of Employer Contributions

Year Ended	Annual Required Contributions	Current Premiums Paid by City	Pre-funding Contributions to VEBA Trust	Percentage Contributed
6/30/2017	\$ 11,168,000	\$ 13,206,887	\$ 3,460,057	149.2%
6/30/2016	11,179,000	12,095,622	3,075,389	135.7%
6/30/2015	11,974,000	10,758,954	4,220,778	125.1%
6/30/2014	12,203,000	10,650,463	4,537,637	124.5%
6/30/2013	12,379,000	9,207,043	5,790,086	121.1%
6/30/2012	14,859,285	8,889,686	2,163,202	74.4%
6/30/2011	14,395,148	9,181,437	4,839,659	97.4%
6/30/2010	14,284,470	9,349,438	927,417	71.9%

## NONMAJOR SPECIAL REVENUE FUNDS

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

Local Law Enforcement Block Grant – to account for federal grant monies received for fingerprinting equipment. This fund is closed as of June 30, 2017.

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

#### NONMAJOR SPECIAL REVENUE FUNDS (continued)

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

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

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

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

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

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

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

#### NONMAJOR DEBT SERVICE FUNDS

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

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

#### NONMAJOR CAPITAL PROJECTS FUNDS

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

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

#### NONMAJOR PERMANENT FUND

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

**City of Ann Arbor**  
**Other Supplementary Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2017**

	Special Revenue Funds							
	Energy Projects	Local Law Enforcement Block Grant	Community Television Network	Homeland Security Fund	Major Streets	Local Streets	Court Facilities	
<b>Assets</b>								
Cash and cash equivalents	\$ 56,205	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,700	\$ -
Equity in pooled cash and investments	225,220	-	3,596,404	67	13,659,493	5,014,733	3,700	10,847,593
Investments	-	-	-	-	-	-	-	-
Receivables								
Taxes, net	-	-	-	-	-	-	-	1,260
Accounts, net	-	-	559,555	-	27,445	-	-	-
Special assessments	397,063	-	-	-	-	-	-	-
Accrued interest and other	-	-	-	-	-	-	-	-
Loans	11,920	-	-	-	-	-	-	-
Due from other units of government	-	-	-	7,533	1,415,985	394,022	-	-
Total assets	<u>\$ 690,408</u>	<u>\$ -</u>	<u>\$ 4,155,959</u>	<u>\$ 7,600</u>	<u>\$ 15,102,923</u>	<u>\$ 5,408,755</u>	<u>\$ 10,400</u>	<u>\$ 10,848,853</u>
<b>Liabilities</b>								
Accounts payable	\$ -	\$ -	\$ 3,731	\$ -	\$ 242,390	\$ 60,315	\$ -	\$ 27,988
Accrued and other liabilities	-	-	15,809	-	37,606	6,989	-	535
Due to other funds	-	-	-	7,382	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>19,540</u>	<u>7,382</u>	<u>279,996</u>	<u>67,304</u>	<u>-</u>	<u>28,523</u>
<b>Deferred Inflows of Resources</b>								
Unavailable revenue	<u>324,899</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>								
Non-spendable	-	-	-	-	-	-	-	-
Restricted for								
Culture and recreation	-	-	-	-	-	-	-	10,820,330
Law enforcement	-	-	-	218	-	-	10,400	-
Road maintenance and repairs	-	-	-	-	14,822,927	5,341,451	-	-
Debt service	-	-	-	-	-	-	-	-
Other purposes	100,000	-	4,136,419	-	-	-	-	-
Committed for								
Culture and recreation	-	-	-	-	-	-	-	-
Other purposes	265,509	-	-	-	-	-	-	-
Assigned to capital projects	-	-	-	-	-	-	-	-
Total fund balances	<u>365,509</u>	<u>-</u>	<u>4,136,419</u>	<u>218</u>	<u>14,822,927</u>	<u>5,341,451</u>	<u>10,400</u>	<u>10,820,330</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 690,408</u>	<u>\$ -</u>	<u>\$ 4,155,959</u>	<u>\$ 7,600</u>	<u>\$ 15,102,923</u>	<u>\$ 5,408,755</u>	<u>\$ 10,400</u>	<u>\$ 10,848,853</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2017**

	Special Revenue Funds							
	Bandemer	Construction Code	Drug Enforcement	Federal Equitable Sharing Forfeiture	Parks Memorial & Contribution	Metro Expansion	Special Assistance	Open Space Endowment
<b>Assets</b>								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equity in pooled cash and investments	63,381	4,891,510	70,565	69,837	813,899	2,257,466	10,651	720,255
Investments	-	-	-	-	-	-	-	-
Receivables								
Taxes, net	-	-	-	-	-	-	-	-
Accounts, net	687	23,222	-	-	-	-	312	-
Special assessments	-	-	-	-	-	-	-	-
Accrued interest and other	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-
Due from other units of government	-	-	-	-	-	-	-	-
Total assets	<u>\$ 64,068</u>	<u>\$ 4,914,732</u>	<u>\$ 70,565</u>	<u>\$ 69,837</u>	<u>\$ 813,899</u>	<u>\$ 2,257,466</u>	<u>\$ 10,963</u>	<u>\$ 720,255</u>
<b>Liabilities</b>								
Accounts payable	\$ -	\$ 74,481	\$ -	\$ -	\$ 30	\$ 5,896	\$ -	\$ -
Accrued and other liabilities	-	32,881	-	-	-	1,782	-	-
Due to other funds	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>107,362</u>	<u>-</u>	<u>-</u>	<u>30</u>	<u>7,678</u>	<u>-</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>								
Unavailable revenue	-	182,967	-	-	-	-	-	-
<b>Fund Balances</b>								
Non-spendable	-	-	-	-	-	-	-	-
Restricted for								
Culture and recreation	-	-	-	-	813,869	-	-	720,255
Law enforcement	-	-	70,565	69,837	-	-	-	-
Road maintenance and repairs	-	-	-	-	-	2,249,788	-	-
Debt service	-	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-	-
Committed for								
Culture and recreation	64,068	-	-	-	-	-	-	-
Other purposes	-	4,624,403	-	-	-	-	10,963	-
Assigned to capital projects	-	-	-	-	-	-	-	-
Total fund balances	<u>64,068</u>	<u>4,624,403</u>	<u>70,565</u>	<u>69,837</u>	<u>813,869</u>	<u>2,249,788</u>	<u>10,963</u>	<u>720,255</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 64,068</u>	<u>\$ 4,914,732</u>	<u>\$ 70,565</u>	<u>\$ 69,837</u>	<u>\$ 813,899</u>	<u>\$ 2,257,466</u>	<u>\$ 10,963</u>	<u>\$ 720,255</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2017**

	Special Revenue Funds						
	Police and Fire Relief	Cemetery Perpetual Care	Art in Public Places	Alternative Transportation	Michigan Justice Training	Parks Maint. & Capital Imp. Millage	Major Grants
<b>Assets</b>							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equity in pooled cash and investments	695,571	100,186	160,802	443,619	16,583	3,905,957	775,524
Investments	61,696	-	-	-	-	-	-
Receivables							
Taxes, net	-	-	-	-	-	2,896	-
Accounts, net	-	-	-	-	-	-	799
Special assessments	-	-	-	19,544	-	-	-
Accrued interest and other	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-
Due from other units of government	-	-	-	-	-	-	602,765
Total assets	<u>\$ 757,267</u>	<u>\$ 100,186</u>	<u>\$ 160,802</u>	<u>\$ 463,163</u>	<u>\$ 16,583</u>	<u>\$ 3,908,853</u>	<u>\$ 1,379,088</u>
<b>Liabilities</b>							
Accounts payable	\$ -	\$ -	\$ -	\$ 11,762	\$ -	\$ 530,668	\$ 299,394
Accrued and other liabilities	-	-	-	1,996	-	39,019	4,573
Due to other funds	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,758</u>	<u>-</u>	<u>569,687</u>	<u>303,967</u>
<b>Deferred Inflows of Resources</b>							
Unavailable revenue	-	-	-	19,544	-	-	5,258
<b>Fund Balances</b>							
Non-spendable	-	-	-	-	-	-	-
Restricted for							
Culture and recreation	-	-	160,802	-	-	3,339,166	-
Law enforcement	757,267	-	-	-	16,583	-	-
Road maintenance and repairs	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	1,069,863
Committed for							
Culture and recreation	-	-	-	-	-	-	-
Other purposes	-	100,186	-	429,861	-	-	-
Assigned to capital projects	-	-	-	-	-	-	-
Total fund balances	<u>757,267</u>	<u>100,186</u>	<u>160,802</u>	<u>429,861</u>	<u>16,583</u>	<u>3,339,166</u>	<u>1,069,863</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 757,267</u>	<u>\$ 100,186</u>	<u>\$ 160,802</u>	<u>\$ 463,163</u>	<u>\$ 16,583</u>	<u>\$ 3,908,853</u>	<u>\$ 1,379,088</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2017**

	Debt Service Fund		Capital Projects Funds		Permanent Fund	Total Nonmajor Governmental Funds
	General Debt Service	Special Assessment Bonds	Maintenance Facility	General Capital Improvements	Elizabeth R. Dean Trust	
<b>Assets</b>						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 62,905
Equity in pooled cash and investments	418,791	605,525	1,808,126	5,397,961	137,396	56,710,815
Investments	-	-	-	-	1,988,514	2,050,210
Receivables						
Taxes, net	1	-	-	-	-	4,157
Accounts, net	-	-	-	802	-	612,822
Special assessments	-	999	-	-	-	417,606
Accrued interest and other	-	-	-	-	6,876	6,876
Loans	-	-	-	-	-	11,920
Due from other units of government	46,200	-	-	-	-	2,466,505
Total assets	<u>\$ 464,992</u>	<u>\$ 606,524</u>	<u>\$ 1,808,126</u>	<u>\$ 5,398,763</u>	<u>\$ 2,132,786</u>	<u>\$ 62,343,816</u>
<b>Liabilities</b>						
Accounts payable	\$ -	\$ -	\$ 128,177	\$ 746,501	\$ -	\$ 2,131,333
Accrued and other liabilities	-	-	406	4,803	-	146,399
Due to other funds	-	-	-	-	-	7,382
Total liabilities	<u>-</u>	<u>-</u>	<u>128,583</u>	<u>751,304</u>	<u>-</u>	<u>2,285,114</u>
<b>Deferred Inflows of Resources</b>						
Unavailable revenue	-	999	-	-	-	533,667
<b>Fund Balances</b>						
Non-spendable	-	-	-	-	1,984,000	1,984,000
Restricted for						
Culture and recreation	-	-	-	-	148,786	16,003,208
Law enforcement	-	-	-	-	-	924,870
Road maintenance and repairs	-	-	-	-	-	22,414,166
Debt service	464,992	605,525	-	-	-	1,070,517
Other purposes	-	-	-	-	-	5,306,282
Committed for						
Culture and recreation	-	-	-	-	-	64,068
Other purposes	-	-	-	-	-	5,430,922
Assigned to capital projects	-	-	1,679,543	4,647,459	-	6,327,002
Total fund balances	<u>464,992</u>	<u>605,525</u>	<u>1,679,543</u>	<u>4,647,459</u>	<u>2,132,786</u>	<u>59,525,035</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 464,992</u>	<u>\$ 606,524</u>	<u>\$ 1,808,126</u>	<u>\$ 5,398,763</u>	<u>\$ 2,132,786</u>	<u>\$ 62,343,816</u>

**City of Ann Arbor, Michigan**  
**Other Supplementary Information**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2017**

	Special Revenue Funds							
	Energy Projects	Local Law Enforcement Block Grant	Community Television Grant	Homeland Security Grant	Major Streets	Local Streets	Court Facilities	
<b>Revenues</b>								
Taxes	\$ 620	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,383,653
Licenses, permits and registration	-	-	2,232,412	-	-	-	-	-
Federal grants	-	-	-	51,159	9,139	-	-	-
State-shared revenues and grants	-	-	-	-	7,457,629	2,036,920	-	-
Local contributions and donations	-	-	-	-	-	-	-	6,000
Charges for services	57,995	-	-	-	774,126	185,529	-	-
Fines and forfeitures	-	-	-	-	-	-	99,015	-
Investment income (loss)	17,798	2	1,427	65	(1,792)	(269)	183	811
Other revenue	7,283	-	405	-	317,932	2,132	-	3,557
Sale of fixed assets	-	-	-	-	7,350	-	-	-
Total revenues	<u>83,696</u>	<u>2</u>	<u>2,234,244</u>	<u>51,224</u>	<u>8,564,384</u>	<u>2,224,312</u>	<u>99,198</u>	<u>2,394,021</u>
<b>Expenditures</b>								
Current								
General government	24,230	-	1,757,917	-	-	-	-	-
Public safety	-	-	-	51,156	-	-	-	-
Public works	-	-	-	-	6,020,525	1,623,497	-	-
Recreation and culture	-	-	-	-	-	-	-	606,390
Capital outlay	-	-	-	-	16,759	50,375	-	284,824
Debt service								
Principal retirement	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Payment to refunded bonds escrow agent	-	-	-	-	-	-	-	-
Total expenditures	<u>24,230</u>	<u>-</u>	<u>1,757,917</u>	<u>51,156</u>	<u>6,037,284</u>	<u>1,673,872</u>	<u>-</u>	<u>891,214</u>
Excess (deficiency) of revenues over expenditures	<u>59,466</u>	<u>2</u>	<u>476,327</u>	<u>68</u>	<u>2,527,100</u>	<u>550,440</u>	<u>99,198</u>	<u>1,502,807</u>
<b>Other financing sources (uses)</b>								
Transfers in	5,916	-	-	-	40,320	-	119,996	-
Transfers out	(70,358)	(245)	-	-	(1,111,030)	(204,253)	(225,000)	(1,163,263)
Issuance of refunding bonds	-	-	-	-	-	-	-	-
Premium on issuance of debt	-	-	-	-	-	-	-	-
Payment to refunded bonds escrow agent	-	-	-	-	-	-	-	-
Total other financing sources and uses	<u>(64,442)</u>	<u>(245)</u>	<u>-</u>	<u>-</u>	<u>(1,070,710)</u>	<u>(204,253)</u>	<u>(105,004)</u>	<u>(1,163,263)</u>
Net change in fund balance	<u>(4,976)</u>	<u>(243)</u>	<u>476,327</u>	<u>68</u>	<u>1,456,390</u>	<u>346,187</u>	<u>(5,806)</u>	<u>339,544</u>
Fund balance - beginning of year	<u>370,485</u>	<u>243</u>	<u>3,660,092</u>	<u>150</u>	<u>13,366,537</u>	<u>4,995,264</u>	<u>16,206</u>	<u>10,480,786</u>
Fund balance - end of year	<u>\$ 365,509</u>	<u>\$ -</u>	<u>\$ 4,136,419</u>	<u>\$ 218</u>	<u>\$ 14,822,927</u>	<u>\$ 5,341,451</u>	<u>\$ 10,400</u>	<u>\$ 10,820,330</u>

**City of Ann Arbor, Michigan**  
**Other Supplementary Information**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2017**

	Special Revenue Funds							
	Bandemer	Construction Code	Drug Enforcement	Federal Equitable Sharing Forfeiture	Parks Memorial & Contributions	Metro Expansion	Special Assistance	Open Space Endowment
<b>Revenues</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits and registration	-	3,902,759	-	-	-	-	-	-
Federal grants	-	-	-	-	-	-	-	-
State-shared revenues and grants	-	-	-	-	-	393,785	-	-
Local contributions and donations	-	-	-	-	23,495	-	5,566	-
Charges for services	360	-	-	-	-	-	-	-
Fines and forfeitures	-	-	31,302	45,842	-	-	-	-
Investment income (loss)	(62)	349	(134)	(89)	(1,048)	597	(6)	(788)
Other revenue	6,900	520	-	-	-	-	-	-
Sale of fixed assets	-	-	-	-	-	-	-	-
Total revenues	<u>7,198</u>	<u>3,903,628</u>	<u>31,168</u>	<u>45,753</u>	<u>22,447</u>	<u>394,382</u>	<u>5,560</u>	<u>(788)</u>
<b>Expenditures</b>								
Current								
General government	-	-	-	-	-	-	-	-
Public safety	-	3,113,897	84,073	39,317	-	-	-	-
Public works	-	-	-	-	-	163,786	-	-
Recreation and culture	770	-	-	-	66,449	-	-	5,742
Capital outlay	-	-	-	-	3,372	-	-	-
Debt service								
Principal retirement	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Payment to refunded bonds escrow agent	-	-	-	-	-	-	-	-
Total expenditures	<u>770</u>	<u>3,113,897</u>	<u>84,073</u>	<u>39,317</u>	<u>69,821</u>	<u>163,786</u>	<u>-</u>	<u>5,742</u>
Excess (deficiency) of revenues over expenditures	<u>6,428</u>	<u>789,731</u>	<u>(52,905)</u>	<u>6,436</u>	<u>(47,374)</u>	<u>230,596</u>	<u>5,560</u>	<u>(6,530)</u>
<b>Other financing sources (uses)</b>								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(104,231)	-	-	-
Issuance of refunding bonds	-	-	-	-	-	-	-	-
Premium on issuance of debt	-	-	-	-	-	-	-	-
Payment to refunded bonds escrow agent	-	-	-	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(104,231)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	6,428	789,731	(52,905)	6,436	(151,605)	230,596	5,560	(6,530)
Fund balance - beginning of year	57,640	3,834,672	123,470	63,401	965,474	2,019,192	5,403	726,785
Fund balance - end of year	<u>\$ 64,068</u>	<u>\$ 4,624,403</u>	<u>\$ 70,565</u>	<u>\$ 69,837</u>	<u>\$ 813,869</u>	<u>\$ 2,249,788</u>	<u>\$ 10,963</u>	<u>\$ 720,255</u>

**City of Ann Arbor, Michigan**  
**Other Supplementary Information**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2017**

	Special Revenue Funds						
	Police and Fire Relief	Cemetery Perpetual Care	Art in Public Places	Alternative Transportation	Michigan Justice Training	Parks Maint. & Capital Impro. Millage	Major Grants
<b>Revenues</b>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,487,383	\$ -
Licenses, permits and registration	-	-	-	-	-	-	-
Federal grants	-	-	-	-	-	-	1,079,066
State-shared revenues and grants	-	-	-	-	22,145	116,728	361,106
Local contributions and donations	-	-	-	3,828	-	550,000	1,522
Charges for services	-	2,500	-	17,012	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-
Investment income (loss)	(868)	1,014	(189)	738	99	201	4,613
Other revenue	-	-	-	-	-	22,654	46,560
Sale of fixed assets	-	-	-	-	-	23,250	-
Total revenues	<u>(868)</u>	<u>3,514</u>	<u>(189)</u>	<u>21,578</u>	<u>22,244</u>	<u>6,200,216</u>	<u>1,492,867</u>
<b>Expenditures</b>							
Current							
General government	-	-	-	19,752	-	-	462,940
Public safety	-	-	-	-	20,000	-	5,921
Public works	-	-	-	270,170	-	-	805,353
Recreation and culture	-	-	-	-	-	4,558,962	46,560
Capital outlay	-	-	10,738	-	-	1,581,553	290,566
Debt service							
Principal retirement	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Payment to refunded bonds escrow agent	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>10,738</u>	<u>289,922</u>	<u>20,000</u>	<u>6,140,515</u>	<u>1,611,340</u>
Excess (deficiency) of revenues over expenditures	<u>(868)</u>	<u>3,514</u>	<u>(10,927)</u>	<u>(268,344)</u>	<u>2,244</u>	<u>59,701</u>	<u>(118,473)</u>
<b>Other financing sources (uses)</b>							
Transfers in	-	-	-	457,176	-	92,791	414,427
Transfers out	-	-	-	(78,689)	-	(196,189)	-
Issuance of refunding bonds	-	-	-	-	-	-	-
Premium on issuance of debt	-	-	-	-	-	-	-
Payment to refunded bonds escrow agent	-	-	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>378,487</u>	<u>-</u>	<u>(103,398)</u>	<u>414,427</u>
Net change in fund balance	<u>(868)</u>	<u>3,514</u>	<u>(10,927)</u>	<u>110,143</u>	<u>2,244</u>	<u>(43,697)</u>	<u>295,954</u>
Fund balance - beginning of year	<u>758,135</u>	<u>96,672</u>	<u>171,729</u>	<u>319,718</u>	<u>14,339</u>	<u>3,382,863</u>	<u>773,909</u>
Fund balance - end of year	<u>\$ 757,267</u>	<u>\$ 100,186</u>	<u>\$ 160,802</u>	<u>\$ 429,861</u>	<u>\$ 16,583</u>	<u>\$ 3,339,166</u>	<u>\$ 1,069,863</u>

**City of Ann Arbor, Michigan**  
**Other Supplementary Information**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2017**

	Debt Service Funds		Capital Projects Funds		Permanent Fund	Total Nonmajor Governmental Funds
	General Debt Service	Special Assessment Bonds	Maintenance Facility	Municipal Center	General Capital Improvements	
<b>Revenues</b>						
Taxes	\$ 2,129	\$ -	\$ -	\$ -	\$ -	\$ 7,873,785
Licenses, permits and registration	-	-	-	-	-	6,135,171
Federal grants	-	-	-	-	-	1,139,364
State-shared revenues and grants	-	-	-	-	-	10,388,313
Local contributions and donations	-	-	-	-	-	590,411
Charges for services	4,286,224	4,749	-	-	-	5,328,495
Fines and forfeitures	-	-	-	-	-	176,159
Investment income (loss)	(1,437)	(361)	450	-	(5,839)	3,791
Other revenue	1,345	-	-	-	12,732	422,020
Sale of fixed assets	-	-	-	-	-	30,600
<b>Total revenues</b>	<b>4,288,261</b>	<b>4,388</b>	<b>450</b>	<b>-</b>	<b>6,893</b>	<b>32,088,109</b>
<b>Expenditures</b>						
<b>Current</b>						
General government	780	-	-	-	88,559	2,354,178
Public safety	-	-	-	-	-	3,314,364
Public works	-	-	-	-	239,482	9,122,813
Recreation and culture	-	-	-	-	-	45,081
Capital outlay	-	-	1,441,676	-	2,112,008	5,791,871
<b>Debt service</b>						
Principal retirement	4,778,000	15,000	-	-	-	4,793,000
Interest and fiscal charges	3,447,175	856	-	-	-	3,448,031
Payment to refunded bonds escrow agent	555,599	-	-	-	-	555,599
<b>Total expenditures</b>	<b>8,781,554</b>	<b>15,856</b>	<b>1,441,676</b>	<b>-</b>	<b>2,440,049</b>	<b>34,709,810</b>
Excess (deficiency) of revenues over expenditures	(4,493,293)	(11,468)	(1,441,226)	-	(2,433,156)	(2,621,701)
<b>Other financing sources (uses)</b>						
Transfers in	4,514,363	-	1,456,750	-	2,939,435	10,041,174
Transfers out	-	(26,325)	-	-	(27,729)	(3,207,312)
Issuance of refunding bonds	24,030,000	-	-	-	-	24,030,000
Premium on issuance of debt	479,365	-	-	-	-	479,365
Payment to refunded bonds escrow agent	(24,509,365)	-	-	-	-	(24,509,365)
<b>Total other financing sources and uses</b>	<b>4,514,363</b>	<b>(26,325)</b>	<b>1,456,750</b>	<b>-</b>	<b>2,911,706</b>	<b>6,833,862</b>
Net change in fund balance	21,070	(37,793)	15,524	-	478,550	4,212,161
Fund balance - beginning of year	443,922	643,318	1,664,019	-	4,168,909	55,312,874
Fund balance - end of year	\$ 464,992	\$ 605,525	\$ 1,679,543	\$ -	\$ 4,647,459	\$ 59,525,035

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Energy Projects**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ 620	\$ 620
Charges for services	72,912	72,912	57,995	(14,917)
Investment income	3,601	3,601	17,798	14,197
Other revenue	6,802	6,802	7,283	481
Transfers in	5,913	5,913	5,916	3
 Total revenues	 <u>89,228</u>	 <u>89,228</u>	 <u>89,612</u>	 <u>384</u>
<b>Expenditures</b>				
Current				
General government	185,269	185,269	24,230	(161,039)
Transfers out	70,358	70,358	70,358	-
 Total expenditures	 <u>255,627</u>	 <u>255,627</u>	 <u>94,588</u>	 <u>(161,039)</u>
 Excess (deficiency) of revenues over expenditures	 (166,399)	 (166,399)	 (4,976)	 161,423
 Fund balance - beginning of year	 <u>370,485</u>	 <u>370,485</u>	 <u>370,485</u>	 <u>-</u>
 Fund balance - end of year	 <u>\$ 204,086</u>	 <u>\$ 204,086</u>	 <u>\$ 365,509</u>	 <u>\$ 161,423</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Local Law Enforcement Block Grant**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Investment income	\$ -	\$ -	\$ 2	\$ 2
<b>Expenditures</b>				
Transfers out	-	300	245	(55)
Excess (deficiency) of revenues over expenditures	-	(300)	(243)	57
Fund balance - beginning of year	243	243	243	-
Fund balance - end of year	<u>\$ 243</u>	<u>\$ (57)</u>	<u>\$ -</u>	<u>\$ 57</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Community Television Network**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Licenses and permits	\$ 1,980,000	\$ 1,980,000	\$ 2,232,412	\$ 252,412
Investment income	53,207	53,207	1,427	(51,780)
Other revenue	1,000	1,000	405	(595)
Total revenues	<u>2,034,207</u>	<u>2,034,207</u>	<u>2,234,244</u>	<u>200,037</u>
<b>Expenditures</b>				
Current				
General government	1,773,372	1,773,372	1,757,917	(15,455)
Capital outlay	250,000	250,000	-	(250,000)
Total expenditures	<u>2,023,372</u>	<u>2,023,372</u>	<u>1,757,917</u>	<u>(265,455)</u>
Excess (deficiency) of revenues over expenditures	10,835	10,835	476,327	465,492
Fund balance - beginning of year	<u>3,660,092</u>	<u>3,660,092</u>	<u>3,660,092</u>	<u>-</u>
Fund balance - end of year	<u>\$ 3,670,927</u>	<u>\$ 3,670,927</u>	<u>\$ 4,136,419</u>	<u>\$ 465,492</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Homeland Security Grant**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Federal grants	\$ -	\$ 53,045	\$ 51,159	\$ (1,886)
Investment income	-	-	65	65
Total revenues	-	53,045	51,224	(1,821)
<b>Expenditures</b>				
Current				
Public safety	-	53,045	51,156	(1,889)
Excess (deficiency) of revenues over expenditures	-	-	68	68
Fund balance - beginning of year	150	150	150	-
Fund balance - end of year	<u>\$ 150</u>	<u>\$ 150</u>	<u>\$ 218</u>	<u>\$ 68</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Major Streets**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Federal grants	\$ -	\$ -	\$ 9,139	\$ 9,139
State-shared revenue	7,277,434	7,277,434	7,457,629	180,195
Local contributions	241,517	-	-	-
Charges for services	797,816	797,428	774,126	(23,302)
Interest income (loss)	117,618	117,618	(1,792)	(119,410)
Other revenue	250,000	250,000	317,932	67,932
Sale of fixed assets	-	-	7,350	7,350
Transfers in	40,317	38,612	40,320	1,708
<b>Total revenues</b>	<u>8,724,702</u>	<u>8,481,092</u>	<u>8,604,704</u>	<u>123,612</u>
<b>Expenditures</b>				
Current				
Public works	7,494,394	7,296,825	6,020,525	(1,276,300)
Capital outlay	105,250	127,779	16,759	(111,020)
Transfers out	1,125,058	1,125,058	1,111,030	(14,028)
<b>Total expenditures</b>	<u>8,724,702</u>	<u>8,549,662</u>	<u>7,148,314</u>	<u>(1,401,348)</u>
Excess (deficiency) of revenues over expenditures	-	(68,570)	1,456,390	1,524,960
Fund balance - beginning of year	<u>13,366,537</u>	<u>13,366,537</u>	<u>13,366,537</u>	<u>-</u>
Fund balance - end of year	<u>\$ 13,366,537</u>	<u>\$ 13,297,967</u>	<u>\$ 14,822,927</u>	<u>\$ 1,524,960</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Local Streets**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
State-shared revenues and grants	\$ 2,011,571	\$ 2,011,571	\$ 2,036,920	\$ 25,349
Charges for services	190,480	190,480	185,529	(4,951)
Interest income (loss)	40,910	40,910	(269)	(41,179)
Other revenue	1,000	1,000	2,132	1,132
	<u>2,243,961</u>	<u>2,243,961</u>	<u>2,224,312</u>	<u>(19,649)</u>
Total revenues				
<b>Expenditures</b>				
Current				
Public works	2,020,326	2,020,326	1,623,497	(396,829)
Capital outlay	16,450	136,995	50,375	(86,620)
Transfers out	207,185	207,185	204,253	(2,932)
	<u>2,243,961</u>	<u>2,364,506</u>	<u>1,878,125</u>	<u>(486,381)</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	-	(120,545)	346,187	466,732
Fund balance - beginning of year	<u>4,995,264</u>	<u>4,995,264</u>	<u>4,995,264</u>	<u>-</u>
Fund balance - end of year	<u>\$ 4,995,264</u>	<u>\$ 4,874,719</u>	<u>\$ 5,341,451</u>	<u>\$ 466,732</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Court Facilities**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Fines and forfeitures	\$ 125,000	\$ 125,000	\$ 99,015	\$ (25,985)
Investment income	-	-	183	183
Transfers in	100,000	120,000	119,996	(4)
Total revenues	<u>225,000</u>	<u>245,000</u>	<u>219,194</u>	<u>(25,806)</u>
<b>Expenditures</b>				
Transfers out	<u>225,000</u>	<u>225,000</u>	<u>225,000</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	20,000	(5,806)	(25,806)
Fund balance - beginning of year	<u>16,206</u>	<u>16,206</u>	<u>16,206</u>	<u>-</u>
Fund balance - end of year	<u>\$ 16,206</u>	<u>\$ 36,206</u>	<u>\$ 10,400</u>	<u>\$ (25,806)</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Open Space & Parkland Preservation**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 2,388,148	\$ 2,388,148	\$ 2,383,653	\$ (4,495)
Local contributions and donations	-	-	6,000	6,000
Investment income	111,493	111,493	811	(110,682)
Other revenue	-	-	3,557	3,557
	<u>2,499,641</u>	<u>2,499,641</u>	<u>2,394,021</u>	<u>(105,620)</u>
Total revenues				
<b>Expenditures</b>				
Current				
Recreation and culture	167,128	732,268	606,390	(125,878)
Capital outlay	-	285,000	284,824	(176)
Transfers out	<u>1,163,213</u>	<u>1,163,213</u>	<u>1,163,263</u>	<u>50</u>
	<u>1,330,341</u>	<u>2,180,481</u>	<u>2,054,477</u>	<u>(126,004)</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	1,169,300	319,160	339,544	20,384
Fund balance - beginning of year	<u>10,480,786</u>	<u>10,480,786</u>	<u>10,480,786</u>	<u>-</u>
Fund balance - end of year	<u>\$ 11,650,086</u>	<u>\$ 10,799,946</u>	<u>\$ 10,820,330</u>	<u>\$ 20,384</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Bandemer**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Charges for services	\$ -	\$ -	\$ 360	\$ 360
Investment income (loss)	1,343	1,343	(62)	(1,405)
Other revenue	<u>6,900</u>	<u>6,900</u>	<u>6,900</u>	<u>-</u>
Total revenues	<u>8,243</u>	<u>8,243</u>	<u>7,198</u>	<u>(1,045)</u>
<b>Expenditures</b>				
Current				
Recreation and culture	737	737	770	33
Capital outlay	<u>-</u>	<u>3,056</u>	<u>-</u>	<u>(3,056)</u>
Total expenditures	<u>737</u>	<u>3,793</u>	<u>770</u>	<u>(3,023)</u>
Excess (deficiency) of revenues over expenditures	7,506	4,450	6,428	1,978
Fund balance - beginning of year	<u>57,640</u>	<u>57,640</u>	<u>57,640</u>	<u>-</u>
Fund balance - end of year	<u>\$ 65,146</u>	<u>\$ 62,090</u>	<u>\$ 64,068</u>	<u>\$ 1,978</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Construction Code**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Licenses and permits	\$ 2,958,000	\$ 2,958,000	\$ 3,902,759	\$ 944,759
Investment income	43,097	43,097	349	(42,748)
Other revenue	-	-	520	520
	<u>3,001,097</u>	<u>3,001,097</u>	<u>3,903,628</u>	<u>902,531</u>
<b>Expenditures</b>				
Current				
Public safety	2,971,253	3,269,639	3,113,897	(155,742)
Capital outlay	12,500	12,500	-	(12,500)
	<u>2,983,753</u>	<u>3,282,139</u>	<u>3,113,897</u>	<u>(168,242)</u>
Excess (deficiency) of revenues over expenditures	17,344	(281,042)	789,731	1,070,773
Fund balance - beginning of year	<u>3,834,672</u>	<u>3,834,672</u>	<u>3,834,672</u>	<u>-</u>
Fund balance - end of year	<u>\$ 3,852,016</u>	<u>\$ 3,553,630</u>	<u>\$ 4,624,403</u>	<u>\$ 1,070,773</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Drug Enforcement**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Fines and forfeitures	\$ 450	\$ 30,981	\$ 31,302	\$ 321
Investment income (loss)	-	-	(134)	(134)
Total revenues	<u>450</u>	<u>30,981</u>	<u>31,168</u>	<u>187</u>
<b>Expenditures</b>				
Current				
Public safety	<u>18,762</u>	<u>100,126</u>	<u>84,073</u>	<u>(16,053)</u>
Excess (deficiency) of revenues over expenditures	(18,312)	(69,145)	(52,905)	16,240
Fund balance - beginning of year	<u>123,470</u>	<u>123,470</u>	<u>123,470</u>	<u>-</u>
Fund balance - end of year	<u>\$ 105,158</u>	<u>\$ 54,325</u>	<u>\$ 70,565</u>	<u>\$ 16,240</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Federal Equitable Sharing Forfeiture**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Fines and forfeitures	\$ 9,500	\$ 45,843	\$ 45,842	\$ (1)
Investment income (loss)	-	-	(89)	(89)
Total revenues	<u>9,500</u>	<u>45,843</u>	<u>45,753</u>	<u>(90)</u>
<b>Expenditures</b>				
Current				
Public safety	<u>18,791</u>	<u>55,134</u>	<u>39,317</u>	<u>(15,817)</u>
Excess (deficiency) of revenues over expenditures	(9,291)	(9,291)	6,436	15,727
Fund balance - beginning of year	<u>63,401</u>	<u>63,401</u>	<u>63,401</u>	<u>-</u>
Fund balance - end of year	<u>\$ 54,110</u>	<u>\$ 54,110</u>	<u>\$ 69,837</u>	<u>\$ 15,727</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Parks & Memorial Contributions**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Local contributions and donations	\$ 30,000	\$ 30,000	\$ 23,495	\$ (6,505)
Investment income (loss)	10,484	10,484	(1,048)	(11,532)
Total revenues	<u>40,484</u>	<u>40,484</u>	<u>22,447</u>	<u>(18,037)</u>
<b>Expenditures</b>				
Current				
Recreation and culture	15,000	19,484	66,449	46,965
Capital outlay	-	56,517	3,372	(53,145)
Transfers out	15,000	107,791	104,231	(3,560)
Total expenditures	<u>30,000</u>	<u>183,792</u>	<u>174,052</u>	<u>(9,740)</u>
Excess (deficiency) of revenues over expenditures	10,484	(143,308)	(151,605)	(8,297)
Fund balance - beginning of year	<u>965,474</u>	<u>965,474</u>	<u>965,474</u>	<u>-</u>
Fund balance - end of year	<u>\$ 975,958</u>	<u>\$ 822,166</u>	<u>\$ 813,869</u>	<u>\$ (8,297)</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Metro Expansion**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
State-shared revenue and grants	\$ 337,000	\$ 337,000	\$ 393,785	\$ 56,785
Investment income	17,534	17,534	597	(16,937)
Total revenues	<u>354,534</u>	<u>354,534</u>	<u>394,382</u>	<u>39,848</u>
<b>Expenditures</b>				
Current				
Public works	<u>347,093</u>	<u>347,093</u>	<u>163,786</u>	<u>(183,307)</u>
Excess (deficiency) of revenues over expenditures	7,441	7,441	230,596	223,155
Fund balance - beginning of year	<u>2,019,192</u>	<u>2,019,192</u>	<u>2,019,192</u>	<u>-</u>
Fund balance - end of year	<u>\$ 2,026,633</u>	<u>\$ 2,026,633</u>	<u>\$ 2,249,788</u>	<u>\$ 223,155</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Special Assistance**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
<b>Revenues</b>				
Local contributions	\$ 4,000	\$ 4,000	\$ 5,566	\$ 1,566
Investment income (loss)	-	-	(6)	(6)
Total revenues	<u>4,000</u>	<u>4,000</u>	<u>5,560</u>	<u>1,560</u>
<b>Expenditures</b>				
Current				
Community and economic development	<u>4,000</u>	<u>4,000</u>	<u>-</u>	<u>(4,000)</u>
Excess (deficiency) of revenues over expenditures	-	-	5,560	5,560
Fund balance - beginning of year	<u>5,403</u>	<u>5,403</u>	<u>5,403</u>	<u>-</u>
Fund balance - end of year	<u><u>\$ 5,403</u></u>	<u><u>\$ 5,403</u></u>	<u><u>\$ 10,963</u></u>	<u><u>\$ 5,560</u></u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Open Space Endowment**  
**For the Year Ended June 30, 2017**

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	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Interest income (loss)	\$ 4,500	\$ 4,500	\$ (788)	\$ (5,288)
<b>Expenditures</b>				
Current				
Recreation and culture	10,000	10,000	5,742	(4,258)
Excess (deficiency) of revenues over expenditures	(5,500)	(5,500)	(6,530)	(1,030)
Fund balance - beginning of year	726,785	726,785	726,785	-
Fund balance - end of year	<u>\$ 721,285</u>	<u>\$ 721,285</u>	<u>\$ 720,255</u>	<u>\$ (1,030)</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Police and Fire Relief**  
**For the Year Ended June 30, 2017**

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	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Investment income (loss)	\$ 3,000	\$ 3,000	\$ (868)	\$ (3,868)
Fund balance - beginning of year	<u>758,135</u>	<u>758,135</u>	<u>758,135</u>	<u>-</u>
Fund balance - end of year	<u>\$ 761,135</u>	<u>\$ 761,135</u>	<u>\$ 757,267</u>	<u>\$ (3,868)</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Cemetery Perpetual Care**  
**For the Year Ended June 30, 2017**

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	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Charges for services	\$ -	\$ -	\$ 2,500	\$ 2,500
Investment income	800	800	1,014	214
Total revenues	800	800	3,514	2,714
Fund balance - beginning of year	96,672	96,672	96,672	-
Fund balance - end of year	\$ 97,472	\$ 97,472	\$ 100,186	\$ 2,714

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Art in Public Places**  
**For the Year Ended June 30, 2017**

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	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Investment income (loss)	\$ -	\$ -	\$ (189)	\$ (189)
<b>Expenditures</b>				
Capital outlay	-	10,738	10,738	-
Excess (deficiency) of revenues over expenditures	-	(10,738)	(10,927)	(189)
Fund balance - beginning of year	171,729	171,729	171,729	-
Fund balance - end of year	<u>\$ 171,729</u>	<u>\$ 160,991</u>	<u>\$ 160,802</u>	<u>\$ (189)</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Alternative Transportation**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Charges for services	\$ -	\$ -	\$ 17,012	\$ 17,012
Investment income (loss)	2,738	2,738	738	(2,000)
Other revenue	-	-	3,828	3,828
Transfers in	457,176	457,176	457,176	-
 Total revenues	 459,914	 459,914	 478,754	 18,840
<b>Expenditures</b>				
Current				
General government	19,599	19,599	19,752	153
Public works	472,262	236,576	270,170	33,594
Capital outlay	-	36,948	-	(36,948)
Transfers out	-	78,689	78,689	-
 Total expenditures	 491,861	 371,812	 368,611	 (3,201)
 Excess (deficiency) of revenues over expenditures	 (31,947)	 88,102	 110,143	 22,041
 Fund balance - beginning of year	 319,718	 319,718	 319,718	 -
 Fund balance - end of year	 \$ 287,771	 \$ 407,820	 \$ 429,861	 \$ 22,041

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Michigan Justice Training**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
State-shared revenue	\$ 20,000	\$ 20,000	\$ 22,145	\$ 2,145
Investment income	-	-	99	99
Total revenues	<u>20,000</u>	<u>20,000</u>	<u>22,244</u>	<u>2,244</u>
<b>Expenditures</b>				
Current				
Public safety	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	-	2,244	2,244
Fund balance - beginning of year	<u>14,339</u>	<u>14,339</u>	<u>14,339</u>	<u>-</u>
Fund balance - end of year	<u><u>\$ 14,339</u></u>	<u><u>\$ 14,339</u></u>	<u><u>\$ 16,583</u></u>	<u><u>\$ 2,244</u></u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Parks Maintenance & Capital Improvement Millage**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
<b>Revenues</b>				
Taxes	\$ 5,508,694	\$ 5,508,694	\$ 5,487,383	\$ (21,311)
State shared revenue and grants	-	116,728	116,728	-
Local contributions	-	550,000	550,000	-
Investment income	55,099	55,099	201	(54,898)
Other revenue	1,100	1,100	22,654	21,554
Sale of fixed assets	-	-	23,250	23,250
Transfers in	-	92,791	92,791	-
 Total revenues	<u>5,564,893</u>	<u>6,324,412</u>	<u>6,293,007</u>	<u>(31,405)</u>
 <b>Expenditures</b>				
Current				
Recreation and culture	5,547,536	4,921,033	4,558,962	(362,071)
Capital outlay	-	1,646,670	1,581,553	(65,117)
Transfers out	-	189,909	196,189	6,280
 Total expenditures	<u>5,547,536</u>	<u>6,757,612</u>	<u>6,336,704</u>	<u>(420,908)</u>
 Excess (deficiency) of revenues over expenditures	17,357	(433,200)	(43,697)	389,503
 Fund balance - beginning of year	<u>3,382,863</u>	<u>3,382,863</u>	<u>3,382,863</u>	<u>-</u>
 Fund balance - end of year	<u>\$ 3,400,220</u>	<u>\$ 2,949,663</u>	<u>\$ 3,339,166</u>	<u>\$ 389,503</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Budgetary Comparison Schedule**  
**Major Grants**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
<b>Revenues</b>				
Federal grants	\$ -	\$ 1,102,354	\$ 1,079,066	\$ (23,288)
State-shared revenue and grants	-	492,096	361,106	(130,990)
Local contributions	-	-	1,522	1,522
Investment income	-	-	4,613	4,613
Other revenue	-	46,560	46,560	-
Transfers in	-	414,427	414,427	-
 Total revenues	 -	 2,055,437	 1,907,294	 (148,143)
<b>Expenditures</b>				
Current				
General government	-	604,354	462,940	(141,414)
Public safety	-	5,810	5,921	111
Public works	-	1,165,036	805,353	(359,683)
Recreation and culture	-	65,223	46,560	(18,663)
Capital outlay	-	-	290,566	290,566
 Total expenditures	 -	 1,840,423	 1,611,340	 (229,083)
 Excess (deficiency) of revenues over expenditures	 -	 215,014	 295,954	 80,940
 Fund balance - beginning of year	 773,909	 773,909	 773,909	 -
 Fund balance - end of year	 \$ 773,909	 \$ 988,923	 \$ 1,069,863	 \$ 80,940

## INTERNAL SERVICE FUNDS

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

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

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

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

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

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

**City of Ann Arbor**  
**Other Supplementary Information**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**June 30, 2017**

	Central Store	Fleet Services	Information Technology	Project Management	Insurance	Wheeler Center	Total
<b>Assets</b>							
Current assets							
Cash	\$ -	\$ -	\$ -	\$ 200	\$ 22,886	\$ -	\$ 23,086
Equity in pooled cash and investments	2,105,162	9,477,228	3,591,152	2,173,417	9,909,919	157,173	27,414,051
Accounts receivable, net	-	432	57,557	88,174	-	4,835	150,998
Inventories	461,486	460,016	-	-	-	-	921,502
Prepaid items	-	-	105,948	-	2,360,045	-	2,465,993
Total current assets	<u>2,566,648</u>	<u>9,937,676</u>	<u>3,754,657</u>	<u>2,261,791</u>	<u>12,292,850</u>	<u>162,008</u>	<u>30,975,630</u>
Noncurrent assets							
Capital assets, net of accumulated depreciation	-	90,005	-	-	-	-	90,005
Capital assets not being depreciated	13,709	9,054,206	645,712	23,943	-	-	9,737,570
Total noncurrent assets	<u>13,709</u>	<u>9,144,211</u>	<u>645,712</u>	<u>23,943</u>	<u>-</u>	<u>-</u>	<u>9,827,575</u>
Total assets	<u>2,580,357</u>	<u>19,081,887</u>	<u>4,400,369</u>	<u>2,285,734</u>	<u>12,292,850</u>	<u>162,008</u>	<u>40,803,205</u>
<b>Liabilities</b>							
Current liabilities							
Accounts payable	16,793	117,400	686,376	40,319	872,021	6,883	1,739,792
Accrued and other liabilities	-	-	1,479	-	-	-	1,479
Due to other units of government	25,600	-	-	-	-	-	25,600
Estimated claims payable, current	-	-	-	-	1,988,162	-	1,988,162
Total current liabilities	<u>42,393</u>	<u>117,400</u>	<u>687,855</u>	<u>40,319</u>	<u>2,860,183</u>	<u>6,883</u>	<u>3,755,033</u>
Noncurrent liabilities							
Estimated claims payable, net	-	-	-	-	1,575,410	-	1,575,410
Total liabilities	<u>42,393</u>	<u>117,400</u>	<u>687,855</u>	<u>40,319</u>	<u>4,435,593</u>	<u>6,883</u>	<u>5,330,443</u>
<b>Net Position</b>							
Net investment in capital assets	13,709	9,144,211	645,712	23,943	-	-	9,827,575
Unrestricted	2,524,255	9,820,276	3,066,802	2,221,472	7,857,257	155,125	25,645,187
Total net position	<u>\$ 2,537,964</u>	<u>\$ 18,964,487</u>	<u>\$ 3,712,514</u>	<u>\$ 2,245,415</u>	<u>\$ 7,857,257</u>	<u>\$ 155,125</u>	<u>\$ 35,472,762</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Combining Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Internal Service Funds**  
**For the Year Ended June 30, 2017**

	Central Stores	Fleet Services	Information Technology	Project Management	Insurance	Wheeler Center	Total
<b>Operating revenue</b>							
Charges for services	\$ 1,231,663	\$ 7,746,793	\$ 6,849,241	\$ 3,297,928	\$ 29,297,844	\$ 466,743	\$ 48,890,212
<b>Operating expenses</b>							
Personnel services	282,476	1,496,833	3,623,237	2,245,613	895,432	42,741	8,586,332
Municipal service charge	37,548	173,328	699,996	104,424	391,296	19,020	1,425,612
Information technology charges	30,064	73,304	259,212	330,422	23,533	704	717,239
Other expenses	747,905	2,032,267	3,019,957	315,654	28,739,790	374,776	35,230,349
Depreciation	6,335	2,448,895	150,830	17,661	-	-	2,623,721
Total operating expenses	1,104,328	6,224,627	7,753,232	3,013,774	30,050,051	437,241	48,583,253
Operating income (loss)	127,335	1,522,166	(903,991)	284,154	(752,207)	29,502	306,959
<b>Nonoperating revenue (expenses)</b>							
Investment income (loss)	287	(1,187)	241	820	6,649	(387)	6,423
Gain on sale of assets	-	459,127	-	-	-	-	459,127
Total nonoperating revenues (expenses)	287	457,940	241	820	6,649	(387)	465,550
Income (loss) before contributions and transfers out	127,622	1,980,106	(903,750)	284,974	(745,558)	29,115	772,509
Capital contributions	-	955,882	-	-	-	-	955,882
Transfers out	(48,168)	(677,039)	(627,677)	(42,192)	-	(306,000)	(1,701,076)
Change in net position	79,454	2,258,949	(1,531,427)	242,782	(745,558)	(276,885)	27,315
Net position - beginning of year	2,458,510	16,705,538	5,243,941	2,002,633	8,602,815	432,010	35,445,447
Net position - end of year	\$ 2,537,964	\$ 18,964,487	\$ 3,712,514	\$ 2,245,415	\$ 7,857,257	\$ 155,125	\$ 35,472,762

**City of Ann Arbor**  
**Other Supplementary Information**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2017**

	Central Stores	Fleet Services	Information Technology	Project Management	Insurance	Wheeler Center	Total
<b>Cash flows from operating activities</b>							
Payments to suppliers	\$ (718,207)	\$ (2,849,766)	\$ (3,403,500)	\$ (833,046)	\$ (28,415,024)	\$ (414,650)	\$ (36,634,193)
Payments to employees	(282,476)	(1,496,833)	(3,623,237)	(2,245,613)	(895,432)	(42,741)	(8,586,332)
Payments received for interfund services	1,231,806	7,763,034	6,791,684	3,214,063	29,297,844	463,241	48,761,672
Net cash provided (used) by operating activities	<u>231,123</u>	<u>3,416,435</u>	<u>(235,053)</u>	<u>135,404</u>	<u>(12,612)</u>	<u>5,850</u>	<u>3,541,147</u>
<b>Cash flows from noncapital financing activities</b>							
Transfers to other funds	<u>(48,168)</u>	<u>(677,039)</u>	<u>(627,677)</u>	<u>(42,192)</u>	<u>-</u>	<u>(306,000)</u>	<u>(1,701,076)</u>
<b>Cash flows from capital and related financing activities</b>							
Contributions received to be used for capital purchases	-	955,882	-	-	-	-	955,882
Purchases/construction of capital assets	-	(4,488,748)	(326,385)	-	-	-	(4,815,133)
Proceeds from sale of capital assets	-	473,001	-	-	-	-	473,001
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(3,059,865)</u>	<u>(326,385)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,386,250)</u>
<b>Cash flows from investing activities</b>							
Interest received (paid)	<u>287</u>	<u>(1,187)</u>	<u>241</u>	<u>820</u>	<u>6,649</u>	<u>(387)</u>	<u>6,423</u>
Net change in cash and cash equivalents	183,242	(321,656)	(1,188,874)	94,032	(5,963)	(300,537)	(1,539,756)
Cash and cash equivalents - beginning of year	1,921,920	9,798,884	4,780,026	2,079,585	9,938,768	457,710	28,976,893
Cash and cash equivalents - end of year	<u>\$ 2,105,162</u>	<u>\$ 9,477,228</u>	<u>\$ 3,591,152</u>	<u>\$ 2,173,617</u>	<u>\$ 9,932,805</u>	<u>\$ 157,173</u>	<u>\$ 27,437,137</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>							
Operating income (loss)	\$ 127,335	\$ 1,522,166	\$ (903,991)	\$ 284,154	\$ (752,207)	\$ 29,502	\$ 306,959
Adjustments to reconcile operating income to net cash from operating activities							
Depreciation and amortization expense	6,335	2,448,895	150,830	17,661	-	-	2,623,721
Changes in assets and liabilities							
Receivables (net)	143	16,241	(57,557)	(83,865)	-	(3,502)	(128,540)
Inventories	87,818	(63,477)	-	-	-	-	24,341
Prepaid items	-	-	65,770	-	79,944	-	145,714
Accounts payable	(16,108)	(507,390)	509,978	(82,546)	(51,371)	(20,150)	(167,587)
Accrued and other liabilities	-	-	(83)	-	-	-	(83)
Due to other units of government	25,600	-	-	-	-	-	25,600
Estimated claims payable	-	-	-	-	711,022	-	711,022
Net cash provided (used) by operating activities	<u>\$ 231,123</u>	<u>\$ 3,416,435</u>	<u>\$ (235,053)</u>	<u>\$ 135,404</u>	<u>\$ (12,612)</u>	<u>\$ 5,850</u>	<u>\$ 3,541,147</u>

#### FIDUCIARY FUNDS

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

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

**City of Ann Arbor**  
**Other Supplementary Information**  
**Combining Statement of Fiduciary Net Position**  
**Pension and Other Employee Benefits Trust Funds**  
**June 30, 2017**

	Employee Retirement System	Retiree Health Care Trust Fund	Total
<b>Assets</b>			
Equity in pooled cash and investments	\$ 4,187,040	\$ 2,172,821	\$ 6,359,861
Investments, at fair value:			
Equities	259,351,359	87,103,067	346,454,426
Fixed income	157,572,414	48,070,527	205,642,941
Other	56,990,478	20,022,675	77,013,153
Receivables			
Accrued interest and other	519,338	252,980	772,318
Due from brokers for securities sold	16,070,078	-	16,070,078
Capital assets, net	362,391	-	362,391
Other assets	19,766	-	19,766
	<u>495,072,864</u>	<u>157,622,070</u>	<u>652,694,934</u>
<b>Deferred Outflows of Resources</b>			
Deferred pension amounts	356,121	-	356,121
	<u>495,428,985</u>	<u>157,622,070</u>	<u>653,051,055</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	3,086,879	102,124	3,189,003
Due to broker for securities purchased	246,849	180,840	427,689
Mortgage payable, due in one year	28,601	-	28,601
Mortgage payable, due in more than one year	163,503	-	163,503
Net pension liability	488,020	-	488,020
	<u>4,013,852</u>	<u>282,964</u>	<u>4,296,816</u>
<b>Deferred Inflows of Resources</b>			
Deferred pension amounts	141,475	-	141,475
	<u>4,155,327</u>	<u>282,964</u>	<u>4,438,291</u>
<b>Net Position</b>			
Restricted for pensions	\$ 491,273,658	\$ 157,339,106	\$ 648,612,764

**City of Ann Arbor**  
**Other Supplementary Information**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Pension and Other Employee Benefits Trust Funds**  
**For the Year Ended June 30, 2017**

	Employee Retirement System	Retiree Health Care Trust Fund	Total
<b>Additions</b>			
Investment income:			
From investing activities:			
Appreciation (depreciation) in fair value of investments	\$ 51,407,585	\$ 14,504,896	\$ 65,912,481
Interest and dividends	3,627,696	2,816,875	6,444,571
Total investment income	55,035,281	17,321,771	72,357,052
Investment management fees	(802,859)	(260,886)	(1,063,745)
Net investment income from investing activities	54,232,422	17,060,885	71,293,307
From securities lending activities:			
Gross earnings	22,953	20,360	43,313
Borrower rebates received (paid)	(7,952)	(4,431)	(12,383)
Securities lending fees	(4,482)	(4,745)	(9,227)
Net investment income from securities and lending activities	10,519	11,184	21,703
Total net investment income	54,242,941	17,072,069	71,315,010
Contributions:			
Employer	13,273,156	16,819,824	30,092,980
Plan member	3,325,000	-	3,325,000
Total contributions:	16,598,156	16,819,824	33,417,980
Total additions	70,841,097	33,891,893	104,732,990
<b>Deductions</b>			
Benefits	34,408,549	13,206,887	47,615,436
Refunds of contributions	1,027,656	-	1,027,656
Administrative expenses	751,555	129,561	881,116
Total deductions	36,187,760	13,336,448	49,524,208
Change in net position	34,653,337	20,555,445	55,208,782
Net position - beginning of year	456,620,321	136,783,661	593,403,982
Net position - end of year	\$ 491,273,658	\$ 157,339,106	\$ 648,612,764

**City of Ann Arbor**  
**Other Supplementary Information**  
**Combining Statement of Assets and Liabilities**  
**Agency Funds**  
**June 30, 2017**

	Treasurer's Delinquent Tax	Treasurer's Current Tax	15th District Court	Payroll	Total
<b>Assets</b>					
Cash	\$ -	\$ 27,005	\$ 107,917	\$ -	\$ 134,922
Equity in pooled cash and investments	<u>37,343</u>	<u>97,604</u>	<u>-</u>	<u>12,525</u>	<u>147,472</u>
Total assets	<u>\$ 37,343</u>	<u>\$ 124,609</u>	<u>\$ 107,917</u>	<u>\$ 12,525</u>	<u>\$ 282,394</u>
<b>Liabilities</b>					
Due to others	\$ -	\$ 124,609	\$ -	\$ 12,525	\$ 137,134
Due to other units of government	37,343	-	65,976	-	103,319
Deposits	<u>-</u>	<u>-</u>	<u>41,941</u>	<u>-</u>	<u>41,941</u>
Total liabilities	<u>\$ 37,343</u>	<u>\$ 124,609</u>	<u>\$ 107,917</u>	<u>\$ 12,525</u>	<u>\$ 282,394</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2017**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<b>Treasurer's Delinquent Tax Fund</b>				
Assets				
Equity in pooled cash and investments	\$ 157,793	\$ 326,826	\$ 447,276	\$ 37,343
Due from other governments	-	747	747	-
Total Assets	<u>\$ 157,793</u>	<u>\$ 327,573</u>	<u>\$ 448,023</u>	<u>\$ 37,343</u>
Liabilities				
Due to others	\$ -	\$ 786,198	\$ 786,198	\$ -
Due to other governments	157,793	226,750	347,200	37,343
Total Liabilities	<u>\$ 157,793</u>	<u>\$ 1,012,948</u>	<u>\$ 1,133,398</u>	<u>\$ 37,343</u>
<b>Treasurer's Current Tax Fund</b>				
Assets				
Cash	\$ 27,831	\$ 301,928,024	\$ 301,928,850	\$ 27,005
Equity in pooled cash and investments	123,305	12,131,403	12,157,104	97,604
Total Assets	<u>\$ 151,136</u>	<u>\$ 314,059,427</u>	<u>\$ 314,085,954</u>	<u>\$ 124,609</u>
Liabilities				
Due to others	<u>\$ 151,136</u>	<u>\$ 289,869,894</u>	<u>\$ 289,896,421</u>	<u>\$ 124,609</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2017**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<b>15th District Court Fund</b>				
Assets				
Cash	\$ 63,383	\$ 207,837	\$ 163,303	\$ 107,917
Liabilities				
Due to other governments	\$ -	\$ 65,976	\$ -	\$ 65,976
Deposits	63,383	-	21,442	41,941
Total Liabilities	<u>\$ 63,383</u>	<u>\$ 65,976</u>	<u>\$ 21,442</u>	<u>\$ 107,917</u>
<b>Payroll Fund</b>				
Assets				
Cash	\$ -	\$ 20	\$ 20	\$ -
Equity in pooled cash and investments	19,913	75,516,651	75,524,039	12,525
Total Assets	<u>\$ 19,913</u>	<u>\$ 75,516,671</u>	<u>\$ 75,524,059</u>	<u>\$ 12,525</u>
Liabilities				
Due to others	<u>\$ 19,913</u>	<u>\$ 134,493,713</u>	<u>\$ 134,501,101</u>	<u>\$ 12,525</u>
<b>Total - All Agency Funds</b>				
Assets				
Cash	\$ 91,214	\$ 302,135,881	\$ 302,092,173	\$ 134,922
Equity in pooled cash and investments	301,011	87,974,880	88,128,419	147,472
Due from other governments	-	747	747	-
Total Assets	<u>\$ 392,225</u>	<u>\$ 390,111,508</u>	<u>\$ 390,221,339</u>	<u>\$ 282,394</u>
Liabilities				
Due to others	\$ 171,049	\$ 425,149,805	\$ 425,183,720	\$ 137,134
Due to other governments	157,793	292,726	347,200	103,319
Deposits	63,383	-	21,442	41,941
Total Liabilities	<u>\$ 392,225</u>	<u>\$ 425,442,531</u>	<u>\$ 425,552,362</u>	<u>\$ 282,394</u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Balance Sheet**  
**Component Unit - SmartZone Local Development Finance Authority**  
**June 30, 2017**

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	<u>SmartZone Local Development Finance Authority</u>
<b>Assets</b>	
Equity in pooled cash and investments	\$ 2,505,306
Loans receivable	<u>608,134</u>
Total assets	<u><u>\$ 3,113,440</u></u>
<b>Liabilities</b>	
Accounts payable	\$ 309,028
Unearned revenue	<u>608,134</u>
Total liabilities	917,162
<b>Fund Balance</b>	
Committed for community and economic development	<u>2,196,278</u>
Total liabilities and fund balance	<u><u>\$ 3,113,440</u></u>

**City of Ann Arbor**  
**Other Supplementary Information**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Component Unit - SmartZone Local Development Finance Authority**  
**For the Year Ended June 30, 2017**

	<u>SmartZone Local Development Finance Authority</u>
<b>Revenues</b>	
Taxes	\$ 3,169,097
Investment income	80
Other revenue	<u>162,455</u>
Total revenues	<u>3,331,632</u>
<b>Expenditures</b>	
Current	
Community and economic development	<u>2,605,128</u>
Excess (deficiency) of revenues over expenditures	726,504
Fund balance - beginning of year	<u>1,469,774</u>
Fund balance - end of year	<u><u>\$ 2,196,278</u></u>

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Governmental activities</b>										
Net investment in capital assets	\$ 626,041,914	\$ 612,949,811	\$ 579,020,698	\$ 672,899,397	\$ 684,183,914	\$ 698,805,464	\$ 701,333,045	\$ 697,791,106	\$ 696,101,749	\$ 700,165,724
Restricted	75,698,698	101,462,605	118,723,718	66,772,308	66,605,173	59,433,488	56,297,832	56,287,227	57,396,259	55,228,918
Unrestricted	30,524,342	10,198,885	43,955,179	15,649,176	23,913,683	32,017,583	41,320,644	1,632,309	526,827	(430,810)
<b>Total governmental activities net position</b>	<b>\$ 732,264,954</b>	<b>\$ 724,611,301</b>	<b>\$ 741,699,595</b>	<b>\$ 755,320,881</b>	<b>\$ 774,702,770</b>	<b>\$ 790,256,535</b>	<b>\$ 798,951,521</b>	<b>\$ 755,710,642</b>	<b>\$ 754,024,835</b>	<b>\$ 754,963,832</b>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 77,083,900	\$ 122,234,225	\$ 145,084,736	\$ 164,731,782	\$ 183,625,625	\$ 189,069,070	\$ 190,241,413	\$ 193,410,202	\$ 198,917,535	\$ 210,361,709
Restricted	18,837,147	18,391,715	17,245,077	17,374,027	21,926,274	28,947,807	30,332,684	32,368,111	33,715,282	32,956,794
Unrestricted	101,517,578	69,899,328	59,771,622	56,356,293	49,549,547	49,841,922	61,803,420	61,336,547	66,341,759	70,350,912
<b>Total business-type activities net position</b>	<b>\$ 197,438,625</b>	<b>\$ 210,525,268</b>	<b>\$ 222,101,435</b>	<b>\$ 238,462,102</b>	<b>\$ 255,101,446</b>	<b>\$ 267,858,799</b>	<b>\$ 282,377,517</b>	<b>\$ 287,114,860</b>	<b>\$ 298,974,576</b>	<b>\$ 313,669,415</b>
<b>Primary government</b>										
Net investment in capital assets	\$ 703,125,814	\$ 735,184,036	\$ 724,105,434	\$ 837,631,179	\$ 867,809,539	\$ 887,874,534	\$ 891,574,458	\$ 891,201,308	\$ 895,019,284	\$ 910,527,433
Restricted	94,535,845	119,854,320	135,968,795	84,146,335	88,531,447	88,381,295	86,630,516	88,655,338	91,111,541	88,185,712
Unrestricted	132,041,920	80,098,213	103,726,801	72,005,469	73,463,230	81,859,505	103,124,064	62,968,856	66,868,586	69,920,102
<b>Total primary government net position</b>	<b>\$ 929,703,579</b>	<b>\$ 935,136,569</b>	<b>\$ 963,801,030</b>	<b>\$ 993,782,983</b>	<b>\$ 1,029,804,216</b>	<b>\$ 1,058,115,334</b>	<b>\$ 1,081,329,038</b>	<b>\$ 1,042,825,502</b>	<b>\$ 1,052,999,411</b>	<b>\$ 1,068,633,247</b>

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

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
<b>Governmental activities:</b>										
General government	\$ 14,290,184	\$ 24,108,111	\$ 17,333,282	\$ 14,794,159	\$ 15,236,105	\$ 14,780,995	\$ 15,580,843	\$ 16,550,948	\$ 15,951,143	\$ 17,463,340
Public safety	48,004,360	56,723,757	43,010,456	42,049,504	40,649,428	39,396,533	40,307,361	43,882,972	45,158,518	46,375,914
Public works	22,948,985	21,084,898	17,933,743	20,468,502	19,889,391	24,374,228	37,787,092	33,619,237	38,305,144	40,196,459
Community and economic development	5,611,549	5,869,426	3,996,830	3,781,557	2,931,838	1,820,460	2,031,872	2,749,048	2,925,711	2,098,986
Culture and recreation	8,616,049	9,530,857	7,945,806	9,935,578	10,071,912	10,573,584	9,629,072	13,374,937	12,865,261	14,074,974
Other - Public Transportation	9,574,677	9,592,129	9,682,798	9,362,712	8,913,232	9,233,757	9,494,422	9,735,605	10,038,406	10,269,099
Debt service	2,544,827	3,229,523	3,297,914	5,260,736	5,134,805	4,953,237	5,037,626	4,691,976	4,837,529	3,340,791
Unallocated depreciation	64,861	39,175	141,823	44,331	-	-	-	-	-	-
<b>Total governmental activities expenses</b>	<b>111,655,492</b>	<b>130,177,876</b>	<b>103,342,652</b>	<b>105,697,079</b>	<b>102,826,711</b>	<b>105,132,794</b>	<b>119,868,288</b>	<b>124,604,723</b>	<b>130,081,712</b>	<b>133,819,563</b>
<b>Business-type activities:</b>										
Water	17,876,975	18,971,550	16,861,582	17,338,241	16,976,630	17,939,124	17,332,602	18,494,776	19,188,325	19,288,471
Sewer	13,585,023	15,190,288	14,242,272	14,443,929	14,569,815	15,024,567	15,201,859	16,842,294	17,880,966	18,621,741
Parking	2,963,565	3,048,960	2,879,139	2,678,011	2,708,673	2,537,775	2,434,730	2,144,727	2,048,444	1,871,468
Market	136,004	145,024	155,993	156,059	168,977	234,078	229,133	-	-	-
Golf courses	1,374,434	1,510,711	1,646,340	1,649,866	1,554,083	1,443,008	-	-	-	-
Airport	728,168	846,383	670,736	744,629	568,629	670,743	676,228	746,680	670,167	791,342
Stormwater	3,038,548	2,789,058	3,031,318	3,945,211	4,336,523	4,983,006	4,269,354	5,986,171	5,616,057	5,802,413
Solid Waste	10,881,003	12,131,440	11,770,761	13,724,530	11,563,289	14,336,494	12,848,175	12,986,803	18,301,294	15,624,601
<b>Total business-type activities expenses</b>	<b>50,583,720</b>	<b>54,633,414</b>	<b>51,258,141</b>	<b>54,680,476</b>	<b>52,446,619</b>	<b>57,168,795</b>	<b>52,992,081</b>	<b>57,201,451</b>	<b>63,705,253</b>	<b>62,000,036</b>
<b>Total primary government expenses</b>	<b>\$ 162,239,212</b>	<b>\$ 184,811,290</b>	<b>\$ 154,600,793</b>	<b>\$ 160,377,555</b>	<b>\$ 155,273,330</b>	<b>\$ 162,301,589</b>	<b>\$ 172,860,369</b>	<b>\$ 181,806,174</b>	<b>\$ 193,786,965</b>	<b>\$ 195,819,599</b>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
<b>Charges for services:</b>										
General government	\$ 5,365,601	\$ 5,747,883	\$ 8,527,479	\$ 11,729,555	\$ 7,371,102	\$ 8,557,284	\$ 8,751,710	\$ 9,296,146	\$ 8,691,577	\$ 8,200,188
Public safety	13,042,927	11,128,662	7,272,976	8,732,273	9,559,178	8,110,028	7,729,919	8,847,862	9,026,629	9,807,563
Public works	2,104,180	1,552,806	3,158,923	2,253,632	3,303,537	2,620,789	2,162,744	2,662,357	4,262,035	3,611,282
Community and economic development	-	-	-	-	35,269	-	293,533	657	-	-
Culture and Recreation	2,561,561	2,615,433	2,372,364	2,623,518	2,383,032	2,502,342	3,888,226	4,097,635	5,121,351	4,548,675
Other - Public Transportation	91,589	98,464	97,513	93,612	92,518	-	-	-	-	-
Interest on long-term debt	-	-	-	-	3,038,523	3,733,571	4,241,683	4,287,804	4,283,146	4,291,510
Operating grants and contributions	10,635,661	10,174,646	9,998,747	9,635,060	13,210,386	13,682,013	12,368,689	11,030,886	12,273,077	13,756,071
Capital grants and contributions	336,643	681,800	1,239,229	3,621,001	346,046	493,900	974,291	865,776	638,182	1,025,460
<b>Total governmental activities program revenues</b>	<b>34,138,162</b>	<b>31,999,694</b>	<b>32,667,231</b>	<b>38,688,651</b>	<b>39,339,591</b>	<b>39,699,927</b>	<b>40,410,796</b>	<b>41,089,123</b>	<b>44,295,997</b>	<b>45,240,749</b>
<b>Business-type activities:</b>										
<b>Charges for services:</b>										
Water	20,274,057	18,420,957	19,905,769	21,160,437	22,017,955	23,746,197	22,725,290	22,697,619	24,053,722	26,602,226
Sewer	19,493,468	19,074,478	19,292,506	21,741,717	21,103,955	21,456,653	22,639,231	22,137,470	23,926,479	27,363,541
Parking	2,531,021	3,423,624	2,941,159	2,923,214	2,877,149	2,884,220	2,860,469	2,820,269	2,732,541	2,657,169
Market	122,644	115,902	144,591	148,687	253,850	148,942	198,989	-	-	-
Golf courses	865,113	1,031,632	1,164,840	1,171,776	1,304,135	1,146,989	-	-	-	-
Airport	793,125	741,339	782,039	847,728	834,238	855,286	869,591	888,809	924,141	923,228
Stormwater	4,910,929	5,316,391	5,954,788	7,512,538	5,712,581	5,956,093	6,446,776	6,343,928	6,915,369	7,404,199
Solid Waste	1,543,903	1,049,923	1,517,653	3,136,831	3,450,410	2,942,230	3,329,167	2,875,575	2,965,288	4,164,508
Capital grants and contributions	418,430	2,736,217	2,204,638	951,818	1,256,394	4,925,869	1,963,610	4,645,758	600,945	359,981
<b>Total business-type activities program revenues</b>	<b>50,952,690</b>	<b>51,910,463</b>	<b>53,907,983</b>	<b>59,594,746</b>	<b>58,810,667</b>	<b>64,062,479</b>	<b>61,033,123</b>	<b>62,409,428</b>	<b>62,118,485</b>	<b>69,474,852</b>
<b>Total primary government program revenues</b>	<b>\$ 85,090,852</b>	<b>\$ 83,910,157</b>	<b>\$ 86,575,214</b>	<b>\$ 98,283,397</b>	<b>\$ 98,150,258</b>	<b>\$ 103,762,406</b>	<b>\$ 101,443,919</b>	<b>\$ 103,498,551</b>	<b>\$ 106,414,482</b>	<b>\$ 114,715,601</b>
<b>Net (Expense) Revenue</b>										
Governmental activities	\$ (77,517,330)	\$ (98,178,182)	\$ (70,675,421)	\$ (67,008,428)	\$ (63,487,120)	\$ (65,432,867)	\$ (79,457,492)	\$ (83,515,600)	\$ (85,785,715)	\$ (88,578,814)
Business-type activities	368,970	(2,722,951)	2,649,842	4,914,270	6,364,048	6,893,684	8,041,042	5,207,977	(1,586,768)	7,474,816
<b>Total primary government net expense</b>	<b>\$ (77,148,360)</b>	<b>\$ (100,901,133)</b>	<b>\$ (68,025,579)</b>	<b>\$ (62,094,158)</b>	<b>\$ (57,123,072)</b>	<b>\$ (58,539,183)</b>	<b>\$ (71,416,450)</b>	<b>\$ (78,307,623)</b>	<b>\$ (87,372,483)</b>	<b>\$ (81,103,998)</b>

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes, levied for general purposes	\$ 60,510,514	\$ 60,468,022	\$ 60,655,729	\$ 58,050,469	\$ 48,856,539	\$ 49,380,189	\$ 50,671,753	\$ 51,977,008	\$ 53,396,465	\$ 54,617,165
Property taxes, levied for designated purpose	-	-	7,454,130	7,131,115	15,958,495	16,753,667	17,236,996	17,626,382	18,145,558	18,501,675
Property taxes, levied for debt services	9,555,291	9,526,085	2,274,782	2,265,030	668,745	569,490	2,129	2,129	2,340	2,129
State-shared revenues and grants (unrestricted)	11,116,813	11,102,183	9,456,109	9,582,165	9,748,477	9,771,731	10,050,793	10,317,088	10,215,633	10,712,412
Investment income	9,059,668	7,890,239	4,308,095	2,523,944	2,567,568	(410,361)	1,621,594	1,262,302	1,558,594	10,347
Transfers	2,139,564	1,162,611	4,140,628	241,009	3,410,739	3,690,616	3,574,088	4,831,153	460,882	5,173,955
Other	899,577	375,390	215,199	835,982	2,428,146	145,399	5,235,131	150,905	320,426	500,138
Total governmental activities	<u>93,281,427</u>	<u>90,524,530</u>	<u>88,504,672</u>	<u>80,629,714</u>	<u>83,638,709</u>	<u>79,900,731</u>	<u>88,392,484</u>	<u>86,166,967</u>	<u>84,099,898</u>	<u>89,517,821</u>
Business-type activities:										
Taxes										
Property taxes, levied for general purposes	11,550,982	11,529,057	11,677,513	11,171,676	11,030,550	11,154,045	11,470,474	11,728,679	12,072,979	12,306,559
Investment income	4,493,194	5,443,148	1,545,547	515,730	1,188,581	(245,003)	1,241,705	1,293,959	1,774,739	(11,349)
Transfers	(2,139,564)	(1,162,611)	(4,140,628)	(241,009)	(2,428,146)	(3,690,616)	(3,574,088)	(4,831,153)	(460,884)	(5,173,955)
Other					484,311	(504,477)	(673,069)	67,250	59,648	98,767
Total business-type activities	<u>13,904,612</u>	<u>15,809,594</u>	<u>9,082,432</u>	<u>11,446,397</u>	<u>10,275,296</u>	<u>6,713,949</u>	<u>8,465,022</u>	<u>8,258,735</u>	<u>13,446,482</u>	<u>7,220,022</u>
Total primary government	<u>\$ 107,186,039</u>	<u>\$ 106,334,124</u>	<u>\$ 97,587,104</u>	<u>\$ 92,076,111</u>	<u>\$ 93,914,005</u>	<u>\$ 86,614,680</u>	<u>\$ 96,857,506</u>	<u>\$ 94,425,702</u>	<u>\$ 97,546,380</u>	<u>\$ 96,737,843</u>
Change in Net Position										
Governmental activities	\$ 15,764,097	\$ (7,653,652)	\$ 17,829,251	\$ 13,621,286	\$ 20,151,589	\$ 14,467,864	\$ 8,934,992	\$ 2,651,367	\$ (1,685,817)	\$ 939,007
Business-type activities	14,273,582	13,086,643	11,732,274	16,360,667	16,639,344	13,607,633	16,506,064	13,466,712	11,859,714	14,694,838
Total primary government	<u>\$ 30,037,679</u>	<u>\$ 5,432,991</u>	<u>\$ 29,561,525</u>	<u>\$ 29,981,953</u>	<u>\$ 36,790,933</u>	<u>\$ 28,075,497</u>	<u>\$ 25,441,056</u>	<u>\$ 16,118,079</u>	<u>\$ 10,173,897</u>	<u>\$ 15,633,845</u>

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

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>General Fund</b>										
Reserved	\$ 219,224	\$ 444,744	\$ 199,238	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	19,561,545	10,910,841	12,288,378	-	-	-	-	-	-	-
Nonspendable (1)	-	-	-	1,032,509	960,336	915,645	853,157	765,634	619,311	540,869
Assigned (1)	-	-	-	2,024,490	243,308	810,595	7,446,598	4,482,510	9,185,273	6,414,602
Unassigned (1)	-	-	-	10,525,445	14,093,650	14,392,859	14,279,454	17,235,156	15,330,765	16,243,676
<b>Total General Fund</b>	<b>\$ 19,780,769</b>	<b>\$ 11,355,585</b>	<b>\$ 12,487,616</b>	<b>\$ 13,582,444</b>	<b>\$ 15,297,294</b>	<b>\$ 16,119,099</b>	<b>\$ 22,579,209</b>	<b>\$ 22,483,300</b>	<b>\$ 25,135,349</b>	<b>\$ 23,199,147</b>
<b>All Other Governmental Funds</b>										
Reserved	\$ 16,289,679	\$ 43,160,630	\$ 19,102,850	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	64,279,003	64,524,470	67,567,542	-	-	-	-	-	-	-
Capital projects funds	3,622,949	2,401,119	38,031,543	-	-	-	-	-	-	-
Undesignated	-	-	320,340	-	-	-	-	-	-	-
Nonspendable (1)	-	-	-	1,984,000	1,985,800	1,984,000	1,984,000	1,984,000	1,984,000	1,984,000
Restricted (1)	-	-	-	85,121,367	63,432,711	56,701,167	55,346,230	55,120,246	56,176,316	53,939,042
Committed (1)	-	-	-	-	4,617,556	6,088,188	3,203,628	3,984,155	4,584,590	5,494,990
Assigned (1)	-	-	-	2,251,551	2,285,397	2,346,846	2,699,330	2,642,775	5,832,928	6,327,002
<b>Total all other governmental funds</b>	<b>\$ 84,191,631</b>	<b>\$ 110,086,219</b>	<b>\$ 125,022,275</b>	<b>\$ 89,356,918</b>	<b>\$ 72,321,464</b>	<b>\$ 67,120,201</b>	<b>\$ 63,233,188</b>	<b>\$ 63,731,176</b>	<b>\$ 68,577,834</b>	<b>\$ 67,745,034</b>

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

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

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues</b>										
Taxes	\$ 70,065,805	\$ 69,994,107	\$ 70,384,641	\$ 67,446,614	\$ 65,483,779	\$ 66,692,158	\$67,910,079	\$69,605,308	\$71,544,363	\$73,118,985
Special Assessments/improvement charges	182,302	77,748	54,713	103,790	48,843	43,102	44,636	52,373	-	93,373
Licenses, fees & permits	1,284,685	1,133,847	5,108,409	6,125,839	6,279,934	6,537,092	6,683,485	7,619,826	7,371,840	7,710,797
Federal grants	3,470,830	3,434,753	2,583,511	4,950,416	1,567,185	3,366,834	1,953,212	1,033,789	890,919	1,166,724
State shared revenues and grants	18,743,579	18,469,118	17,277,839	18,156,777	21,367,804	19,916,609	20,428,435	20,792,519	21,858,259	22,633,985
Charges for services	14,228,315	13,350,572	10,393,128	12,642,161	13,721,017	12,050,841	13,732,847	14,034,309	15,515,836	14,770,842
Fines & penalties	5,874,429	4,963,134	4,138,282	4,863,239	4,606,580	4,483,090	4,483,484	4,601,589	4,596,544	4,704,380
Interest and penalties	30,472	28,963	515,190	516,159	828	11,189	800	211	-	2,604
Investment income	7,864,379	6,807,477	3,071,842	1,851,927	2,057,540	(305,700)	1,162,205	928,186	1,190,815	3,926
Rental	335,642	310,520	404,147	421,742	463,191	653,879	587,361	637,366	634,819	661,086
Contributions and donations	297,087	228,208	260,470	280,971	369,920	295,289	521,305	981,965	334,247	3,343,936
Intra-governmental sales	363,457	188,958	318,696	361,245	208,243	157,956	266,970	213,511	2,627,905	297,201
Miscellaneous	899,577	375,390	316,652	1,181,503	719,712	1,529,283	1,182,138	678,652	594,470	432,973
<b>Total Revenues</b>	<b>123,640,559</b>	<b>119,362,795</b>	<b>114,827,520</b>	<b>118,902,383</b>	<b>116,894,576</b>	<b>115,431,622</b>	<b>118,956,957</b>	<b>121,179,604</b>	<b>127,160,017</b>	<b>128,940,812</b>
<b>Expenditures</b>										
General government	16,360,311	22,475,026	16,323,784	14,058,718	15,034,085	14,659,352	14,372,873	14,501,593	14,257,197	15,153,388
Public Safety	45,003,004	47,151,174	43,654,317	43,678,573	43,139,586	42,347,919	43,123,100	45,217,288	47,189,457	48,503,006
Public Works	15,946,677	15,037,630	16,353,447	17,617,067	18,969,637	19,015,177	17,789,296	17,869,057	18,863,228	19,366,244
Community and economic development	5,610,030	5,243,807	4,014,989	3,863,957	3,677,716	1,918,460	2,118,053	2,808,976	3,007,207	2,169,450
Culture and recreation	7,955,698	8,462,253	7,498,717	9,653,540	9,996,650	10,142,639	11,360,700	12,567,890	12,072,443	13,197,781
Public transportation	9,574,677	9,592,129	9,682,798	10,106,607	8,913,232	9,233,757	9,494,422	9,735,605	10,038,406	10,269,099
Capital outlay	16,661,477	18,102,248	49,765,312	46,974,519	29,176,152	26,764,896	14,971,769	14,237,971	18,043,661	21,162,097
Debt service:										
Principal	3,175,000	3,270,000	3,345,000	3,410,000	3,320,000	4,055,000	7,550,000	4,150,000	4,148,000	4,793,000
Interest	2,586,455	2,934,523	2,773,143	5,302,317	5,117,493	5,045,229	5,072,356	4,920,544	4,080,504	3,448,031
Payment to Refunding Bond Escrow Agent	-	-	-	-	-	-	-	-	-	555,599
<b>Total expenditures</b>	<b>122,873,329</b>	<b>132,268,790</b>	<b>153,411,507</b>	<b>154,665,298</b>	<b>137,344,551</b>	<b>133,182,429</b>	<b>125,852,569</b>	<b>126,008,924</b>	<b>131,700,103</b>	<b>138,617,695</b>
<b>Excess of revenues over (under) expenditures</b>	<b>767,230</b>	<b>(12,905,995)</b>	<b>(38,583,987)</b>	<b>(35,762,915)</b>	<b>(20,449,975)</b>	<b>(17,750,807)</b>	<b>(6,895,612)</b>	<b>(4,829,320)</b>	<b>(4,540,086)</b>	<b>(9,676,883)</b>
<b>Other Financing Sources (Uses):</b>										
Transfers in	8,879,908	13,104,036	11,227,633	7,170,739	9,620,472	10,917,731	15,619,817	13,294,382	21,803,130	15,062,028
Transfers out	(7,334,089)	(10,513,218)	(5,914,937)	(6,023,714)	(6,519,432)	(6,803,026)	(11,131,060)	(7,679,086)	(9,467,278)	(8,186,997)
Sale of property, plant and equipment	-	-	13,855	45,361	2,809,085	30,563	4,979,951	3,598	16,350	32,850
Payment to refunded bond escrow agent	-	-	-	-	(2,714,429)	-	-	(16,486,836)	(18,439,571)	(24,509,365)
Issuance of debt	-	27,472,080	49,420,000	-	2,670,000	9,085,000	-	16,235,000	17,710,000	24,030,000
Bond Discount	-	-	(93,674)	-	33,375	141,075	-	(135,652)	416,162	479,365
<b>Total other financing sources (uses)</b>	<b>1,545,819</b>	<b>30,062,898</b>	<b>54,652,877</b>	<b>1,192,386</b>	<b>5,899,071</b>	<b>13,371,343</b>	<b>9,468,708</b>	<b>5,231,406</b>	<b>12,038,793</b>	<b>6,907,881</b>
<b>Net change in fund balances</b>	<b>\$ 2,313,049</b>	<b>\$ 17,156,903</b>	<b>\$ 16,068,890</b>	<b>\$ (34,570,529)</b>	<b>\$ (14,550,904)</b>	<b>\$ (4,379,464)</b>	<b>\$ 2,573,096</b>	<b>\$ 402,086</b>	<b>\$ 7,498,707</b>	<b>\$ (2,769,002)</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>5.8%</b>	<b>5.7%</b>	<b>6.4%</b>	<b>8.8%</b>	<b>8.7%</b>	<b>9.4%</b>	<b>12.0%</b>	<b>8.5%</b>	<b>8.0%</b>	<b>8.2%</b>

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

Fiscal Year Ended June 30,	Real Property	Personal Property	Less: Tax-exempt Property (4)	Total Taxable Value	Total Direct Tax Rate
2008	\$ 4,469,676,977	\$ 266,530,700		\$ 4,736,207,677	16.7825
2009	4,577,802,604	309,165,535		4,886,968,139	16.7807
2010	4,595,490,848	263,449,000		4,858,939,848	16.7970
2011	4,447,791,127	220,760,700		4,668,551,827	16.8164
2012	4,422,577,957	212,313,200		4,634,891,157	16.4660
2013	4,473,471,542	209,747,000		4,683,218,542	16.5720
2014	4,614,295,892	225,575,000		4,839,870,892	16.4501
2015	4,739,348,866	230,309,300		4,969,658,166	16.4501
2016	4,870,231,067	240,179,600		5,110,410,667	16.4436
2017	5,035,021,720	258,429,800		5,293,451,520	16.3003

Notes:

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

Source: City of Ann Arbor Financial Services, Assessing Unit

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

	City of Ann Arbor Direct Rate								Overlapping Rates						
	Fiscal Year	General Operating	Refuse Collection	Transportation*	Employee Benefits	Debt Service	Parks	Major Street Repair	Total Direct Tax Rate	Ann Arbor Area Transportation Authority	Ann Arbor Public Schools**	Ann Arbor District Library	Washtenaw County	Washtenaw Community College	Total
Principal Residence Exemption (PRE)	2008	6.1682	2.4670	2.0560	2.0560	0.4661	1.5748	1.9944	16.7825		17.9610	1.9214	5.6768	3.6956	46.0373
Non-PRE	2008	6.1682	2.4670	2.0560	2.0560	0.4661	1.5748	1.9944	16.7825		31.2072	1.9214	5.6768	3.6956	59.2835
Principal Residence Exemption (PRE)	2009	6.1682	2.4670	2.0560	2.0560	0.4643	1.5748	1.9944	16.7807		17.5203	1.9214	5.7018	3.6856	45.6098
Non-PRE	2009	6.1682	2.4670	2.0560	2.0560	0.4643	1.5748	1.9944	16.7807		31.2040	1.9214	5.7018	3.6856	59.2935
Principal Residence Exemption (PRE)	2010	6.1682	2.4670	2.0560	2.0560	0.4806	1.5748	1.9944	16.7970		17.4132	1.5500	5.7418	3.6856	45.1876
Non-PRE	2010	6.1682	2.4670	2.0560	2.0560	0.4806	1.5748	1.9944	16.7970		30.9625	1.5500	5.7418	3.6856	58.7369
Principal Residence Exemption (PRE)	2011	6.1682	2.4670	2.0560	2.0560	0.5000	1.5748	1.9944	16.8164		17.6315	1.5500	5.7448	3.6856	45.4283
Non-PRE	2011	6.1682	2.4670	2.0560	2.0560	0.5000	1.5748	1.9944	16.8164		31.0971	1.5500	5.7448	3.6856	58.8939
Principal Residence Exemption (PRE)	2012	6.1682	2.4670	2.0560	2.0560	0.1496	1.5748	1.9944	16.4660		18.1329	1.5500	5.7518	3.6376	45.5383
Non-PRE	2012	6.1682	2.4670	2.0560	2.0560	0.1496	1.5748	1.9944	16.4660		31.4245	1.5500	5.7518	3.6376	58.8299
Principal Residence Exemption (PRE)	2013	6.1682	2.4670	2.0560	2.0560	0.1250	1.5748	2.1250	16.5720		18.1329	1.5500	5.7654	3.6376	45.6579
Non-PRE	2013	6.1682	2.4670	2.0560	2.0560	0.1250	1.5748	2.1250	16.5720		31.4245	1.5500	5.7654	3.6376	58.9495
Principal Residence Exemption (PRE)	2014	6.1682	2.4670	2.0560	2.0560	0.0000	1.5779	2.1250	16.4501		17.7937	1.5500	5.7801	3.4576	45.0315
Non-PRE	2014	6.1682	2.4670	2.0560	2.0560	0.0000	1.5779	2.1250	16.4501		31.4245	1.5500	5.7801	3.4576	58.6623
Principal Residence Exemption (PRE)	2015	6.1682	2.4670	2.0560	2.0560	0.0000	1.5779	2.1250	16.4501	0.7000	17.9172	1.5500	6.2838	3.4576	46.3587
Non-PRE	2015	6.1682	2.4670	2.0560	2.0560	0.0000	1.5779	2.1250	16.4501	0.7000	31.4245	1.5500	6.2838	3.4576	59.8660
Principal Residence Exemption (PRE)	2016	6.1657	2.4660	2.0552	2.0552	0.0000	1.5773	2.1242	16.4436	0.7000	17.7692	1.6500	6.3058	3.4576	46.3262
Non-PRE	2016	6.1657	2.4660	2.0552	2.0552	0.0000	1.5773	2.1242	16.4436	0.7000	31.3913	1.6500	6.3058	3.4576	59.9483
Principal Residence Exemption (PRE)	2017	6.1120	2.4445	2.0373	2.0373	0.0000	1.5635	2.1057	16.3003	0.6943	17.4740	1.9000	6.2432	3.4360	46.0478
Non-PRE	2017	6.1120	2.4445	2.0373	2.0373	0.0000	1.5635	2.1057	16.3003	0.6943	30.9674	1.9000	6.2432	3.4360	59.5412

\* Represents millage collected for Ann Arbor Transportation Authority.

\*\* Includes Washtenaw Intermediate School Ann Arbor District millage of 5.4509 mills and State Education Tax of 6.0 mills on both Principal Residence and Non-Principal Residence properties. On Non-Principal Residence properties, an additional 17.7951 mills is included for School Operating Tax.

Source: City of Ann Arbor Financial Services, Assessing Unit

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

Taxpayer	Type of Business	2017			2008		
		Taxable Value	Rank	Percentage of Total City Assessed Value	Taxable Value	Rank	Percentage of Total City Assessed Value
Briarwood Shopping Complex	Shopping Center	\$ 40,228,624	1	0.81%	\$ 40,016,997	2	0.84%
Campus Investors 601 Forest	Apartments	31,581,157	2	0.64%			
AMCAP Arborland LLC	Shopping Center	30,403,849	3	0.61%	31,405,642	4	0.66%
Ann Arbor Campus Housing, LLC	Apartments	28,661,054	4	0.58%			
DTE Electric Company	Utility	28,237,900	5	0.57%	33,456,409	3	0.71%
HUB Eisenhower Property	Office Building	25,366,142	6	0.51%			
Ann Arbor Green Property Owner, LLC	Apartments	19,503,293	7	0.39%			
THC Ann Arbor WP LLC	Apartments	19,202,894	8	0.39%			
Varsity at Ann Arbor, LLC	Apartments	19,111,199	9	0.38%			
DTE Gas Company	Utility	17,614,200	10	0.35%			
Geddes Lake Cooperative	Co-op Housing				20,054,595	7	0.42%
Pfizer	Pharmaceuticals				228,957,900	1	4.83%
Windwood Dr Ann Arbor	Apartments				17,520,000	10	0.37%
McKinley Associates	Apartments				17,609,099	9	0.37%
Transwestern Great Lakes	Office Building				28,745,736	5	0.61%
McMullen Properties LLC	Office Building				20,888,150	6	0.44%
Maple Village Shopping	Shopping Center				17,940,000	8	0.38%
<b>Total</b>		<b>\$ 259,910,312</b>		<b>5.23%</b>	<b>\$ 456,594,528</b>		<b>9.64%</b>

Source: City of Ann Arbor Financial Services, Assessing Unit

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

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year *	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years (Real)	Collections in Subsequent Years (Personal)	Total Collections to Date	
		Amount	Percentage of Levy			Amount	Percentage of Levy
2008	\$ 80,126,988	\$ 78,036,023	97.39%	\$ 1,986,129	\$ 104,156	\$ 80,126,309	100.00%
2009	81,928,011	79,444,679	96.97%	2,377,225	103,252	81,925,156	100.00%
2010	81,663,316	79,228,933	97.02%	2,317,119	111,951	81,658,003	99.99%
2011	78,565,863	76,336,483	97.16%	2,121,932	95,006	78,553,420	99.98%
2012	75,840,849	74,102,021	97.71%	1,651,831	55,121	75,808,973	99.96%
2013	77,169,289	76,009,075	98.50%	1,055,355	63,350	77,127,780	99.95%
2014	79,385,502	78,341,354	98.68%	925,652	61,101	79,328,107	99.93%
2015	81,742,181	80,666,319	98.68%	819,344	206,946	81,692,609	99.94%
2016	83,995,895	83,115,705	98.95%	733,314	72,910	83,921,929	99.91%
2017	86,216,588	85,305,863	98.94%	753,004	43,685	86,102,553	99.87%

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

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

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

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

Fiscal Year	Governmental Activities			Business-Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Special Assessment Bonds	Installment Purchase Agreement	General Obligation Bonds	Lease Contract Payable	[1] Revenue Bonds	Other Long-term Debt			
2008	\$ 54,140	\$ 680	\$ 3,911	\$ 27,510	\$ -	\$ 105,160	\$ 6,431	\$ 197,832	1.44%	\$ 1,683
2009	78,655	555	3,500	25,295	-	99,855	6,360	214,220	1.63%	1,869
2010	124,855	430	3,500	23,365	-	94,215	9,445	255,810	1.90%	2,267
2011	121,565	310	3,500	21,315	-	98,412	12,317	257,419	1.81%	2,259
2012	118,053	220	3,500	19,190	-	102,180	1,470	244,613	1.61%	2,147
2013	122,752	140	4,060	16,965	86	106,572	35,981	286,556	1.84%	2,515
2014	119,725	60	-	14,550	192	128,643	9,932	273,102	1.58%	2,397
2015	115,624	35	-	12,140	106	159,195	13,827	300,927	1.63%	2,641
2016	111,919	15	-	9,855	63	177,852	14,721	314,425	1.70%	2,760
2017	108,284	-	-	7,623	21	181,546	16,187	313,661	1.70%	2,753

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

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

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

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

Fiscal Year	General Bonded Debt Outstanding				Net General Bonded Debt	Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Less: Restricted Resources	Less: Self-supported Portion				
2008	\$ 81,650	\$ 1,268	\$ 680	\$ 79,702	1.72%	\$ 697	
2009	103,950	1,248	555	102,147	2.13%	891	
2010	148,220	1,324	430	146,466	3.05%	1,298	
2011	142,880	1,516	310	141,054	3.06%	1,238	
2012	137,243	1,318	230	135,695	2.96%	1,191	
2013	139,717	1,243	150	138,324	2.98%	1,214	
2014	134,275	1,142	60	133,073	2.77%	1,168	
2015	127,764	1,123	35	126,606	2.57%	1,111	
2016	121,774	1,087	15	120,672	2.38%	1,059	
2017	115,907	1,071	-	114,836	2.19%	1,008	

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

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

**City of Ann Arbor**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2017**  
*(dollars in thousands)*  
**(Unaudited)**

Government Unit	Net Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
<b>DIRECT DEBT</b>			
General obligation bonds	\$ 108,284	100.00%	\$ 108,284
Special assessment bonds	-	100.00%	-
City direct debt	<u>\$ 108,284</u>		<u>\$ 108,284</u>
<b>OVERLAPPING DEBT</b>			
Ann Arbor School District	\$ 172,505	63.58%	\$ 109,679
Washtenaw Community College	12,215	35.54%	4,341
Washtenaw County at Large	38,565	34.69%	13,378
Overlapping debt	<u>\$ 223,285</u>		<u>\$ 127,398</u>
Total direct & overlapping debt			<u>\$ 235,682</u>

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

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

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

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

**Legal Debt Margin Calculation for Fiscal Year 2017**

Assessed value of real and personal property	\$ 6,643,622,400
Debt limit (10% of assessed value)	664,362,240
Debt applicable to limit:	
Net direct debt	108,284,000
Less: Special Assessment bonds (general obligation portion)	-
Total net debt applicable to limit	108,284,000
Legal debt margin	\$ 556,078,240

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$ 604,890,062	\$ 607,716,850	\$ 587,631,660	\$ 549,528,970	\$ 526,820,590	\$ 529,497,464	\$ 548,205,147	\$ 544,734,050	\$ 611,857,370	\$ 664,362,240
Total net debt applicable to limit	56,724,615	80,146,618	125,415,000	120,935,000	121,015,000	127,272,000	119,588,000	115,624,000	111,919,000	108,284,000
Legal debt margin	\$ 548,165,447	\$ 527,570,232	\$ 462,216,660	\$ 428,593,970	\$ 405,805,590	\$ 402,225,464	\$ 428,617,147	\$ 429,110,050	\$ 499,938,370	\$ 556,078,240
Total net debt applicable to the limit as a percentage of debt limit	9.38%	13.19%	21.34%	22.01%	22.97%	24.04%	21.81%	21.23%	18.29%	16.30%

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

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

Fiscal Year	Operating Revenue (1)	Operating Expenses (2)	Net Revenue Available For Debt Service	Debt Service			Coverage
				Principal	Interest	Total	
Water Supply System:							
2008	\$ 20,878,987	\$ 13,227,385	\$ 7,651,602	\$ 3,175,000	\$ 1,201,181	\$ 4,376,181	1.7
2009	19,228,211	14,442,403	4,785,808	3,710,000	2,004,487	5,714,487	0.8
2010	20,386,564	12,440,872	7,945,692	3,870,000	1,890,994	5,760,994	1.4
2011	21,364,070	13,058,877	8,305,193	4,045,000	1,738,552	5,783,552	1.4
2012	22,301,008	12,562,435	9,738,573	4,584,250	1,669,928	6,254,178	1.6
2013	23,688,291	12,850,445	10,837,846	3,123,721	1,106,529	4,230,250	2.6
2014	23,018,750	12,839,911	10,178,839	2,695,000	1,137,321	3,832,321	2.7
2015	22,948,029	13,933,617	9,014,412	2,410,000	1,262,901	3,672,901	2.5
2016	24,338,898	14,787,495	9,551,403	3,400,000	1,257,924	4,657,924	2.1
2017	26,610,749	14,584,755	12,025,994	3,905,001	764,316	4,669,317	2.6
Sewage Disposal System:							
2008	22,263,810	10,571,368	11,692,442	1,490,000	1,110,639	2,600,639	4.5
2009	22,752,472	11,185,369	11,567,103	1,450,000	1,763,808	3,213,808	3.6
2010	19,851,400	10,306,331	9,545,069	2,040,000	2,054,391	4,094,391	2.3
2011	21,810,673	10,120,854	11,689,819	2,355,000	1,990,078	4,345,078	2.7
2012	21,593,098	10,177,877	11,415,221	2,696,000	1,851,394	4,547,394	2.5
2013	21,377,410	10,585,422	10,791,988	2,688,460	1,772,419	4,460,879	2.4
2014	23,200,088	10,713,654	12,486,434	2,305,000	1,416,666	3,721,666	3.4
2015	22,878,298	11,484,606	11,393,692	2,225,000	2,658,665	4,883,665	2.3
2016	25,025,055	12,431,395	12,593,660	2,995,000	3,145,865	6,140,865	2.1
2017	27,336,879	12,213,878	15,123,001	4,427,831	2,779,118	7,206,949	2.1
Stormwater Sewer System (3):							
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

Notes:

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

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

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

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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)
2008	114,282	\$ 13,766,000	\$ 39,107	27.3	16.5	17,012	6.3
2009	114,602	13,159,000	38,032	27.3	16.5	16,539	8.3
2010	112,852	13,496,000	39,085	27.8	16.5	16,536	8.1
2011	113,932	14,204,286	40,821	27.8	16.5	16,440	6.5
2012	113,934	15,161,590	43,202	27.8	16.5	16,544	8.6
2013	113,934	15,560,767	43,927	27.8	16.5	16,545	6.8
2014	113,934	17,260,080	48,365	27.8	16.5	16,588	5.7
2015	113,934	18,446,608	51,400	27.8	16.5	16,901	4.2
2016	113,934	N/A	N/A	27.8	16.5	16,815	3.5
2017	113,934	N/A	N/A	27.8	16.5	17,435	2.9

Sources:

- (1) U. S. Census Bureau
- (2) Bureau of Economic Analysis, Ann Arbor Metropolitan Statistical Area, CA04 Personal Income and Employment Summary  
<http://www.bea.gov/>  
\*Note: 2016 & 2017 data has not been released at this time.
- (3) Ann Arbor Public School's Enrollment Office, MI School Data, Our Schools -At A Glance  
<http://www.a2schools.org/site/Default.aspx?PageID=6908>
- (4) Michigan Employment Security Commission statistics for Washtenaw County as of May 2017  
[http://stats.bls.gov/eag/eag.mi\\_annarbor\\_msa.htm](http://stats.bls.gov/eag/eag.mi_annarbor_msa.htm)

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

Employers	2017			2008		
	Employees	Rank	Percentage of Total Top City Employers	Employees	Rank	Percentage of Total Top City Employers
University of Michigan	30,835	1	62.99%	23,016	1	42.59%
Trinity Health System (formerly St. Joseph's Health System)	7,169	2	14.64%	5,811	3	10.75%
U.S. Government	3,172	3	6.48%	1,230	8	2.28%
Ann Arbor Public Schools	1,907	4	3.90%	3,000	4	5.55%
Integrated Health Associates, Inc.	1,268	5	2.59%			
Washtenaw County	1,260	6	2.57%	1,395	7	2.58%
Thompson-Reuters	1,100	7	2.25%			
Truven Health Analytics	780	8	1.59%			
Domino's Pizza	734	9	1.50%			
City of Ann Arbor	729	10	1.49%			
Washtenaw Community College				1,559	6	2.88%
Voyager Learning Co.				1,200	10	2.22%
Univ. of Mich Hospitals & Health System				13,110	2	24.26%
Pfizer Inc.				2,500	5	4.63%
Borders Group, Inc.				1,220	9	2.26%
<b>Total</b>	<b>48,954</b>		<b>100.00%</b>	<b>54,041</b>		<b>100.00%</b>

Source: **Crain's Detroit Business, Vol. 32, No. 53, 2015 Edition, 2016 Book of Lists** and Business Week (Prime Numbers: Top Employers, January Edition)

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

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>General government</b>										
Financial Services	51	49	49	48	45	48	61	61	61	60
Community Services	42	35	35	33	34	32	34	57	59	63
Parks & Recreation	21	17	19	20	20	20	24	24	24	24
City Administrator Services	32	29	31	31	30	31	34	34	34	34
Mayor & Council	1	1	1	1	1	1	1	1	1	1
<b>Police</b>										
Officers	160	152	152	150	118	118	119	122	122	122
Civilians	50	30	30	27	46	28	27	27	27	27
<b>Fire</b>										
Firefighters & Officers	94	94	94	89	81	81	85	86	86	86
Civilians					1	1	1	1	1	1
<b>Public Services</b>										
Project Management	17	15	15	15	13	13	12	12	16	16
Water	26	23	26	26	26	26	26	26	26	26
Wastewater Treatment	35	34	35	35	35	35	35	35	35	35
Field Operations	125	125	135	129	126	124	120	120	117	117
Other	87	93	79	75	74	74	61	61	59	62
15th District Court	41	39	39	37	36	34	34	34	34	34
Retirement System	4	4	4	4	4	4	4	4	4	4
Downtown Development Authority	3	3	3	3	4	4	4	4	4	4
City Attorney	14	14	14	13	13	12	12	12	12	13
<b>Per Budget Book</b>	<b>803</b>	<b>800</b>	<b>761</b>	<b>736</b>	<b>706</b>	<b>686</b>	<b>694</b>	<b>721</b>	<b>722</b>	<b>729</b>

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

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

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Police</b>										
Physical arrests	1,685	2,000	1,605	2,630	2,610	2,395	1,462	1,461	1,542	1,289
Parking violations	167,102	157,668	137,271	86,780	95,990	87,898	92,184	108,759	118,041	117,221
Traffic violations	22,893	23,764	NA	16,729	10,638	14,676	14,053	12,205	12,548	11,022
<b>Fire</b>										
Emergency responses	5,996	6,045	4,985	5,808	5,843	6,180	6,646	6,572	6,947	7,234
Fire extinguished	265	258	226	281	431	418	283	220	259	205
Inspections (1st inspections)	471	21	508	913	1,962	1,769	1,164	1,218	1,339	1,182
<b>Refuse Collection</b>										
Refuse collected (tons/day)	NA	NA	NA	NA	71.25	72.30	72.84	72.87	72.52	73.21
Recyclables collected (tons/day)	10.00	34.00	31.00	30.82	37.10	38.13	39.54	40.17	40.31	40.27
<b>Other Public works</b>										
Street resurfacing (miles)	4.34	4.92	6.92	4.72	6.20	6.60	5.41	8.32	13.6	7.054
Potholes repaired (tons)	444.34	423.70	394.60	500.00	392.78	359.35	636.50	570.92	482.32	397.60
<b>Parks and Recreation</b>										
Athletic field permits issued	814	839	893	1,067	1,032	956	929	866	733	692
Community center admissions	10,168	10,500	11,000	11,500	11,500	11,500	12,000	12,000	12,500	19,750
<b>Water</b>										
Connections	28,193	28,222	28,202	28,266	28,333	28,376	28,387	28,418	28,452	28,496
Water main breaks	110	58	85	96	72	102	120	91	65	73
Average daily consumption (millions of gallons)	12.800	12.675	12.699	13.782	14.600	14.870	14.091	13.576	13.824	13.902
Peak daily consumption (millions of gallons)	22.510	20.775	17.927	21.415	27.115	28.100	23.120	19.174	20.131	21.262
<b>Wastewater</b>										
Average daily sewage treatment (millions of gallons)	18.000	18.347	17.745	17.680	18.100	16.700	17.758	16.999	16.810	17.900

Source: Various services areas within City of Ann Arbor

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

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Police</b>										
Station	1	1	1	1	1	1	1	1	1	1
Zone Offices	2	2	2	2	2	2	2	2	2	1
Patrol units	36	36	35	37	36	36	37	35	35	36
Fire Stations	5	5	5	5	5	5	5	5	5	5
<b>Refuse Collection</b>										
Collection Trucks	18	18	28	27	26	27	27	27	26	26
<b>Other Public works</b>										
Streets (miles)	295.13	295.13	295.13	295.13	295.13	296.7	296.83	296.83	296.83	296.83
Streetlights	7,134	7,134	7,134	7,134	7,139	7,194	7,194	7,497	7,562	7,567
Traffic signals	158	158	158	158	158	158	158	159	159	159
<b>Parks and Recreation</b>										
Acreage	2,044	2,044	2,044	2,045	2,045	2,095	2,074	2,074	2,110	2,110
Playgrounds	85	73	73	77	77	77	77	77	79	79
Baseball/softball diamonds	34	34	34	34	34	34	34	34	34	34
Soccer/football fields	25	25	25	24	24	24	24	24	24	24
Community centers	2	2	2	2	2	2	2	2	2	2
<b>Water</b>										
Water mains (miles)	490.4	484.7	484.7	472.0	464	501	489.5	488	455	456
Fire hydrants	3,549	3,555	3,555	2,909	2,960	3,711	3,733	3,741	3,178	3,239
Storage Capacity (thousands of gallons)	19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000
<b>Wastewater</b>										
Sanitary sewers (miles)	407	404.6	404.6	364.0	363.7	369	362	362	362	362
Storm sewers (miles)	388.2	412.6	412.6	320.1	322.4	264	264	266	294	294
Treatment capacity (thousands of gallons)	50,000	50,000	50,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000

Source: Various services areas within City of Ann Arbor