

City of
Ann Arbor,
Michigan



Annual
Comprehensive
Financial Report

Year Ended
June 30, 2023

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CITY OF ANN ARBOR

ANNUAL COMPREHENSIVE FINANCIAL REPORT

**County of Washtenaw
State of Michigan**

Fiscal Year Ended June 30, 2023



**Prepared by:
Financial and Administrative Services
Accounting Services Unit
301 East Huron Street
Ann Arbor, Michigan 48107
(734) 794-6500**

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CITY OF ANN ARBOR, MICHIGAN

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INTRODUCTORY SECTION

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December 19, 2023

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

The Annual Comprehensive Financial Report (ACFR) of the City of Ann Arbor for the year ended June 30, 2023, 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 annual comprehensive financial report of the City of Ann Arbor for the fiscal year ended June 30, 2023.

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

Rehmann Robson LLC has issued an unmodified ("clean") opinion on the City of Ann Arbor financial statements for the year ended June 30, 2023. 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: City Administrator Services, Community Services, Financial Services, Safety Services, and Public Services. The City provides a full range of services including: police, fire, the construction and maintenance of streets and other infrastructure, refuse collection and disposal, recycling collection and processing, recreation, social services by contract, public improvements, planning and zoning, and general administrative services. The citizens and visitors to the City enjoy these services.

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

Certain services are provided through a legally separate component unit. The City includes 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 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 its citizens and the community's well-earned reputation. The City of Ann Arbor is nationally recognized on the following lists:

- ◆ Best Places to Live for Families
- ◆ Best College in America: The University of Michigan
- ◆ Most Educated City in America
- ◆ Best City to Live in Michigan
- ◆ Best Hospital in Michigan
- ◆ Best Places to Live in the U.S.
- ◆ College with Best Student Life in America

Local Economy

The City is endowed with several major corporations located within its boundaries such as Google. In addition, Ann Arbor is home to one of the largest employers in the county, the University of Michigan, which employs approximately 34,000 people. Ann Arbor is also known for its excellent talent and technology infrastructure that has attracted several large technology firms to the area.

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

The City of Ann Arbor has the largest population base in Washtenaw County and serves as the County Seat. The U.S. Census Bureau reports 123,851 residents in Ann Arbor, representing 33% of the population base in Washtenaw County. The median household income of our citizens is \$73,276.

The City of Ann Arbor enjoys a healthy local economy. The local area unemployment rate is 3.9% as of June 2023, receipts from sales taxes have increased modestly, and residential property values are increasing. Offsetting some of this economic improvement are State laws limiting property tax revenues, legislative uncertainty of funds provided by the State to the City, and record inflation.

The City continues to constrain increases in total expenditures through efficiencies, collaborative opportunities, and fiscal discipline.

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 include a sinking fund for capital needs which was approved by Council in May of 2018 and funded for the fiscal year 2024 budget.

During this economic environment, the City will strive 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 postemployment benefits funding and capital improvements. These policies govern the management of resources including use of one-time funds, sale and defeasance of bonds, and investment strategy. With respect to the pension and other postemployment benefits funding policies, to the extent that a fully funded plan has not been achieved, the City funds the higher of the actuarially required contribution or the existing level of funding adjusted annually by an increase of at least 2%.

Major Initiatives

Water Treatment Plant Facility Plan

Several years ago, the City began planning for the replacement of the oldest portions of the water treatment plant "Plant 1", built in 1938. The planning began in 2015 with an analysis of the potential alternatives, followed by a 2021 reaffirmation from City Council to move forward with a more comprehensive facility planning and replacement of Plant 1. The current effort is focused on a Comprehensive Strategic Plan costing an estimated \$5.5 million. This includes a strategic plan, construction of a pilot plant and extensive community engagement. The pilot plant will be used to test treatment options for the new plant that will ensure the City is selecting the best technology and prepared to handle contaminants of concern. The total Plant 1 replacement project is estimated in excess of \$100 million.

WRRF Headworks Project

The WRRF headworks systems provide initial treatment to remove debris (screenings) and grit from the water as the first stage of treatment, which prevents damage to downstream equipment and systems. The existing headworks consists of three mechanical bar screens, three screw compactors and two grit removal systems including pumps, swirl separator and grit washer. The new system being installed includes the following: three new Hydrodyne bar screens with compactors and 2 Huber "gritwolf" grit removal systems with grit washer classifiers. In addition, an odor control system will be installed to address odors from the headworks found during the Odor study performed in 2019. Total project budget is \$15.1 million.

Sanitary Sewer Lining Project

The City's Sanitary Sewer Asset Management Plan recommends sewer pipe lining as a cost-effective method used for reinvestment and rehabilitation of the sanitary sewer collection system. The trenchless process minimizes the construction impact to the community, improves the life of existing pipes by improving structural and hydraulic characteristics while eliminating costly replacement projects.

The City's Sanitary Sewer Collection System is a network of approximately 400 miles of pipes that transport sewage to the City's wastewater treatment plant on the east side of the City. The cost of construction for sewer lining projects is borne wholly by the Sanitary Sewer Fund. From 2021 through 2027, sanitary sewer lining project capital costs will amount to \$33,543,000.00. The projects meet multiple sustainability goals, including Sustainable Systems and Clean Air and Water.

Galvanized Pipe Replacement

The State of Michigan approved lead and copper rule changes in 2018 that require water utilities to identify all addresses where there are publicly or privately owned lead or galvanized steel service lines that are now or were at some point connected to lead parts and replace them. The City has identified that list and is working to replace them now. The total project is estimated to be in excess of \$7 million. The project will provide important benefit to residents because it will ensure the total removal of any known lead issues in our water system years earlier than originally planned. In addition, it will provide important public health benefits.

Fire Station #1 Renovation

This project entailed a renovation of much of the second-floor space at Fire Station #1. It included updating the Fire Department administrative offices, renovation of sleeping facilities for on-duty firefighters, new training room, and records storage space for the City Clerk's Office. The project also created office space for fire inspectors. The project cost approximately \$1.3 million. This project removed all fire department functions and use from the old Fire Station 2.

Gallup Vehicle Bridge Replacement

This project will replace the vehicle bridge within Gallup Park that was originally built in 1976. The bridge has reached the end of its useful life and requires a full replacement. This project will cost approximately \$4.2 million.

Fire Station #4 Replacement

This project will build the city's net-zero fire station at the current Fire Station 4 location. This Facility will produce energy through geothermal heating and cooling, solar panels, and an architectural design that encourages energy efficiency. The facility will also be gender-neutral to accommodate fire fighters of all genders. The total project cost is estimated to be \$12 million. Site plan approval was obtained along with the completion all engineering, architecture, and bid documents. This project is fully "shovel-ready" awaiting construction financing.

Solar on City Facilities

This project will install over 4 Megawatts of solar on 19 City facilities, saving the City operating costs, enhancing resilience, and reducing climate pollution. Sites identified include nearly every park with a major facility, the water treatment plant, City Hall, the water recovery facility, the airport, and the public works building. The installations would also be designed to eventually accommodate energy storage, which would enable these facilities to operate even during power outages. This is especially important for critical facilities, such as water treatment plant and public works.

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 annual comprehensive financial report for the fiscal year ended June 30, 2022. This was the thirty-third 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 ACFR 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 2023. 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,

A handwritten signature in black ink that reads "Milton Dohoney Jr." in a cursive script.

Milton Dohoney Jr.,
City Administrator

A handwritten signature in black ink that reads "Marti Praschan" in a cursive script.

Marti Praschan,
Chief Financial Officer

CITY OF ANN ARBOR, MICHIGAN

ELECTED AND APPOINTED OFFICIALS

Christopher Taylor, Mayor

Council Members

Lisa Disch	Ayesha Ghazi Edwin
Cynthia Harrison	Jen Eyer
Linh Song	Dharma Akmon
Chris Watson	Erica Briggs
Travis Radina	Jenn Cornell

Milton Dohoney Jr.

City Administrator

John Fournier

Deputy City Administrator

Marti Praschan

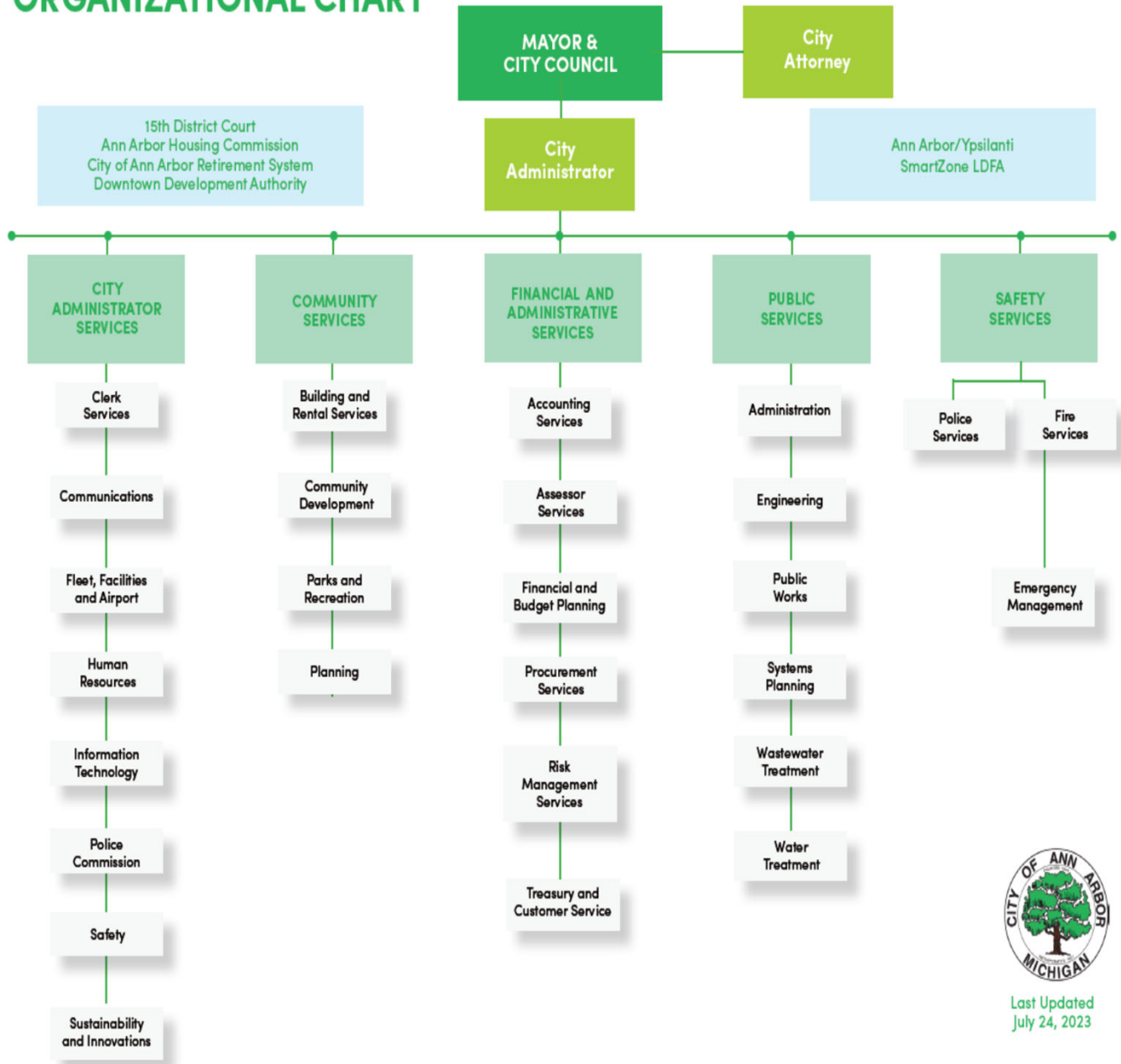
Chief Financial Officer

Atleen Kaur
City Attorney

Jacqueline Beaudry
City Clerk

Michael J. Pettigrew
City Treasurer

CITY OF ANN ARBOR ORGANIZATIONAL CHART



Last Updated
July 24, 2023



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Ann Arbor
Michigan**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

December 19, 2023

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Ann Arbor, Michigan** (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying 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, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparisons for the general fund and each major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the following entity, which represents the indicated percentages of total aggregate discretely presented component units:

	Percent of Assets and Deferred Outflows	Percent of Revenues	Percent of Net Position
Ann Arbor Housing Commission	23.0%	50.9%	18.4%

Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for the above entity, are based solely on the report of the other auditors.



Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Independent Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Independent Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the schedules for the pension and other postemployment benefit plans, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated December 19, 2023, on our consideration of the City'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Lehmann Johnson LLC". The signature is written in a cursive, flowing style.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF ANN ARBOR, MICHIGAN

Management's Discussion and Analysis

As management of the City of Ann Arbor, Michigan (the "City"), 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, 2023. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

. Total net position	\$ 1,424,281,112
. Change in total net position	92,866,903
. Fund balances, governmental funds	147,292,737
. Change in fund balances, governmental funds	11,398,828
. Unassigned fund balance, general fund	26,816,753
. Change in fund balance, general fund	8,189,744
. Long-term debt outstanding	301,130,653
. Change in long-term debt	18,634,091

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, community/economic development, culture and recreation, and public transportation. The business-type activities of the City include water, sewer, parking, airport, stormwater, and solid waste.

The government-wide financial statements include, not only the City itself (known as the primary government), but also a legally separate housing commission, a legally separate local development finance authority, and a legally separate downtown development authority for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The City of Ann Arbor Building Authority, although also legally separate, functions for all practical purposes as a department of the City, and therefore its activities have been included as an integral part of the primary government of the City.

CITY OF ANN ARBOR, MICHIGAN

Management's Discussion and Analysis

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-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 funds balance sheet and the governmental funds 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 numerous individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund and two other major funds: street repair millage and major grants. Data from the nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements following the required supplementary information.

The City adopts an annual budget in accordance with the General Appropriation Act for its general fund and special revenue funds. Budgetary comparison statements or schedules have been provided for these funds to demonstrate compliance with these budgets.

Proprietary funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City maintains numerous individual enterprise funds. The City's water supply system, sewage disposal system, parking system, airport, stormwater sewer system, and solid waste funds are all considered to be major funds.

Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its central stores, fleet services, information technology, project management, insurance, and the Wheeler Center.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. 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.

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

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other postemployment benefits (OPEB) to its employees.

CITY OF ANN ARBOR, MICHIGAN

Management's Discussion and Analysis

The combining statements referred to earlier in connection with nonmajor governmental funds, internal service funds, and custodial funds are presented immediately following the required supplementary information on pensions and OPEB.

Financial Analysis of the City as a Whole

The government-wide financial analysis focuses on the net position and changes in net position of the City's governmental and business-type activities. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As the following table demonstrates, the City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$1.424 billion at June 30, 2023 compared to \$1.331 billion at June 30, 2022.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 222,223,534	\$ 209,372,760	\$ 223,327,324	\$ 183,707,408	\$ 445,550,858	\$ 393,080,168
Capital assets, net	982,981,746	974,888,153	477,512,185	442,263,781	1,460,493,931	1,417,151,934
Total assets	1,205,205,280	1,184,260,913	700,839,509	625,971,189	1,906,044,789	1,810,232,102
Deferred outflows of resources	33,849,894	28,976,123	8,549,554	7,793,812	42,399,448	36,769,935
Long-term liabilities	121,544,919	131,719,328	181,170,953	152,951,716	302,715,872	284,671,044
Pension and OPEB	85,995,011	111,577,711	18,506,254	23,885,718	104,501,265	135,463,429
Other liabilities	43,994,283	44,836,736	22,933,940	16,291,325	66,928,223	61,128,061
Total liabilities	251,534,213	288,133,775	222,611,147	193,128,759	474,145,360	481,262,534
Deferred inflows of resources	40,249,595	27,185,118	9,768,170	7,140,176	50,017,765	34,325,294
Net position						
Net investment in capital assets	876,961,867	859,218,155	294,076,585	289,662,026	1,171,038,452	1,148,880,181
Restricted	102,136,516	97,821,345	36,785,774	34,572,747	138,922,290	132,394,092
Unrestricted	(31,827,017)	(59,121,357)	146,147,387	109,261,293	114,320,370	50,139,936
Total net position	\$ 947,271,366	\$ 897,918,143	\$ 477,009,746	\$ 433,496,066	\$ 1,424,281,112	\$ 1,331,414,209

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 \$138.9 million of the City's net position at June 30, 2023 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$114.3 million may be used to meet the government's ongoing obligations to citizens and creditors, subject to the restrictions of the fund.

Pension and OPEB liabilities have decreased due to the decrease in pension liability primarily related to the valuation of plan assets at June 30, 2023 compared to June 30, 2022. Other liabilities have increased from 2022 to 2023 due to the accrual of state billings for construction projects and increases in accounts payable and other expense accruals compared to the prior year end.

CITY OF ANN ARBOR, MICHIGAN

Management's Discussion and Analysis

At the end of the current fiscal year, the City is reporting positive balances in two of the three categories of net position for its governmental activities and positive balances in all business-type activities categories. The deficit balance in unrestricted net position for governmental activities has improved from the prior year.

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues:						
Charges for services	\$ 36,267,794	\$ 33,677,897	\$ 91,632,826	\$ 87,171,577	\$ 127,900,620	\$ 120,849,474
Operating grants	29,319,053	23,883,134	-	23,000	29,319,053	23,906,134
Capital grants	7,642,938	780,957	-	228,164	7,642,938	1,009,121
General revenues:						
Property taxes	103,575,647	98,091,239	15,522,511	14,699,709	119,098,158	112,790,948
State shared revenues and grants	17,894,383	15,340,846	-	-	17,894,383	15,340,846
Investment earnings (loss)	3,950,479	(4,111,794)	2,336,896	(2,959,410)	6,287,375	(7,071,204)
Other	534,630	-	21,759	210,940	556,389	210,940
Total revenues	199,184,924	167,662,279	109,513,992	99,373,980	308,698,916	267,036,259
Expenses						
Governmental activities:						
General government	16,786,947	22,756,099	-	-	16,786,947	22,756,099
Public safety	48,124,880	55,560,167	-	-	48,124,880	55,560,167
Public works	31,716,206	27,876,386	-	-	31,716,206	27,876,386
Community/economic development	10,599,184	4,728,505	-	-	10,599,184	4,728,505
Culture and recreation	21,130,037	16,217,984	-	-	21,130,037	16,217,984
Public transportation	12,911,467	12,225,468	-	-	12,911,467	12,225,468
Interest on long-term debt	3,245,518	3,031,127	-	-	3,245,518	3,031,127
Business-type activities:						
Water	-	-	20,902,115	19,390,604	20,902,115	19,390,604
Sewer	-	-	21,588,195	18,934,433	21,588,195	18,934,433
Parking	-	-	1,661,660	1,727,152	1,661,660	1,727,152
Airport	-	-	818,222	929,227	818,222	929,227
Stormwater	-	-	9,288,550	6,199,548	9,288,550	6,199,548
Solid waste	-	-	17,059,032	11,429,026	17,059,032	11,429,026
Total expenses	144,514,239	142,395,736	71,317,774	58,609,990	215,832,013	201,005,726
Change in net position before transfers	54,670,685	25,266,543	38,196,218	40,763,990	92,866,903	66,030,533
Transfers	(5,317,462)	(1,564,250)	5,317,462	1,564,250	-	-
Change in net position	49,353,223	23,702,293	43,513,680	42,328,240	92,866,903	66,030,533
Net position:						
Beginning of year	897,918,143	874,215,850	433,496,066	391,167,826	1,331,414,209	1,265,383,676
End of year	\$ 947,271,366	\$ 897,918,143	\$ 477,009,746	\$ 433,496,066	\$ 1,424,281,112	\$ 1,331,414,209

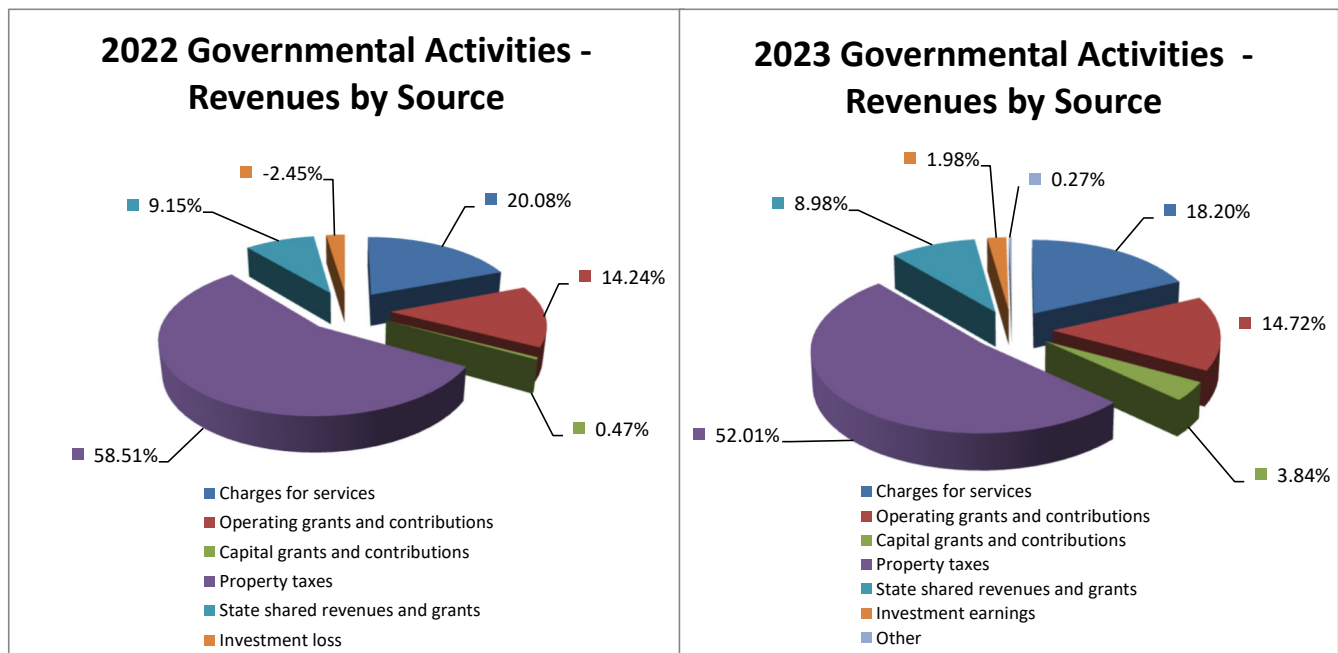
CITY OF ANN ARBOR, MICHIGAN

Management's Discussion and Analysis

The City's net position increased by \$92.9 million during the current fiscal year and \$66.0 million in the prior fiscal year.

Governmental activities increased the City's net position by \$49.4 million. During the previous fiscal year, governmental activities increased by \$23.7 million. Key elements impacting this change are as follows:

- Investment losses for fiscal year 2022 were \$4.11 million compared to the current year's investment income of \$3.95 million. The City holds all investments to maturity but holdings are valued at fair market value as of June 30th of each fiscal year end. This change in fair value amounts to \$8.06 million of additional revenue compared to prior year results.
- State shared revenues seemingly increased by 16.6% however this was due to a change in how revenue from the state is accounted for and recorded. This one time adjustment will align the City with other local governments in the state.
- Program revenue increased by \$14.9 million in fiscal year 2023 compared to fiscal year 2022 for governmental activities. This was due primarily to the receipt of additional significant grants during the year.

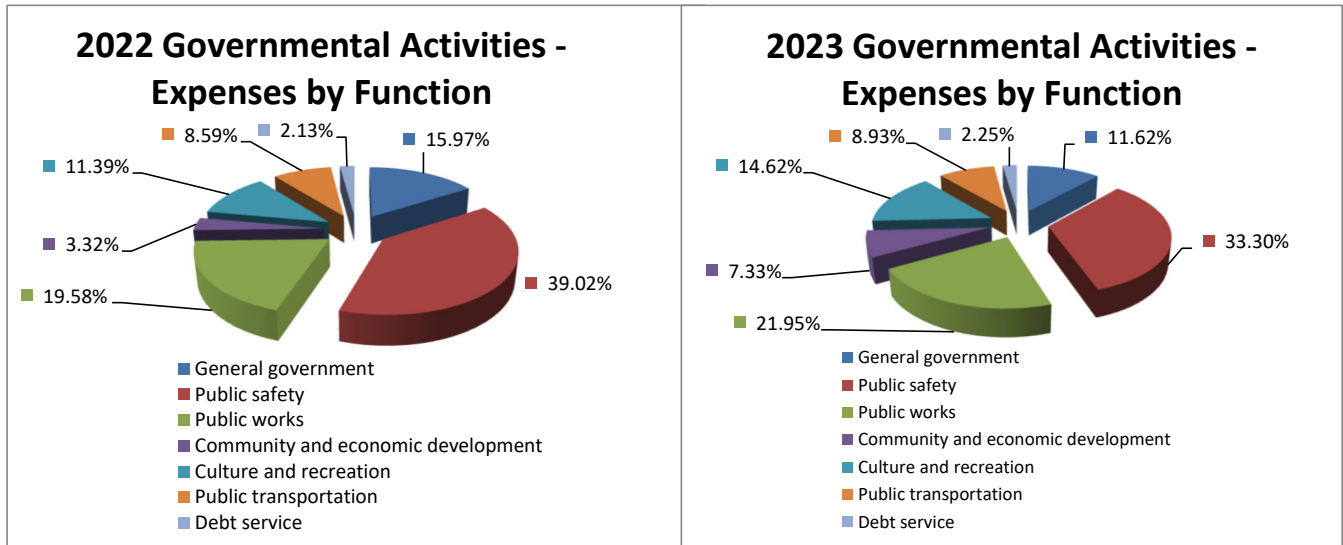


CITY OF ANN ARBOR, MICHIGAN

Management's Discussion and Analysis

Expenses for governmental activities increased \$2.1 million from 2022 to 2023. Key elements are as follows:

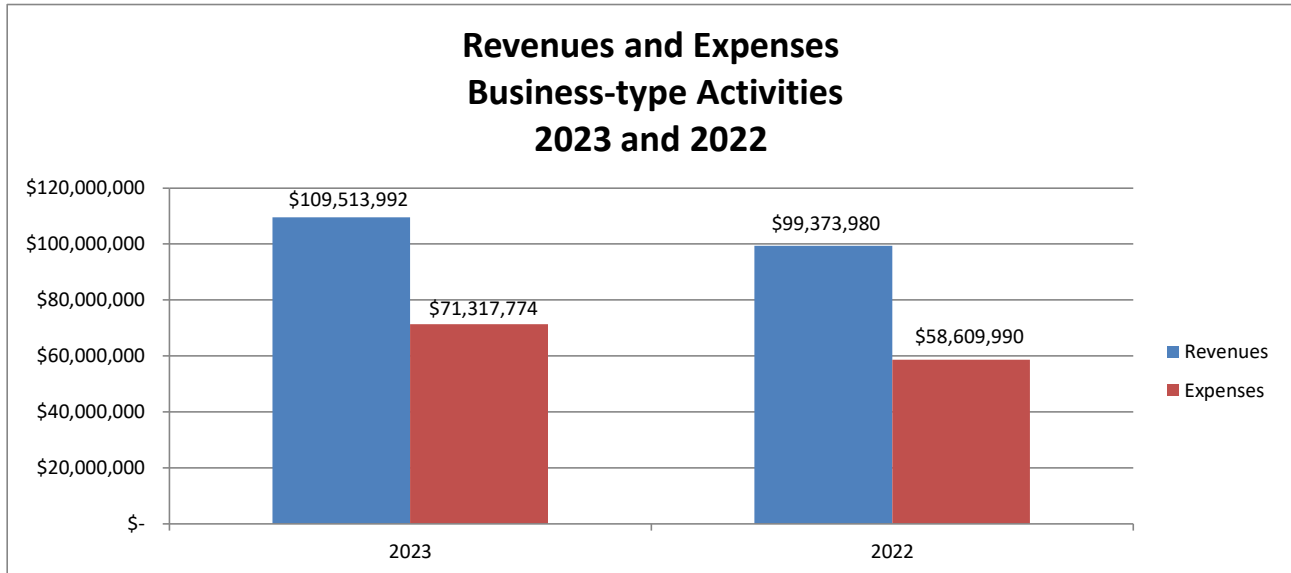
- Significant investments in community development and affordable housing were made possible through the State and Local Fiscal Recovery (SLFRF) funding in the current fiscal year.
- The Greenbelt program resulted in additional revenue and expenditure activity during the current fiscal year. Property purchases and contributions to collaborating entities were made to further the program initiatives.



Business-type activities increased the City's net position by \$43.5 million. During the previous fiscal year, business-type activities increased by \$42.3 million. Key elements impacting this change are as follows:

- Additional usage resulted in an increased revenue for charges for services which is directly offset by additional operating expenses compared to the prior year for water, sewer, stormwater, and solid waste.
- Investment losses for fiscal year 2022 were \$3.0 million compared to the current year's investment income of \$2.3 million. The City holds all investments to maturity but holdings are valued at fair market value as of June 30th of each fiscal year end. This change in fair value amounts to \$5.3 million of additional revenue compared to prior year results.

Management's Discussion and Analysis



Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned 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 \$147,292,737 at June 30, 2023 versus \$135,893,909 at June 30, 2022, an increase of \$11,398,828.

The general fund is the chief operating fund of the City. At the end of the current and prior fiscal years, unassigned fund balance was \$26.8 million and \$25.5 million respectively. Liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 27.2% of total general fund expenditures at June 30, 2023. This equates to about 3.3 months of expense coverage and indicates an appropriate level of unassigned funding. The general fund balance increased by \$8.2 million during the current fiscal year in comparison to an increase of \$1.8 million during the prior fiscal year. Additional revenues caused this large increase and relate to:

- . An accounting change which recognized \$2.5 million of additional state shared revenue in the current year. This is related to timing only and does not represent additional funding available.
- . Tax revenues increased \$3.7 million, or 5.6% compared to the prior fiscal year.
- . The \$1.3 million investment value loss recognized in the prior year was replaced with increases of \$1.2 million this year.

The street repair millage fund balance decreased by \$2.6 million in fiscal year 2023 compared to an increase of \$8.1 million in fiscal year 2022. Total fund balance of \$18.1 million is restricted for construction projects.

The major grants fund ended fiscal year 2022 with a deficit balance of \$673,851. City council adopted a deficit elimination plan which was submitted to and approved by the state to address the deficit resulting in an ending fund balance of \$651,997 for fiscal year 2023. The increase was primarily due to additional funding received and not expected nor accrued to the prior year. The balance in the major grants fund represents the residual value of interest earnings and certain state grant programming that allows for a balance to be carried forward for future use.

CITY OF ANN ARBOR, MICHIGAN

Management's Discussion and Analysis

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

The combined net position of the water supply system, sewage disposal system, parking system, airport, stormwater sewer system, and solid waste was \$465.9 million. The combined increase of these proprietary funds was \$41.7 million. The parking system had a decrease in net position of \$1.3 million due to the drastic impact of the pandemic and slower than expected return to normal, pre-pandemic levels. Overall the usage of services provided by the city increased during the fiscal year, hence an increase in charges for services as well as expenses related to providing those additional services.

General Fund Budgetary Highlights

Actual expenditures came in under budget in almost all categories. This was primarily due to personnel costs coming in under budget, particularly medical expenditures. This savings, coupled with better than expected revenue collections, resulted in the addition of \$8.2 million in fund balance for fiscal year 2023 compared to the addition of \$1.8 million in fiscal year 2022. Intergovernmental revenues came in well over budget by \$6.3 million. This was primarily due to the accounting change which recognized additional state shared revenue in the current year, as well as marijuana revenue collections being higher than anticipated.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2023 was \$1,460,493,931 compared to \$1,417,151,934 at June 30, 2022 (net of accumulated depreciation/amortization). This investment in capital assets includes land, construction in progress, buildings, improvements other than buildings, machinery and equipment, vehicles, intangible assets, infrastructure, and lease assets.

The total increase in the City's investment in capital assets for the current fiscal year was 3.06% compared to an increase of 0.80% in fiscal year 2022. Construction in progress increased significantly. This is primarily due to the numerous water projects going on and this trend is expected to continue into the foreseeable future. Not only are major initiatives underway, but water costs have increased more quickly than other utilities. Equipment has also increased on the governmental activities side due to investments in cleaner and renewable energy. Additional information on the City's capital assets can be located in the notes to the financial statements.

	Capital Assets (net of depreciation/amortization)					
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 576,838,832	\$ 576,838,832	\$ 7,461,349	\$ 7,461,349	\$ 584,300,181	\$ 584,300,181
Construction in progress	39,234,994	35,491,057	83,254,983	44,477,363	122,489,977	79,968,420
Buildings	19,514,836	20,045,552	298,389,119	297,055,304	317,903,955	317,100,856
Improvements other than buildings	-	-	86,401,250	90,883,103	86,401,250	90,883,103
Machinery and equipment	219,913,702	209,955,462	1,923,265	2,290,738	221,836,967	212,246,200
Vehicles	112,628,283	116,684,215	82,219	95,924	112,710,502	116,780,139
Intangible assets	3,359,273	4,091,580	-	-	3,359,273	4,091,580
Infrastructure	9,945,942	9,608,309	-	-	9,945,942	9,608,309
Lease assets	610,512	836,486	-	-	610,512	836,486
Subscription assets	935,372	1,336,660	-	-	935,372	1,336,660
Total capital assets, net	\$ 982,981,746	\$ 974,888,153	\$ 477,512,185	\$ 442,263,781	\$ 1,460,493,931	\$ 1,417,151,934

CITY OF ANN ARBOR, MICHIGAN

Management's Discussion and Analysis

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$301,130,653. Of that amount, \$102,204,000 comprises general obligation debt. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds), revolving loans, drain notes, financed purchases, unamortized bond premiums and discounts, and compensated absences.

The City's total debt increased by \$18,634,091 or 6.6% during the fiscal year, primarily due to the issuance of the 2023 water supply system revenue bonds, offset by the regular payments on debt obligations. A summary of the City's outstanding debt can be found in the notes to the financial statements.

	Long-term Debt					
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
General obligation bonds	\$ 101,024,000	\$ 109,442,000	\$ 1,180,000	\$ 1,460,000	\$ 102,204,000	\$ 110,902,000
Revenue bonds	-	-	61,240,000	26,960,000	61,240,000	26,960,000
Revolving loans	-	-	102,621,280	106,977,603	102,621,280	106,977,603
Drain notes	-	-	13,540,731	14,626,144	13,540,731	14,626,144
Installment purchase agreements	467,545	799,047	-	-	467,545	799,047
Deferred amounts:						
For issuance premiums	4,178,118	4,497,357	764,701	498,883	4,942,819	4,996,240
For issuance discounts	(90,448)	(97,300)	-	-	(90,448)	(97,300)
Compensated absences	14,380,485	14,903,742	1,824,241	2,429,086	16,204,726	17,332,828
Long-term Debt	\$ 119,959,700	\$ 129,544,846	\$ 181,170,953	\$ 152,951,716	\$ 301,130,653	\$ 282,496,562

State statutes limit the amount of the general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City is \$942,237,543, which significantly exceeds the City's outstanding general obligation debt.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for fiscal year 2024:

- Tax Revenues are forecasted to grow modestly per estimated change in Taxable Value from the City Assessor. The other revenue sources are forecasted for moderate increases into future years.
- Personnel costs are forecasted to grow approximately 3% each year for inflation and fringes are anticipated to increase approximately 6%. The City expects adding 17 FTEs in FY23, 27 FTEs in FY24, and an additional 5 FTEs are anticipated for FY25. The remaining expenditures are forecasted with known increases/decreases based on projected operations with minimal increases based on inflation for future years.

Contacting the City's Financial Management

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF ANN ARBOR, MICHIGAN

Statement of Net Position

June 30, 2023

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 386,915	\$ 194,108	\$ 581,023	\$ 5,589,315
Equity in pooled cash and investments	185,871,638	135,424,417	321,296,055	1,098,444
Investments	16,995,614	52,156,254	69,151,868	27,089,721
Receivables, net	10,007,502	23,392,649	33,400,151	1,663,821
Internal balances	(11,145,225)	11,145,225	-	-
Other assets	3,018,136	1,014,671	4,032,807	5,485,341
Restricted assets, cash	17,088,954	-	17,088,954	-
Capital assets not being depreciated/amortized	616,073,826	90,716,332	706,790,158	-
Capital assets being depreciated/amortized, net	366,907,920	386,795,853	753,703,773	263,333
Total assets	1,205,205,280	700,839,509	1,906,044,789	41,189,975
Deferred outflows of resources				
Deferred charge on refunding	2,138,644	1,672,332	3,810,976	-
Deferred pension amounts	18,791,951	3,476,032	22,267,983	101,991
Deferred OPEB amounts	12,919,299	3,401,190	16,320,489	-
Total deferred outflows of resources	33,849,894	8,549,554	42,399,448	101,991
Liabilities				
Accounts payable and accrued liabilities	26,895,329	22,933,940	49,829,269	8,745,737
Unearned revenue	17,098,954	-	17,098,954	664,473
Bonds, notes, and other long-term liabilities				
Due within one year	15,456,441	11,958,221	27,414,662	101,856
Due in more than one year	106,088,478	169,212,732	275,301,210	254,023
Other liabilities due in more than one year:				
Net pension liability	52,793,121	9,765,382	62,558,503	87,987
Net OPEB liability	33,201,890	8,740,872	41,942,762	-
Total liabilities	251,534,213	222,611,147	474,145,360	9,854,076
Deferred inflows of resources				
Deferred pension amounts	13,396,218	2,477,957	15,874,175	5,013
Deferred OPEB amounts	26,808,872	7,057,818	33,866,690	-
Deferred lease amounts	44,505	232,395	276,900	-
Total deferred inflows of resources	40,249,595	9,768,170	50,017,765	5,013
Net position				
Net investment in capital assets	876,961,867	294,076,585	1,171,038,452	263,333
Restricted for:				
Debt service	-	13,619,656	13,619,656	-
Equipment replacement	-	22,978,107	22,978,107	-
Endowment (non-expendable)	1,984,000	-	1,984,000	-
Highway and streets	55,551,340	-	55,551,340	-
Culture and recreation	19,208,884	-	19,208,884	-
Other purposes	25,392,292	-	25,392,292	243,932
Landfill	-	188,011	188,011	-
Unrestricted (deficit)	(31,827,017)	146,147,387	114,320,370	30,925,612
Total net position	\$ 947,271,366	\$ 477,009,746	\$ 1,424,281,112	\$ 31,432,877

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

CITY OF ANN ARBOR, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2023

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 16,786,947	\$ 9,268,174	\$ 5,189,139	\$ 220,527	\$ (2,109,107)
Public safety	48,124,880	12,188,775	370,728	57,466	(35,507,911)
Public works	31,716,206	3,788,887	22,659,927	1,031,301	(4,236,091)
Community/economic development	10,599,184	148,991	12,502	4,129,344	(6,308,347)
Culture and recreation	21,130,037	5,214,729	1,086,757	2,204,300	(12,624,251)
Public transportation	12,911,467	-	-	-	(12,911,467)
Interest on long-term debt	3,245,518	5,658,238	-	-	2,412,720
Total governmental activities	144,514,239	36,267,794	29,319,053	7,642,938	(71,284,454)
Business-type activities:					
Water	20,902,115	36,193,513	-	-	15,291,398
Sewer	21,588,195	34,808,098	-	-	13,219,903
Parking	1,661,660	309,700	-	-	(1,351,960)
Airport	818,222	952,188	-	-	133,966
Stormwater	9,288,550	15,106,097	-	-	5,817,547
Solid waste	17,059,032	4,263,230	-	-	(12,795,802)
Total business-type activities	71,317,774	91,632,826	-	-	20,315,052
Total primary government	\$ 215,832,013	\$ 127,900,620	\$ 29,319,053	\$ 7,642,938	\$ (50,969,402)
Component units					
Ann Arbor Housing Commission	\$ 30,981,303	\$ 7,492	\$ 34,516,617	\$ -	\$ 3,542,806
SmartZone LDFA	6,379,405	-	-	-	(6,379,405)
Downtown Development Authority	28,929,742	19,686,924	-	-	(9,242,818)
Total component units	\$ 66,290,450	\$ 19,694,416	\$ 34,516,617	\$ -	\$ (12,079,417)

continued...

CITY OF ANN ARBOR, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2023

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net expense	\$ (71,284,454)	\$ 20,315,052	\$ (50,969,402)	\$ (12,079,417)
General revenues:				
Property taxes	103,575,647	15,522,511	119,098,158	13,139,373
State shared revenues and grants (unrestricted)	17,894,383	-	17,894,383	-
Unrestricted investment earnings	3,950,479	2,336,896	6,287,375	448,457
Gain on sale of capital assets	-	21,759	21,759	800
Other revenues	534,630	-	534,630	312,857
Transfers - internal activities	(5,317,462)	5,317,462	-	-
Total general revenues and transfers	120,637,677	23,198,628	143,836,305	13,901,487
Change in net position	49,353,223	43,513,680	92,866,903	1,822,070
Net position, beginning of year	897,918,143	433,496,066	1,331,414,209	29,610,807
Net position, end of year	<u>\$ 947,271,366</u>	<u>\$ 477,009,746</u>	<u>\$ 1,424,281,112</u>	<u>\$ 31,432,877</u>

concluded.

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

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FUND FINANCIAL STATEMENTS

CITY OF ANN ARBOR, MICHIGAN

Balance Sheet

Governmental Funds

June 30, 2023

	General	Street Repair Millage	Major Grants	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 370,546	\$ -	\$ -	\$ 16,071	\$ 386,617
Equity in pooled cash and investments	42,915,391	16,728,628	1,183,165	78,541,815	139,368,999
Investments	-	6,082,917	-	10,912,697	16,995,614
Receivables:					
Taxes	51,454	995	-	645	53,094
Accounts, net	2,130,223	258,760	732	779,598	3,169,313
Leases	-	-	-	44,505	44,505
Special assessments	-	61,933	-	31,659	93,592
Accrued interest and dividends	-	-	-	11,494	11,494
Improvement charges	-	11,928	-	-	11,928
Due from other governments	3,518,451	59,394	258,460	2,707,952	6,544,257
Inventories	53,340	-	-	-	53,340
Prepaid items	72,460	-	-	30,569	103,029
Restricted assets	-	-	17,088,954	-	17,088,954
Total assets	\$ 49,111,865	\$ 23,204,555	\$ 18,531,311	\$ 93,077,005	\$ 183,924,736
Liabilities					
Accounts payable	\$ 986,983	\$ 3,688,590	\$ 720,060	\$ 5,513,219	\$ 10,908,852
Accrued liabilities	2,831,408	39,702	1,399	430,217	3,302,726
Due to other governments	278,994	1,284,648	44,009	-	1,607,651
Unearned revenue	10,000	-	17,088,954	-	17,098,954
Deposits payable	2,333,713	59,098	-	539,540	2,932,351
Total liabilities	6,441,098	5,072,038	17,854,422	6,482,976	35,850,534
Deferred inflows of resources					
Unavailable revenue	606,549	73,860	24,892	31,659	736,960
Deferred lease amounts	-	-	-	44,505	44,505
Total deferred inflows of resources	606,549	73,860	24,892	76,164	781,465
Fund balances					
Nonspendable	125,800	-	-	2,014,569	2,140,369
Restricted	159,938	18,058,657	651,997	80,401,509	99,272,101
Committed	1,059,897	-	-	842,518	1,902,415
Assigned	13,901,830	-	-	3,259,269	17,161,099
Unassigned	26,816,753	-	-	-	26,816,753
Total fund balances	42,064,218	18,058,657	651,997	86,517,865	147,292,737
Total liabilities, deferred inflows of resources, and fund balances	\$ 49,111,865	\$ 23,204,555	\$ 18,531,311	\$ 93,077,005	\$ 183,924,736

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

CITY OF ANN ARBOR, MICHIGAN

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2023

Fund balances of governmental funds \$ 147,292,737

Amounts reported for *governmental activities* in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Capital assets not being depreciated/amortized	616,073,826
Capital assets being depreciated/amortized, net	366,907,920
Less capital assets accounted for in internal service funds	(12,448,737)

Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.

Bonds, notes, and other long-term liabilities	(101,663,753)
Compensated absences	(14,380,485)
Unamortized bond discounts/premiums	(4,087,670)
Unamortized deferred charge on refunding	2,138,644
Accrued interest on bonds	(582,994)

Certain pension and other postemployment benefit-related amounts, such as the net pension and other postemployment benefit liabilities and deferred amounts, are not due and payable in the current period or do not represent current financial resources, and therefore are not reported in the funds.

Net pension liability	(52,793,121)
Deferred outflows related to the net pension liability	18,791,951
Deferred inflows related to the net pension liability	(13,396,218)
Net OPEB liability	(33,201,890)
Deferred outflows related to the net OPEB liability	12,919,299
Deferred inflows related to the net OPEB liability	(26,808,872)

The focus of governmental funds is on short-term financing. Accordingly, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred inflows in the governmental funds, are thus not included in fund balance.

Deferred long-term receivables	736,960
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Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds.

Net position of governmental activities accounted for in internal service funds:	
Total internal service fund net position	52,918,994
Internal service fund net position accounted for in business-type activities	(11,145,225)

Net position of governmental activities \$ 947,271,366

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

CITY OF ANN ARBOR, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2023

	General	Street Repair Millage	Major Grants	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 69,268,471	\$ 13,528,534	\$ -	\$ 20,778,642	\$ 103,575,647
Licenses, permits, and registrations	1,842,019	-	-	8,172,215	10,014,234
Intergovernmental	21,509,797	1,031,301	8,145,014	20,522,390	51,208,502
Charges for services	10,505,337	932,814	-	8,782,225	20,220,376
Fines and forfeits	3,086,326	-	-	254,646	3,340,972
Investment earnings	1,243,009	501,140	277,980	1,378,001	3,400,130
Rentals	714,131	-	-	-	714,131
Contributions and donations	-	2,409,979	10,525	1,349,885	3,770,389
Other	817,741	824,709	58,955	335,631	2,037,036
Total revenues	108,986,831	19,228,477	8,492,474	61,573,635	198,281,417
Expenditures					
Current:					
General government	17,173,036	-	481,164	4,171,161	21,825,361
Public safety	50,390,032	-	6,770	6,345,396	56,742,198
Public works	4,921,697	4,639,622	1,175,463	12,221,619	22,958,401
Community/economic development	2,138,819	-	4,129,344	5,124,754	11,392,917
Culture and recreation	9,928,751	-	463,935	11,590,999	21,983,685
Public transportation	12,911,467	-	-	-	12,911,467
Capital outlay	914,986	13,532,341	914,899	6,909,535	22,271,761
Debt service:					
Principal retirement	66,539	-	-	8,605,391	8,671,930
Interest and fiscal charges	-	-	-	3,407,769	3,407,769
Total expenditures	98,445,327	18,171,963	7,171,575	58,376,624	182,165,489
Revenues over expenditures	10,541,504	1,056,514	1,320,899	3,197,011	16,115,928
Other financing sources (uses)					
Transfers in	1,160,817	3,744,140	4,949	11,145,682	16,055,588
Transfers out	(3,512,577)	(7,367,191)	-	(9,892,920)	(20,772,688)
Total other financing sources (uses)	(2,351,760)	(3,623,051)	4,949	1,252,762	(4,717,100)
Net change in fund balances	8,189,744	(2,566,537)	1,325,848	4,449,773	11,398,828
Fund balances, beginning of year	33,874,474	20,625,194	(673,851)	82,068,092	135,893,909
Fund balances, end of year	\$ 42,064,218	\$ 18,058,657	\$ 651,997	\$ 86,517,865	\$ 147,292,737

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

CITY OF ANN ARBOR, MICHIGAN

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2023

Net change in fund balances - total governmental funds \$ 11,398,828

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

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

Capital assets purchased/constructed	28,367,974
Depreciation/amortization expense	(19,515,343)
Loss on disposal of capital assets	(129,103)

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

Principal payments on bonds, notes, and other long-term liabilities	8,671,930
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Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in accrued interest payable on long-term debt	40,996
Amortization of bond premium and discounts	312,387
Change in compensated absences	523,257
Amortization of deferred charge on refunding	(165,645)
Change in the net pension liability and relatd deferred amounts	81,345,460
Change in the net OPEB liability and related amounts	(64,203,472)

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

	353,158
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Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds.

Total change in net position of the internal service funds	4,156,822
Internal service fund change in net position accounted for in business-type activities	(1,804,026)

Change in net position of governmental activities \$ 49,353,223

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

CITY OF ANN ARBOR, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - General Fund
For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 67,471,406	\$ 67,471,406	\$ 69,268,471	\$ 1,797,065
Licenses, permits, and registrations	1,956,763	1,956,763	1,842,019	(114,744)
Intergovernmental	15,243,261	15,243,261	21,509,797	6,266,536
Charges for services	10,079,286	10,079,286	10,505,337	426,051
Fines and forfeits	4,013,038	4,013,038	3,086,326	(926,712)
Investment earnings	391,903	391,903	1,243,009	851,106
Rentals	701,272	701,272	714,131	12,859
Other	326,824	326,824	817,741	490,917
Total revenues	100,183,753	100,183,753	108,986,831	8,803,078
Expenditures				
Current:				
General government:				
Mayor and council	518,501	534,311	532,202	(2,109)
Administration	2,931,709	3,005,053	2,483,261	(521,792)
Human resources	2,390,045	2,465,491	2,425,078	(40,413)
Attorney	3,123,940	3,173,591	2,855,690	(317,901)
Clerk/elections	1,834,107	1,848,795	1,781,907	(66,888)
Finance	8,436,679	8,730,196	8,641,160	(89,036)
Environmental coordination services	1,829,600	2,142,267	1,782,231	(360,036)
District court	5,738,590	5,280,143	4,946,362	(333,781)
Planning	2,333,855	2,266,582	1,465,796	(800,786)
Other unallocated	1,790,198	528,459	456,518	(71,941)
Municipal service charge	(10,216,928)	(10,216,928)	(10,197,169)	(19,759)
	<u>20,710,296</u>	<u>19,757,960</u>	<u>17,173,036</u>	<u>(2,584,924)</u>
Public safety:				
Police department	31,509,629	32,363,661	31,081,783	(1,281,878)
Fire department	17,558,102	18,053,869	17,963,063	(90,806)
Building department	1,357,485	1,386,431	1,345,186	(41,245)
	<u>50,425,216</u>	<u>51,803,961</u>	<u>50,390,032</u>	<u>(1,413,929)</u>
Public works:				
Public services	8,713,466	9,511,404	8,850,710	(660,694)
Municipal service charge	(4,167,602)	(4,167,602)	(3,929,013)	(238,589)
	<u>4,545,864</u>	<u>5,343,802</u>	<u>4,921,697</u>	<u>(422,105)</u>

continued...

CITY OF ANN ARBOR, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - General Fund
For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (concluded)				
Current (concluded):				
Community/economic development:				
Community development	\$ 6,286,639	\$ 6,252,424	\$ 6,082,716	\$ (169,708)
Municipal service charge	(3,989,807)	(3,989,807)	(3,943,897)	(45,910)
	<u>2,296,832</u>	<u>2,262,617</u>	<u>2,138,819</u>	<u>(123,798)</u>
Culture and recreation -				
Parks and recreation	<u>9,705,447</u>	<u>10,097,059</u>	<u>9,928,751</u>	<u>(168,308)</u>
Public transportation	<u>12,845,722</u>	<u>12,845,722</u>	<u>12,911,467</u>	<u>65,745</u>
Capital outlay	<u>764,920</u>	<u>825,677</u>	<u>914,986</u>	<u>89,309</u>
Debt service -				
Principal retirement	<u>-</u>	<u>-</u>	<u>66,539</u>	<u>66,539</u>
Total expenditures	<u>101,294,297</u>	<u>102,936,798</u>	<u>98,445,327</u>	<u>(4,491,471)</u>
Revenues over (under) expenditures	<u>(1,110,544)</u>	<u>(2,753,045)</u>	<u>10,541,504</u>	<u>13,294,549</u>
Other financing sources (uses)				
Transfers in	1,129,379	1,129,379	1,160,817	31,438
Transfers out	<u>(3,304,735)</u>	<u>(3,558,920)</u>	<u>(3,512,577)</u>	<u>(46,343)</u>
Total other financing sources (uses)	<u>(2,175,356)</u>	<u>(2,429,541)</u>	<u>(2,351,760)</u>	<u>77,781</u>
Net change in fund balance	<u>(3,285,900)</u>	<u>(5,182,586)</u>	<u>8,189,744</u>	<u>13,372,330</u>
Fund balance, beginning of year	<u>33,874,474</u>	<u>33,874,474</u>	<u>33,874,474</u>	<u>-</u>
Fund balance, end of year	<u>\$ 30,588,574</u>	<u>\$ 28,691,888</u>	<u>\$ 42,064,218</u>	<u>\$ 13,372,330</u>

concluded.

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

CITY OF ANN ARBOR, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Street Repair Millage Special Revenue Fund

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 13,155,910	\$ 13,155,910	\$ 13,528,534	\$ 372,624
Intergovernmental	-	451,701	1,031,301	579,600
Charges for services	-	171,870	932,814	760,944
Investment earnings	114,830	114,830	501,140	386,310
Contributions and donations	7,392,000	7,514,638	2,409,979	(5,104,659)
Other	-	23,220	824,709	801,489
Total revenues	<u>20,662,740</u>	<u>21,432,169</u>	<u>19,228,477</u>	<u>(2,203,692)</u>
Expenditures				
Current - public works	29,529,546	5,193,416	4,639,622	(553,794)
Capital outlay	-	12,856,772	13,532,341	675,569
Total expenditures	<u>29,529,546</u>	<u>18,050,188</u>	<u>18,171,963</u>	<u>121,775</u>
Revenues over (under) expenditures	<u>(8,866,806)</u>	<u>3,381,981</u>	<u>1,056,514</u>	<u>(2,325,467)</u>
Other financing sources (uses)				
Issuance of long-term debt	6,000,000	6,000,000	-	(6,000,000)
Transfers in	-	1,761,227	3,744,140	1,982,913
Transfers out	(774,791)	(7,489,338)	(7,367,191)	(122,147)
Total other financing sources (uses)	<u>5,225,209</u>	<u>271,889</u>	<u>(3,623,051)</u>	<u>(3,894,940)</u>
Net change in fund balance	<u>(3,641,597)</u>	<u>3,653,870</u>	<u>(2,566,537)</u>	<u>(6,220,407)</u>
Fund balance, beginning of year	<u>20,625,194</u>	<u>20,625,194</u>	<u>20,625,194</u>	<u>-</u>
Fund balance, end of year	<u>\$ 16,983,597</u>	<u>\$ 24,279,064</u>	<u>\$ 18,058,657</u>	<u>\$ (6,220,407)</u>

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

CITY OF ANN ARBOR, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Major Grants Special Revenue Fund

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ -	\$ 25,808,398	\$ 8,145,014	\$ (17,663,384)
Investment earnings	-	-	277,980	277,980
Contributions and donations	-	-	10,525	10,525
Other	-	-	58,955	58,955
Total revenues	-	25,808,398	8,492,474	(17,315,924)
Expenditures				
Current:				
General government	-	7,493,318	481,164	(7,012,154)
Public safety	-	3,783,983	6,770	(3,777,213)
Public works	-	1,587,970	1,175,463	(412,507)
Community/economic development	-	9,182,630	4,129,344	(5,053,286)
Culture and recreation	-	2,440,036	463,935	(1,976,101)
Capital outlay	-	359,964	914,899	554,935
Total expenditures	-	24,847,901	7,171,575	(17,676,326)
Revenues over expenditures	-	960,497	1,320,899	360,402
Other financing sources				
Transfers in	-	-	4,949	4,949
Net change in fund balance	-	960,497	1,325,848	365,351
Fund balance, beginning of year	(673,851)	(673,851)	(673,851)	-
Fund balance, end of year	<u>\$ (673,851)</u>	<u>\$ 286,646</u>	<u>\$ 651,997</u>	<u>\$ 365,351</u>

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

CITY OF ANN ARBOR, MICHIGAN

Statement of Net Position

Proprietary Funds
June 30, 2023

	Business-type Activities - Enterprise Funds				
	Water Supply System	Sewage Disposal System	Parking System	Airport	Stormwater Sewer System
Assets					
Current assets:					
Cash and cash equivalents	\$ 450	\$ -	\$ -	\$ 30	\$ -
Equity in pooled cash and investments	28,646,045	52,815,885	1,970,225	1,946,167	20,248,825
Investments	42,050,521	10,105,733	-	-	-
Receivables:					
Taxes	130,370	-	-	-	-
Accounts, net	6,951,344	6,555,910	-	49,744	3,283,326
Leases	-	-	-	114,304	-
Improvement charges	28,453	47,340	-	-	1,513
Due from other governments	1,861,336	-	500	-	31,604
Prepaid items	12,872	41,955	-	-	1,967
Inventories	864,528	26,608	-	-	66,741
Total current assets	80,545,919	69,593,431	1,970,725	2,110,245	23,633,976
Noncurrent assets:					
Receivables:					
Leases	-	-	-	118,091	-
Improvement charges	141,957	289,747	-	-	39,327
Due from other governments	2,797,669	-	-	-	-
Capital assets not being depreciated/amortized	57,152,331	21,592,577	3,934,897	708,927	4,689,535
Capital assets being depreciated/amortized, net	122,411,523	207,668,030	20,905,874	1,026,709	25,671,451
Total noncurrent assets	182,503,480	229,550,354	24,840,771	1,853,727	30,400,313
Total assets	263,049,399	299,143,785	26,811,496	3,963,972	54,034,289
Deferred outflows of resources					
Deferred charge on refunding	456,781	1,158,752	56,799	-	-
Deferred pension amounts	1,313,811	1,068,863	-	-	590,101
Deferred OPEB amounts	1,139,170	1,157,122	-	-	566,321
Total deferred outflows of resources	2,909,762	3,384,737	56,799	-	1,156,422
Liabilities					
Current liabilities:					
Accounts payable	9,857,110	4,807,437	-	48,254	951,224
Accrued liabilities	303,534	193,912	-	-	92,214
Accrued interest payable	154,466	457,042	7,867	-	88,772
Deposits payable	183,932	-	-	-	51,554
Due to other governments	57,811	-	-	-	-
Bonds, notes, and other long-term liabilities, current	3,763,891	5,483,064	291,274	-	1,229,093
Estimated claims payable, current	-	-	-	-	-
Compensated absences, current	441,734	377,731	-	-	196,891
Total current liabilities	14,762,478	11,319,186	299,141	48,254	2,609,748
Noncurrent liabilities:					
Bonds, notes, and other long-term liabilities, net	62,440,366	92,912,681	914,704	-	12,311,639
Estimated claims payable, net	-	-	-	-	-
Compensated absences, net	354,379	187,714	-	-	22,380
Net pension liability	3,690,952	3,002,808	-	-	1,657,800
Net OPEB liability	2,927,605	2,973,742	-	-	1,455,414
Total noncurrent liabilities	69,413,302	99,076,945	914,704	-	15,447,233
Total liabilities	84,175,780	110,396,131	1,213,845	48,254	18,056,981
Deferred inflows of resources					
Deferred pension amounts	936,576	761,960	-	-	420,665
Deferred OPEB amounts	2,363,895	2,401,148	-	-	1,175,174
Deferred lease amounts	-	-	-	232,395	-
Total deferred inflows of resources	3,300,471	3,163,108	-	232,395	1,595,839
Net position					
Net investment in capital assets	110,766,933	130,356,027	23,691,592	1,734,923	16,016,086
Restricted for debt service	4,169,038	9,450,618	-	-	-
Restricted for equipment replacement	14,230,488	8,747,619	-	-	-
Restricted for landfill	-	-	-	-	-
Unrestricted	49,316,451	40,415,019	1,962,858	1,948,400	19,521,805
Total net position	\$ 178,482,910	\$ 188,969,283	\$ 25,654,450	\$ 3,683,323	\$ 35,537,891

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

Business-type Activities - Enterprise Funds		Governmental Activities
Solid Waste	Total Enterprise Funds	Internal Service Funds
\$ 193,628	\$ 194,108	\$ 298
29,797,270	135,424,417	46,502,639
-	52,156,254	-
5,356	135,726	-
944,758	17,785,082	63,753
-	114,304	-
-	77,306	-
-	1,893,440	15,566
-	56,794	1,638,667
-	957,877	1,223,100
<u>30,941,012</u>	<u>208,795,308</u>	<u>49,444,023</u>
-	118,091	-
-	471,031	-
-	2,797,669	-
2,638,065	90,716,332	90,005
<u>9,112,266</u>	<u>386,795,853</u>	<u>12,358,732</u>
<u>11,750,331</u>	<u>480,898,976</u>	<u>12,448,737</u>
42,691,343	689,694,284	61,892,760
-	1,672,332	-
503,257	3,476,032	-
<u>538,577</u>	<u>3,401,190</u>	<u>-</u>
<u>1,041,834</u>	<u>8,549,554</u>	<u>-</u>
848,925	16,512,950	4,309,831
105,983	695,643	3,592
-	708,147	-
-	235,486	961,325
-	57,811	-
-	10,767,322	551,962
-	-	272,949
<u>174,543</u>	<u>1,190,899</u>	<u>-</u>
<u>1,129,451</u>	<u>30,168,258</u>	<u>6,099,659</u>
-	168,579,390	861,049
4,723,903	4,723,903	2,013,058
68,869	633,342	-
1,413,822	9,765,382	-
<u>1,384,111</u>	<u>8,740,872</u>	<u>-</u>
<u>7,590,705</u>	<u>192,442,889</u>	<u>2,874,107</u>
8,720,156	222,611,147	8,973,766
358,756	2,477,957	-
1,117,601	7,057,818	-
-	232,395	-
<u>1,476,357</u>	<u>9,768,170</u>	<u>-</u>
11,511,024	294,076,585	11,035,726
-	13,619,656	-
-	22,978,107	-
188,011	188,011	-
<u>21,837,629</u>	<u>135,002,162</u>	<u>41,883,268</u>
<u>\$ 33,536,664</u>	<u>\$ 465,864,521</u>	<u>\$ 52,918,994</u>

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CITY OF ANN ARBOR, MICHIGAN

Reconciliation

Net Position of Enterprise Funds
to Net Position of Business-type Activities
June 30, 2023

Net position of enterprise funds \$ 465,864,521

Amounts reported for *business-type activities* in the statement of net position are different because:

Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. A portion of the net position of the internal service funds is allocated to the enterprise funds and reported in the statement of net position.

Net position of business-type activities accounted for in governmental-type internal service funds

11,145,225

Net position of business-type activities \$ 477,009,746

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

CITY OF ANN ARBOR, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended June 30, 2023

	Business-type Activities - Enterprise Funds				
	Water Supply System	Sewage Disposal System	Parking System	Airport	Stormwater Sewer System
Operating revenues					
Charges for services	\$ 36,193,513	\$ 34,808,098	\$ 309,700	\$ 952,188	\$ 15,106,097
Operating expenses					
Personal services	5,082,980	5,489,164	-	377,235	3,225,147
Municipal service charge	479,004	687,432	-	34,860	274,956
Information technology charge	989,505	713,535	-	13,692	324,576
Other operating costs	8,419,198	5,302,977	5,000	334,856	4,513,721
Depreciation and amortization	5,732,944	7,544,806	1,621,514	57,579	994,989
Total operating expenses	20,703,631	19,737,914	1,626,514	818,222	9,333,389
Operating income (loss)	15,489,882	15,070,184	(1,316,814)	133,966	5,772,708
Nonoperating revenues (expenses)					
Property taxes	-	-	-	-	-
Investment earnings	456,720	1,089,628	25,007	23,880	285,114
Gain on sale of capital assets	11,340	-	-	10,419	-
Interest and fiscal charges	(551,788)	(2,111,098)	(35,146)	-	(337,697)
Total nonoperating revenues (expenses)	(83,728)	(1,021,470)	(10,139)	34,299	(52,583)
Income (loss) before contributions and transfers	15,406,154	14,048,714	(1,326,953)	168,265	5,720,125
Capital contributions	-	-	-	-	-
Transfers in	10,994,781	1,413,711	-	-	258,837
Transfers out	(1,176,268)	(1,560,366)	-	(11,640)	(3,933,454)
Changes in net position	25,224,667	13,902,059	(1,326,953)	156,625	2,045,508
Net position, beginning of year	153,258,243	175,067,224	26,981,403	3,526,698	33,492,383
Net position, end of year	\$ 178,482,910	\$ 188,969,283	\$ 25,654,450	\$ 3,683,323	\$ 35,537,891

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

Business-type Activities - Enterprise Funds		Governmental Activities
Solid Waste	Total Enterprise Funds	Internal Service Funds
\$ 4,263,230	\$ 91,632,826	\$ 60,713,689
3,819,057	17,993,583	9,909,280
486,756	1,963,008	1,780,020
192,439	2,233,747	1,261,654
12,426,262	31,002,014	40,911,945
941,887	16,893,719	3,041,603
<u>17,866,401</u>	<u>70,086,071</u>	<u>56,904,502</u>
<u>(13,603,171)</u>	<u>21,546,755</u>	<u>3,809,187</u>
15,522,511	15,522,511	-
456,547	2,336,896	550,349
-	21,759	286,203
<u>-</u>	<u>(3,035,729)</u>	<u>(25,487)</u>
<u>15,979,058</u>	<u>14,845,437</u>	<u>811,065</u>
2,375,887	36,392,192	4,620,252
-	-	136,932
19,640	12,686,969	162,304
<u>(687,779)</u>	<u>(7,369,507)</u>	<u>(762,666)</u>
1,707,748	41,709,654	4,156,822
<u>31,828,916</u>	<u>424,154,867</u>	<u>48,762,172</u>
<u>\$ 33,536,664</u>	<u>\$ 465,864,521</u>	<u>\$ 52,918,994</u>

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CITY OF ANN ARBOR, MICHIGAN

Reconciliation

Changes in Net Position of Enterprise Funds
to Changes in Net Position of Business-type Activities
For the Year Ended June 30, 2023

Net change in net position - total enterprise funds \$ 41,709,654

Amounts reported for *business-type activities* in the statement of activities differs from the amounts reported in the statement of revenues, expenses, and changes in fund net position because:

Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. A portion of the operating income of the internal service funds is allocated to the enterprise funds and reported in the statement of activities.

Net operating income from business-type activities accounted for in governmental-type internal service funds

1,804,026

Change in net position of business-type activities \$ 43,513,680

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

CITY OF ANN ARBOR, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2023

	Business-type Activities - Enterprise Funds				
	Water System	Sewage Disposal System	Parking System	Airport	Stormwater Sewer System
Cash flow from operating activities					
Receipts from customers	\$ 34,757,786	\$ 35,386,479	\$ 850,300	\$ 971,797	\$ 14,886,522
Payments to suppliers	(3,321,664)	(2,536,926)	(5,000)	(338,973)	(4,996,071)
Payments on behalf of employees	(7,635,413)	(6,646,457)	-	(377,235)	(3,119,119)
Payments received for interfund services	-	-	-	-	-
Payments made for interfund services	(1,468,509)	(1,400,967)	-	(48,552)	(599,532)
Net cash provided by (used in) operating activities	<u>22,332,200</u>	<u>24,802,129</u>	<u>845,300</u>	<u>207,037</u>	<u>6,171,800</u>
Cash flows from noncapital financing activities					
Transfers in	10,994,781	1,413,711	-	-	258,837
Transfers out	(1,176,268)	(1,560,366)	-	(11,640)	(3,933,454)
Property taxes	-	-	-	-	-
Net cash provided by (used in) noncapital financing activities	<u>9,818,513</u>	<u>(146,655)</u>	<u>-</u>	<u>(11,640)</u>	<u>(3,674,617)</u>
Cash flows from capital and related financing activities					
Capital contributions	-	-	-	-	-
Purchase of capital assets	(35,717,624)	(13,319,871)	-	(7,067)	(2,922,319)
Proceeds from sale of capital assets	11,340	-	-	10,419	-
Principal paid on long-term debt	(4,350,181)	(8,625,000)	(280,000)	-	(1,087,938)
Interest paid on long-term debt	(146,581)	(2,300,263)	(43,176)	-	(344,806)
Proceeds from issuance of long-term debt	42,898,858	-	-	-	2,525
Net cash provided by (used in) capital and related financing activities	<u>2,695,812</u>	<u>(24,245,134)</u>	<u>(323,176)</u>	<u>3,352</u>	<u>(4,352,538)</u>
Cash flows from investing activities					
Proceeds from sale and maturities of investments	-	91,335	-	-	-
Purchase of investments	(39,654,441)	-	-	-	-
Interest and dividends on investments	456,720	1,089,628	25,007	23,880	285,114
Net cash provided by (used in) investing activities	<u>(39,197,721)</u>	<u>1,180,963</u>	<u>25,007</u>	<u>23,880</u>	<u>285,114</u>
Net change in cash and cash equivalents	<u>(4,351,196)</u>	<u>1,591,303</u>	<u>547,131</u>	<u>222,629</u>	<u>(1,570,241)</u>
Cash and cash equivalents, beginning of the year	<u>32,997,691</u>	<u>51,224,582</u>	<u>1,423,094</u>	<u>1,723,568</u>	<u>21,819,066</u>
Cash and cash equivalents, end of the year	<u>\$ 28,646,495</u>	<u>\$ 52,815,885</u>	<u>\$ 1,970,225</u>	<u>\$ 1,946,197</u>	<u>\$ 20,248,825</u>
Reconciliation to statement of net position					
Cash and cash equivalents	\$ 450	\$ -	\$ -	\$ 30	\$ -
Equity in pooled cash and investments	<u>28,646,045</u>	<u>52,815,885</u>	<u>1,970,225</u>	<u>1,946,167</u>	<u>20,248,825</u>
Total cash and cash equivalents, end of year	<u>\$ 28,646,495</u>	<u>\$ 52,815,885</u>	<u>\$ 1,970,225</u>	<u>\$ 1,946,197</u>	<u>\$ 20,248,825</u>

Business-type Activities - Enterprise Funds		Governmental Activities
Solid Waste	Total Enterprise Funds	Internal Service Funds
\$ 4,166,570	\$ 91,019,454	\$ -
(13,161,560)	(24,360,194)	(39,290,008)
(3,665,568)	(21,443,792)	(10,153,658)
-	-	60,713,689
(679,195)	(4,196,755)	-
<u>(13,339,753)</u>	<u>41,018,713</u>	<u>11,270,023</u>
19,640	12,686,969	162,304
(687,779)	(7,369,507)	(762,666)
<u>15,522,511</u>	<u>15,522,511</u>	<u>-</u>
<u>14,854,372</u>	<u>20,839,973</u>	<u>(600,362)</u>
-	-	136,932
(175,242)	(52,142,123)	(2,355,807)
-	21,759	286,203
-	(14,343,119)	(722,696)
-	(2,834,826)	(25,487)
-	42,901,383	-
<u>(175,242)</u>	<u>(26,396,926)</u>	<u>(2,680,855)</u>
-	91,335	-
-	(39,654,441)	-
<u>456,547</u>	<u>2,336,896</u>	<u>550,349</u>
<u>456,547</u>	<u>(37,226,210)</u>	<u>550,349</u>
1,795,924	(1,764,450)	8,539,155
<u>28,194,974</u>	<u>137,382,975</u>	<u>37,963,782</u>
<u>\$ 29,990,898</u>	<u>\$ 135,618,525</u>	<u>\$ 46,502,937</u>
\$ 193,628	\$ 194,108	\$ 298
<u>29,797,270</u>	<u>135,424,417</u>	<u>46,502,639</u>
<u>\$ 29,990,898</u>	<u>\$ 135,618,525</u>	<u>\$ 46,502,937</u>

continued...

CITY OF ANN ARBOR, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2023

	Business-type Activities - Enterprise Funds				
	Water System	Sewage Disposal System	Parking System	Airport	Stormwater Sewer System
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ 15,489,882	\$ 15,070,184	\$ (1,316,814)	\$ 133,966	\$ 5,772,708
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	5,732,944	7,544,806	1,621,514	57,579	994,989
Changes in assets and liabilities:					
Receivables	(696,007)	614,065	540,000	629,225	(187,039)
Due from other governments	(580,460)	-	600	-	(31,604)
Prepaid items	(12,872)	(32,955)	-	-	(1,967)
Inventories	(146,388)	(2,729)	-	-	1,035
Deferred outflows related to the net pension liability	(546,737)	(454,163)	-	-	(302,285)
Deferred outflows related to the net OPEB liability	456,604	132,453	-	-	(38,321)
Accounts payable	5,045,781	2,766,051	-	(4,117)	(492,704)
Accrued liabilities	86,597	959	-	-	(10,638)
Deposits payable	(6,058)	-	-	-	10,354
Due to other governments	57,811	-	-	-	-
Estimated claims payable	-	-	-	-	-
Accrued compensated absences	(327,414)	(193,739)	-	-	(47,837)
Net pension liability	(143,591)	(70,035)	-	-	219,032
Net OPEB liability	(2,830,600)	(1,679,568)	-	-	(449,822)
Deferred inflows related to the net pension liability	554,230	455,564	-	-	277,204
Deferred inflows related to the net OPEB liability	198,478	651,236	-	-	458,695
Deferred inflows related to leases	-	-	-	(609,616)	-
Net cash provided by (used in) operating activities	<u>\$ 22,332,200</u>	<u>\$ 24,802,129</u>	<u>\$ 845,300</u>	<u>\$ 207,037</u>	<u>\$ 6,171,800</u>
Noncash capital and related financing activities					
Change in accounts payable related to capital asset additions	\$ 1,020,990	\$ 798,106	\$ -	\$ 713	\$ (48,343)

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



Business-type Activities - Enterprise Funds		Governmental Activities
Solid Waste	Total Enterprise Funds	Internal Service Funds
\$ (13,603,171)	\$ 21,546,755	\$ 3,809,187
941,887	16,893,719	3,041,603
(96,660)	803,584	203,351
-	(611,464)	(15,566)
-	(47,794)	1,562,352
-	(148,082)	(67,394)
(229,767)	(1,532,952)	-
(24,317)	526,419	-
(735,298)	6,579,713	2,984,179
(5,014)	71,904	782
-	4,296	(3,311)
-	57,811	-
231,119	231,119	(245,160)
(35,855)	(604,845)	-
46,667	52,073	-
(471,547)	(5,431,537)	-
222,436	1,509,434	-
419,767	1,728,176	-
-	(609,616)	-
<u>\$ (13,339,753)</u>	<u>\$ 41,018,713</u>	<u>\$ 11,270,023</u>
<u>\$ (12,495)</u>	<u>\$ 1,758,971</u>	<u>\$ -</u>

concluded.

CITY OF ANN ARBOR, MICHIGAN

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2023

	Private-purpose Trust Fund	Pension and Other Employee Benefit Trust Funds	Custodial Funds
Assets			
Cash and cash equivalents	\$ -	\$ -	\$ 42,765
Equity in pooled cash and investments	-	2,261,951	132,445
Investments:			
Equities	-	537,155,434	-
Fixed income	-	132,043,416	-
Other	694,381	192,731,168	-
Accounts receivable	-	-	151,327
Accrued interest and dividends	-	914,484	-
Due from the City of Ann Arbor	-	314,215	-
Capital assets being depreciated, net	-	300,254	-
Total assets	694,381	865,720,922	326,537
Liabilities			
Accounts payable	-	4,273,917	-
Due to other governments	-	-	326,537
Total liabilities	-	4,273,917	326,537
Net position			
Investment in capital assets	-	300,254	-
Restricted for:			
Police and fire relief	694,381	-	-
Pension benefits	-	611,314,127	-
Other postemployment benefits	-	249,832,624	-
Total net position	\$ 694,381	\$ 861,447,005	\$ -

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

CITY OF ANN ARBOR, MICHIGAN

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended June 30, 2023

	Private-purpose Trust Fund	Pension and Other Employee Benefit Trust Funds	Custodial Funds
Additions			
Investment income:			
<i>From investing activities:</i>			
Net appreciation in fair value of investments	\$ -	\$ 71,305,121	\$ -
Interest and dividends	26,722	13,661,691	851
Total investment income	26,722	84,966,812	851
Investment management fees	-	(753,572)	-
Net investment income from investing activities	26,722	84,213,240	851
<i>From securities lending activities:</i>			
Gross earnings	-	74,058	-
Borrower rebates paid	-	(65,503)	-
Securities lending fees	-	41,854	-
Net investment income from securities lending activities	-	50,409	-
Total net investment income	26,722	84,263,649	851
Contributions:			
Employer	-	30,914,482	-
Plan members	-	3,849,807	-
Total contributions	-	34,764,289	-
Taxes collected for other governments	-	-	298,486,894
Court fines, fees, and costs	-	-	1,629,798
Total additions	26,722	119,027,938	300,117,543
Deductions			
Benefits	-	58,140,879	-
Refunds	-	444,680	-
Administrative expenses	-	634,374	-
Payments of taxes to other governments	-	-	298,486,894
Court disbursements	-	-	1,630,649
Total deductions	-	59,219,933	300,117,543
Change in net position	26,722	59,808,005	-
Net position, beginning of year	667,659	801,639,000	-
Net position, end of year	\$ 694,381	\$ 861,447,005	\$ -

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

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COMPONENT UNIT FINANCIAL STATEMENTS

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Net Position

Discretely Presented Component Units

June 30, 2023

	Ann Arbor Housing Commission	SmartZone Local Development Finance Authority	Downtown Development Authority	Total
Assets				
Cash and cash equivalents	\$ 3,293,041	\$ -	\$ 2,296,274	\$ 5,589,315
Equity in pooled cash and investments	-	1,098,444	-	1,098,444
Investments	-	-	27,089,721	27,089,721
Receivables	774,308	223,844	665,669	1,663,821
Other assets	5,069,990	-	415,351	5,485,341
Capital assets being depreciated, net	263,333	-	-	263,333
Total assets	9,400,672	1,322,288	30,467,015	41,189,975
Deferred outflows of resources				
Deferred pension amounts	101,991	-	-	101,991
Liabilities				
Accounts payable and accrued liabilities	3,305,790	629,971	4,809,976	8,745,737
Unearned revenue	164,796	223,844	275,833	664,473
Long-term liabilities:				
Due within one year	76,861	-	24,995	101,856
Due in more than one year	89,051	-	164,972	254,023
Net pension liability	87,987	-	-	87,987
Total liabilities	3,724,485	853,815	5,275,776	9,854,076
Deferred inflows of resources				
Deferred pension amounts	5,013	-	-	5,013
Net position				
Investment in capital assets	263,333	-	-	263,333
Restricted for housing	243,932	-	-	243,932
Unrestricted	5,265,900	468,473	25,191,239	30,925,612
Total net position	\$ 5,773,165	\$ 468,473	\$ 25,191,239	\$ 31,432,877

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

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Activities

Discretely Presented Component Units
For the Year Ended June 30, 2023

	Ann Arbor Housing Commission	SmartZone Local Development Finance Authority	Downtown Development Authority	Total
Expenses				
Housing and economic development	\$ 30,981,303	\$ 6,379,405	\$ 28,929,742	\$ 66,290,450
Program revenues				
Charges for services	7,492	-	19,686,924	19,694,416
Operating grants and contributions	34,516,617	-	-	34,516,617
Total program revenues	34,524,109	-	19,686,924	54,211,033
Net program revenues (expenses)	3,542,806	(6,379,405)	(9,242,818)	(12,079,417)
General revenues				
Property taxes	-	4,986,698	8,152,675	13,139,373
Unrestricted investment earnings	8,009	29,445	411,003	448,457
Gain on sale of capital assets	800	-	-	800
Other revenues	115,403	3	197,451	312,857
Total general revenues	124,212	5,016,146	8,761,129	13,901,487
Change in net position	3,667,018	(1,363,259)	(481,689)	1,822,070
Net position, beginning of year	2,106,147	1,831,732	25,672,928	29,610,807
Net position, end of year	<u>\$ 5,773,165</u>	<u>\$ 468,473</u>	<u>\$ 25,191,239</u>	<u>\$ 31,432,877</u>

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

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NOTES TO FINANCIAL STATEMENTS

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Blended Component Unit

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

Discretely Presented Component Units

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

Downtown Development Authority (DDA). The DDA was created to finance rehabilitation and redevelopment in the downtown area. Members of the DDA Board are appointed by the Mayor and approved by City Council. Development plans are approved by Council and Council must approve all modifications to the plans. The DDA's primary source of funding is charges for services (parking) and tax increment financing revenues. Bonds secured by those revenues are issued by the City on behalf of the DDA, which does not have the ability to issue debt. During the fiscal year, the DDA paid \$3.9 million to the City as part of an agreement between the City and DDA, wherein the DDA distributes 20% of the parking revenues to the City. Also, during the fiscal year the DDA paid \$6.0 million for debt service payments. The DDA issues separate audited financial statements.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

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

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

Complete financial statements of the individual component units can be requested from the City 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 \$20,335 as of June 30, 2023.

Government-wide and Fund Financial Statements

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

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The City reports the following major governmental funds:

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

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

Major grants special revenue fund. This fund is used to account for various grant monies.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

The government reports the following major enterprise funds:

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

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

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

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

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

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

Additionally, the government reports the following fund types:

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

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

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

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

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

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

The *custodial funds* are used to account for monies held by the City in a trustee capacity for individuals, private organizations, and other governments, specifically funds from district court fines and costs and property tax collections.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

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

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

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

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

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value.

Receivables and Payables

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

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

Inventories and Prepaid Items

Inventories of materials and supplies are stated at cost using the first-in, first-out method. The cost is accounted for as an expenditure in governmental funds and an expense in the proprietary funds at the time inventories are used. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items, using the consumption method, 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 are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

Leases

Lessee. The City is a lessee for a noncancellable lease of a building. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price (if applicable) that the City is reasonably certain to exercise.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lessor. The City is a lessor for noncancellable leases of land and buildings. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide, proprietary fund and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for prepaid lease payments received at lease inception. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts. The City uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Subscription-Based Information Technology Arrangements (SBITA)

The City has noncancellable subscription-based information technology arrangements. The City recognizes a subscription liability and an intangible right-to-use subscription asset in the government-wide and proprietary fund financial statements. The City recognizes subscription liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a subscription, the City initially measures the subscription liability at the present value of payments expected to be made during the SBITA term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to subscriptions include how the City determines (1) the discount rate it uses to discount the expected SBITA payments to present value, (2) subscription term, and (3) subscription payments. The City uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for SBITAs. The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price (if applicable) that the City is reasonably certain to exercise.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

The City monitors changes in circumstances that would require a remeasurement of its subscription and will remeasure the subscription asset and subscription liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows of resources related to pension and other postemployment benefit liabilities as well as for the deferred charge on refunding. A deferred refunding charge results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Compensated Absences

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

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City reports deferred inflows of resources related to its pension and other postemployment benefit liabilities. The governmental funds also report unavailable revenues, which arises only under a modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Finally, the statements of net position and governmental funds balance sheets report deferred inflows related to leases. The amounts are deferred and amortized over the remaining life of the lease.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

Pensions and Other Postemployment Benefits

For purposes of measuring the net pension liability, net other postemployment benefit liability, deferred outflows of resources and deferred inflows of resources related to pension and other postemployment benefit plans, and pension and other postemployment benefit expenses, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. 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.

Fund Balances

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

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

Use of Estimates

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

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting (under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation) is utilized in the governmental funds. Outstanding encumbrances at year-end consisted of the following: \$3,028,700 in assigned fund balance of the general fund, \$6,198,475 in restricted fund balance of the street repair millage special revenue fund, and \$11,487,110 in the restricted, committed, or assigned fund balance of the nonmajor governmental funds. The encumbrances do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

2. BUDGETARY CONTROLS AND INFORMATION

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

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

- The City uses the "target based" budgeting technique. Under this system, the City Administrator determines funding levels for each department by matching funding needs with available revenues. Targets are established based on anticipated revenues and growth in expenditures.
- In late November, each department is given a "bottom line" amount for operations. The department then determines the best way to allocate funds among expenditures to remain within the target while meeting the assigned goals.
- Department budget requests are then submitted with expenditures outlined and areas of concern identified so that adjustments can be made as needed. By allowing the departments to determine how funds are spent within the department, the operating departments have a greater ownership in how they provide services.
- The City Administrator's recommended budget is submitted to City Council at the second meeting in April. The City Council, with at least seven affirmative votes, must adopt the budget no later than the end of its second meeting in May. According to City Charter, should the City Council not adopt an amended budget, the City Administrator's recommended budget will automatically take effect as submitted.
- After the budget has been adopted, City Council may amend the budget by a concurring vote of not fewer than eight members.

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

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

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.

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Expenditures in Excess of 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. Excess of expenditures or transfers out over appropriations in individual funds are as follow:

	Final Budget	Actual	Excess
General fund			
Public transportation	\$ 12,845,722	\$ 12,911,467	\$ 65,745
Capital outlay	825,677	914,986	89,309
Principal retirement	-	66,539	66,539

4. DEPOSITS AND INVESTMENTS

The following is a reconciliation of deposit and investment balances as of June 30, 2023:

	Primary Government	Component Units	Total
Statement of net position			
Cash and cash equivalents	\$ 581,023	\$ 5,589,315	\$ 6,170,338
Equity in pooled cash and investments	321,296,055	1,098,444	322,394,499
Investments	69,151,868	27,089,721	96,241,589
Restricted assets	17,088,954	-	17,088,954
Statement of fiduciary net position			
Cash and cash equivalents	42,765	-	42,765
Equity in pooled cash and investments	2,394,396	-	2,394,396
Investments	862,624,399	-	862,624,399
Total	<u>\$ 1,273,179,460</u>	<u>\$ 33,777,480</u>	<u>\$ 1,306,956,940</u>

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

Deposits and investments

Bank deposits (demand accounts)	\$ 11,454,276
Certificates of deposit due within one year	1,516,728
Certificates of deposit due in more than 1 year (DDA)	1,088,559
Investments in securities, mutual funds, and similar vehicles:	
City investment pool	403,868,409
Employees' Retirement System	612,594,461
Retiree Health Care Trust Fund	249,335,557
Downtown Development Authority	27,089,721
Cash on hand	<u>9,229</u>
	<u><u>\$ 1,306,956,940</u></u>

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

Deposits

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

	Carrying Amount	Bank Balance	Insured	Uninsured
City cash pool	\$ 8,470,432	\$ 4,431,059	\$ 1,016,071	\$ 3,414,988
Downtown Development Authority	2,296,090	2,877,330	1,243,045	1,634,285
Housing Commission	3,293,041	3,308,509	750,000	2,558,509
	<u>\$ 14,059,563</u>	<u>\$ 10,616,898</u>	<u>\$ 3,009,116</u>	<u>\$ 7,607,782</u>

The uninsured bank balance of \$7,607,782 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 \$672,995 as of year-end.

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

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

Investments - City Investment Pool

Following is a summary of the City's investments as of June 30, 2023:

U.S. treasuries	\$ 218,421,540
U.S. agencies (asset backed)	106,717,906
Michigan CLASS	78,535,335
Money market funds	<u>193,628</u>
Total Investments	<u>\$ 403,868,409</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, 2023, none of the City's investments were exposed to risk since the securities are held in the City's name by the counterparty.

Credit Risk. The City analyzes credit risk of banking institutions and issuers of securities prior to depositing or investing City funds. State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROS). In addition to the restrictions placed on the City by Public Act 20 of 1943, the City's investment policy further requires that banks in which the City invests public funds must have maintained an average Highline Banking Data Services Rating of 30 or better for the four most recent reporting quarters. Securities purchased by the City always conform to the rating requirements set forth in Public Act 20. As of June 30, 2023, all of the City's investments in securities of the U.S. Treasury and U.S. agencies were rated AA+ by Standard & Poor's (S&P) and Aaa by Moody's. All of the City's investments comply with its policy regarding the types of investments it may hold.

Concentration of Credit Risk. At June 30, 2023, the investment portfolio was concentrated as follows:

Investment Type	Issuer	% of Portfolio
U.S. agencies	Federal Home Loan Bank	12.15%
U.S. agencies	Federal Farm Credit Bank	7.45%
U.S. agencies	Federal National Mortgage Association	7.33%
U.S. agencies	Federal Home Loan Mortgage Corporation	5.89%

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

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

- 65% in Federal Instrumentality Securities
- 30% in Money Market Mutual Funds
- 25% in Prime Commercial Paper
- 10% in Certificates of Deposit
- 10% in Federal Agency Securities
- 10% in Obligations of the State of Michigan or any of its Political Subdivisions
- 10% in Investment Pools
- 10% in Joint Interlocal Investment Ventures
- 10% in Local Government Investment Pools

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

Interest Rate Risk. As of June 30, 2023, maturities of the City's debt securities were as follows:

Investment Type	Fair Value	Investments Maturities (fair value by years)		
		<1	1-5	6-10
U.S. treasuries	\$ 218,421,540	\$ 54,491,785	\$ 163,785,134	\$ 144,621
U.S. agencies	106,717,906	59,147,606	47,570,300	-
	<u>\$ 325,139,446</u>	<u>\$ 113,639,391</u>	<u>\$ 211,355,434</u>	<u>\$ 144,621</u>

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 smoothed fair value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. To the extent possible, the Treasurer shall match investments with anticipated cash flow requirements. The City will not invest in securities maturing more than fifteen years from the date of purchase, and the weighted average maturity of the portfolio shall not exceed 6.5 years.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

Fair Value Measurements

The City 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. Level 2 inputs include: a) quoted prices for similar assets or liabilities in active markets; b) quoted prices for identical or similar assets or liabilities in markets that are not active; and c) inputs other than quoted prices that are observable for the asset or liability, such as: (1) interest rates and yield curves observable at commonly quoted intervals; (2) implied volatilities and (3) credit spreads. Finally, Level 3 inputs are unobservable and are based on estimates and assumptions. These levels are determined by the City's investment managers. 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 managers will request the information from the fund manager if necessary. The City had the following recurring fair value measurements as of June 30, 2023.

	Level 1	Level 2	Level 3	Total
U.S. treasuries	\$ -	\$ 218,421,540	\$ -	\$ 218,421,540
U.S. agencies	-	106,717,906	-	106,717,906
Money market funds	-	193,628	-	193,628
Total investments at fair value	\$ -	\$ 325,333,074	\$ -	325,333,074
Investments measured at the net asset value (NAV)				
Michigan CLASS investment pool				78,535,335
Total investments				\$ 403,868,409

The City holds shares or interests in investment companies whereby the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient. The Michigan CLASS investment pool invests in U.S. treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated 'A-1' or better) collateralized bank deposits, repurchase agreements (collateralized at 102% by Treasuries and agencies), and approved money-market funds. The program seeks to provide safety, liquidity, convenience, and competitive rates of return, and is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

Investments - Employees' Retirement System

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

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

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

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

The adopted asset allocation policy as of June 30, 2023, is as follows:

Asset Class	Target Allocation	Allocation Range
Equities		
Domestic equities	36%	25% to 42%
Developed foreign equities	14%	9% to 17%
Emerging markets equities	7%	0% to 10%
Private equities	7%	0% to 10%
	64%	
Fixed income		
Investment grade bonds	10%	6% to 22%
Private debt	7%	0% to 10%
	17%	
Other investments		
Real estate	9%	2% to 12%
Infrastructure	7%	0% to 10%
Natural resources	3%	0% to 5%
	19%	
Total investments	100%	

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

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

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, 2023:

	Domestic	Foreign	Total	On Loan
Equities				
Common stock	\$ 155,834,584	\$ 838,090	\$ 156,672,674	\$ 4,436,819
Common stock funds	66,330,343	119,830,194	186,160,537	-
Private equities	45,178,899	-	45,178,899	-
Equity mutual funds	3,147,193	1,109,762	4,256,955	-
	<u>270,491,019</u>	<u>121,778,046</u>	<u>392,269,065</u>	<u>4,436,819</u>
Fixed income				
Government agency funds	29,038,321	-	29,038,321	-
Corporate bonds	-	4,492,839	4,492,839	-
Corporate bond funds	32,666,491	-	32,666,491	-
Private credit	17,687,124	-	17,687,124	-
Fixed income mutual funds	803,158	105,070	908,228	-
	<u>80,195,094</u>	<u>4,597,909</u>	<u>84,793,003</u>	<u>-</u>
Other				
Infrastructure	4,948,611	36,182,809	41,131,420	-
Real estate funds and REITS	67,553,331	-	67,553,331	-
Real estate - private credit	4,838,194	-	4,838,194	-
Mutual funds - other	378,890	-	378,890	-
Short-term investment funds	21,630,558	-	21,630,558	-
	<u>99,349,584</u>	<u>36,182,809</u>	<u>135,532,393</u>	<u>-</u>
Total investments	<u>\$ 450,035,697</u>	<u>\$ 162,558,764</u>	<u>\$ 612,594,461</u>	<u>\$ 4,436,819</u>

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

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

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

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

The System's fixed income securities consisted of the following at June 30, 2023:

Government agency funds	\$ 29,038,321
Corporate bonds	4,492,839
Corporate bond funds	32,666,491
Private credit	17,687,124
Fixed income mutual funds	<u>908,228</u>
	<u>\$ 84,793,003</u>

The System's investments in corporate bond funds and hedge funds are not rated; also, the other fixed income securities at June 30, 2023 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.

As of June 30, 2023, the weighted average maturity of the System's corporate bonds was 6.3 years.

Inasmuch as all of the debt or fixed income securities as of June 30, 2023, except for the corporate bonds, are essentially held in funds by the portfolio managers, maturity information is not available.

Rate of Return. For the year ended June 30, 2023, the annual money-weighted rate of return on plan investments, net of investment expenses, was 10.80%. 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 smoothed fair value of the securities lent and may not fall below 100 percent during the term of the loan. There are no restrictions on the amount of securities that can be loaned.

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

At June 30, 2023, the total collateral received from borrowers had a fair value of \$4,436,819, all of which was cash.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

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. 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, 2023:

	Level 1	Level 2	Level 3	Total
Equities				
Common stock	\$ 156,672,674	\$ -	\$ -	\$ 156,672,674
Common stock funds	71,412,679	114,747,858	-	186,160,537
Private equities	-	-	45,178,899	45,178,899
Equity mutual funds	4,256,955	-	-	4,256,955
	<u>232,342,308</u>	<u>114,747,858</u>	<u>45,178,899</u>	<u>392,269,065</u>
Fixed income				
Government agency funds	-	29,038,321	-	29,038,321
Corporate bonds	-	-	4,492,839	4,492,839
Corporate bond funds	-	32,666,491	-	32,666,491
Private credit	-	-	17,687,124	17,687,124
Fixed income mutual funds	908,228	-	-	908,228
	<u>908,228</u>	<u>61,704,812</u>	<u>22,179,963</u>	<u>84,793,003</u>
Other				
Infrastructure	-	5,312,172	35,819,248	41,131,420
Real estate funds and REITS	-	-	67,553,331	67,553,331
Real estate - private credit	-	-	4,838,194	4,838,194
Mutual funds - other	378,890	-	-	378,890
Short-term investment funds	21,630,558	-	-	21,630,558
	<u>22,009,448</u>	<u>5,312,172</u>	<u>108,210,773</u>	<u>135,532,393</u>
Total	<u>\$ 255,259,984</u>	<u>\$ 181,764,842</u>	<u>\$ 175,569,635</u>	<u>\$ 612,594,461</u>

Investments - Retiree Health Care Trust Fund

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

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

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

Investments - The Michigan Public Employee Retirement System 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.

Investment Allocation Policy - The Plan's policy in regard to the allocation of invested assets is established and may be amended by its 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. Plan assets will be invested in the broad investment categories and asset classes to achieve the allocation targets following. 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 given targets as financially practicable and move toward target allocations in a prudent manner consistent with its fiduciary duty.

The adopted asset allocation policy as of June 30, 2023, is as follows:

Asset Class	Target Allocation	Allocation Range
Equities		
Domestic equities	33%	27% to 39%
Developed foreign equities	12%	9% to 15%
Emerging markets equities	7%	0% to 10%
Private equities	5%	0% to 8%
	<u>57%</u>	
Fixed income		
Investment grade bonds	10%	5% to 20%
Private debt	7%	0% to 10%
High yield bonds	4%	0% to 6%
TIPS	2%	0% to 5%
	<u>23%</u>	
Other investments		
Real estate	10%	2% to 12%
Infrastructure	7%	0% to 10%
Natural resources	3%	0% to 5%
	<u>20%</u>	
Total	<u><u>100%</u></u>	

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

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

Investment Holdings. The Plan's investments are held by an independent trust company. Following is a summary of the Plan's investments as of June 30, 2023:

	Domestic	Foreign	Total	On Loan
Equities				
Common stock	\$ 59,159,129	\$ 245,280	\$ 59,404,409	\$ 1,555,379
Common stock funds	29,983,959	45,643,803	75,627,762	-
Private equities	9,854,198	-	9,854,198	-
	<u>98,997,286</u>	<u>45,889,083</u>	<u>144,886,369</u>	<u>1,555,379</u>
Fixed income				
Corporate bond funds	29,373,572	-	29,373,572	-
Fixed income mutual funds	6,998,602	-	6,998,602	-
Index linked government bonds	4,430,924	-	4,430,924	-
Private credit	6,447,315	-	6,447,315	-
	<u>47,250,413</u>	<u>-</u>	<u>47,250,413</u>	<u>-</u>
Other				
Infrastructure	4,136,490	11,472,209	15,608,699	-
Real estate funds and REITS	27,268,951	-	27,268,951	-
Real estate - private credit	2,150,308	-	2,150,308	-
Short-term investment funds	12,170,817	-	12,170,817	-
	<u>45,726,566</u>	<u>11,472,209</u>	<u>57,198,775</u>	<u>-</u>
Total	<u>\$ 191,974,265</u>	<u>\$ 57,361,292</u>	<u>\$ 249,335,557</u>	<u>\$ 1,555,379</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 Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Plan's investment policy requires that securities be held in trust by a third-party institution in the Plan's name. As such, although uninsured and unregistered, the Plan's investments are not exposed to custodial credit risk since the securities are held by the counterparty's trust department in the Plan'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 Plan. The investment policy statement specifically indicates permissible asset classes, including high yield fixed income and alternatives, in appropriate target percentages.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

The Plan's fixed income securities consisted of the following at June 30, 2023:

Corporate bond funds	\$ 29,373,572
Fixed income mutual funds	6,998,602
Index linked government bonds	4,430,924
Private credit	<u>6,447,315</u>
	<u>\$ 47,250,413</u>

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

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. The Plan'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 Plan's investment policy requires a maximum term to maturity of 30 years for any single fixed income security. The Plan's investment policy does not address weighted average portfolio maturities.

As of June 30, 2023, the weighted average maturity of the Plan's corporate bonds was 7.3 years.

Inasmuch as all of the debt or fixed income securities as of June 30, 2023, except for the corporate bonds, are essentially held in funds by the portfolio managers, maturity information is not available.

Rate of Return. For the year ended June 30, 2023, the annual money-weighted rate of return on plan investments, net of investment expenses, was 9.94%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Fair Value Measurements. The Plan 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 Plan'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.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

The Plan had the following recurring fair value measurements as of June 30, 2023:

	Level 1	Level 2	Level 3	Total
Equities				
Common stock	\$ 59,404,409	\$ -	\$ -	\$ 59,404,409
Common stock funds	27,327,399	48,300,363	-	75,627,762
Private equity	-	-	9,854,198	9,854,198
	<u>86,731,808</u>	<u>48,300,363</u>	<u>9,854,198</u>	<u>144,886,369</u>
Fixed income				
Corporate bond funds	-	29,373,572	-	29,373,572
Fixed income mutual funds	-	6,998,602	-	6,998,602
Index linked government bonds	-	4,430,924	-	4,430,924
Private credit	-	-	6,447,315	6,447,315
	<u>-</u>	<u>40,803,098</u>	<u>6,447,315</u>	<u>47,250,413</u>
Other				
Infrastructure	-	4,136,490	11,472,209	15,608,699
Real estate - funds and REITS	5,016,645	-	22,252,306	27,268,951
Real estate - private credit	-	-	2,150,308	2,150,308
Short-term investment funds	12,170,817	-	-	12,170,817
	<u>17,187,462</u>	<u>4,136,490</u>	<u>35,874,823</u>	<u>57,198,775</u>
Total	<u>\$ 103,919,270</u>	<u>\$ 93,239,951</u>	<u>\$ 52,176,336</u>	<u>\$ 249,335,557</u>

Investments - DDA Component Unit

Custodial Credit Risk – Investments. Following is a summary of the DDA's investments as of June 30, 2023:

U.S. treasuries	\$ 1,555,405
U.S. agencies	13,345,841
Municipal bonds	2,805,184
Money market funds	<u>9,383,291</u>
Total investments	<u>\$ 27,089,721</u>

For investments, 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. The DDA'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, 2023, none of the DDA's investments were exposed to risk since the securities are held in the DDA's name by the counterparty. Short-term investments in money market funds are not subject to custodial credit risk.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

Credit Risk. The DDA's investment policy does not have specific limits in excess of state law on investment credit risk. As of June 30, 2023, the DDA's investments in U.S. Government notes and bonds, and municipal bonds were as follows:

Investment	Amount	S&P Rating
U.S. treasuries	\$ 1,555,405	AA+
U.S. agencies	13,345,841	N/A
Municipal bonds		
Rated bonds	232,230	AAA
Rated bonds	439,935	AA
Rated bonds	1,074,968	AA-
Unrated bonds	1,058,051	N/A

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, 2023, the maturities of the DDA's investments in debt securities were as follows:

	Fair Value	Investment Maturities (fair value by years)		
		Less Than 1	1-5	6-10
U.S. treasuries	\$ 1,555,405	\$ 1,555,405	\$ -	\$ -
U.S. agencies	13,345,841	3,285,404	10,060,437	-
Municipal bonds	2,805,184	1,170,426	1,194,823	439,935
	<u>\$ 17,706,430</u>	<u>\$ 6,011,235</u>	<u>\$ 11,255,260</u>	<u>\$ 439,935</u>

Fair Value. The DDA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The DDA had the following recurring fair value measurements as of June 30, 2023:

	Level 1	Level 2	Level 3	Total
U.S. treasuries	\$ -	\$ 1,555,405	\$ -	\$ 1,555,405
U.S. agencies	-	13,345,841	-	13,345,841
Municipal bonds	2,805,184	-	-	2,805,184
Money market funds	9,383,291	-	-	9,383,291
	<u>\$ 12,188,475</u>	<u>\$ 14,901,246</u>	<u>\$ -</u>	<u>\$ 27,089,721</u>

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

Concentration of Credit Risk. The DDA's investment policy does not address this risk. At June 30, 2023, the investment portfolio was concentrated as follows:

Investment Type	Issuer	% of Portfolio
U.S. agencies	Federal Home Loan Bank	57.74%
U.S. agencies	Federal Farm Credit Bank	13.34%

5. RECEIVABLES

Receivables in the governmental and business-type activities are as follows:

	Governmental Activities	Business-type Activities
Taxes	\$ 53,094	\$ 135,726
Accounts	4,207,721	17,843,021
Leases	44,505	232,395
Special assessments	93,592	-
Accrued interest and dividends	11,494	-
Improvement charges	11,928	548,337
Due from other governments	6,559,823	4,691,109
Less: allowance for uncollectibles	(974,655)	(57,939)
Total receivables	\$ 10,007,502	\$ 23,392,649
Amounts not expected to be collected within one year	\$ 574,843	\$ 3,386,791

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	Beginning Balance*	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets not being depreciated/amortized:					
Land	\$ 576,838,832	\$ -	\$ -	\$ -	\$ 576,838,832
Construction in progress	35,491,057	4,421,569	-	(677,632)	39,234,994
Total capital assets not being depreciated/amortized	612,329,889	4,421,569	-	(677,632)	616,073,826
Capital assets being depreciated/amortized:					
Land improvements	35,782,271	1,001,830	(42,716)	-	36,741,385
Intangible assets	1,173,590	-	-	-	1,173,590
Infrastructure	399,533,211	22,573,482	(1,794,329)	677,632	420,989,996
Buildings, additions, and improvements	166,400,455	-	-	-	166,400,455
Machinery and equipment	16,523,918	294,252	(18,595)	-	16,799,575
Vehicles	25,681,681	2,432,648	(110,344)	-	28,003,985
Lease equipment and and buildings (Note 11)	1,001,302	-	(174,158)	-	827,144
Subscription assets (Note 12)	1,336,660	-	-	-	1,336,660
Total capital assets being depreciated/amortized	647,433,088	26,302,212	(2,140,142)	677,632	672,272,790
Less accumulated depreciation/amortization for:					
Land improvements	(15,736,719)	(1,489,830)	-	-	(17,226,549)
Intangible assets	(1,173,590)	-	-	-	(1,173,590)
Infrastructure	(189,577,749)	(13,203,025)	1,704,480	-	(201,076,294)
Buildings, additions, and improvements	(49,716,240)	(4,055,932)	-	-	(53,772,172)
Machinery and equipment	(12,432,338)	(1,026,559)	18,595	-	(13,440,302)
Vehicles	(16,073,372)	(2,097,334)	112,663	-	(18,058,043)
Lease equipment and and buildings (Note 11)	(164,816)	(184,508)	132,692	-	(216,632)
Subscription assets (Note 12)	-	(401,288)	-	-	(401,288)
Total accumulated depreciation/amortization	(284,874,824)	(22,458,476)	1,968,430	-	(305,364,870)
Total capital assets being depreciated/amortized, net	362,558,264	3,843,736	(171,712)	677,632	366,907,920
Governmental activities capital assets, net	\$ 974,888,153	\$ 8,265,305	\$ (171,712)	\$ -	\$ 982,981,746

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

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

Depreciation/amortization of governmental activities by function

General government	\$ 555,605
Public safety	91,526
Public works	17,197,599
Culture and recreation	1,572,143
Capital assets held by the government's internal service are charged to various activities based on asset usage	<u>3,041,603</u>

Total depreciation/amortization expense - governmental activities \$ 22,458,476

* The City implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, in the current year. In accordance with this Statement, subscription assets have been added to the beginning balances shown above and a corresponding subscription liability has been recorded for the same amount.

	Beginning Balance	Additions	Disposals	Ending Balance
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 7,461,349	\$ -	\$ -	\$ 7,461,349
Construction in progress	44,477,363	51,654,292	(12,876,672)	83,254,983
Total capital assets not depreciated	<u>51,938,712</u>	<u>51,654,292</u>	<u>(12,876,672)</u>	<u>90,716,332</u>
Capital assets being depreciated:				
Land improvements	428,843,188	12,986,355	-	441,829,543
Buildings, additions, and improvements	190,563,827	-	-	190,563,827
Machinery and equipment	28,367,501	367,903	-	28,735,404
Vehicles	1,373,326	10,245	-	1,383,571
Total capital assets being depreciated	<u>649,147,842</u>	<u>13,364,503</u>	<u>-</u>	<u>662,512,345</u>
Less accumulated depreciation for:				
Land improvements	(131,787,884)	(11,652,540)	-	(143,440,424)
Buildings, additions, and improvements	(99,680,724)	(4,481,853)	-	(104,162,577)
Machinery and equipment	(26,076,763)	(735,376)	-	(26,812,139)
Vehicles	(1,277,402)	(23,950)	-	(1,301,352)
Total accumulated depreciation	<u>(258,822,773)</u>	<u>(16,893,719)</u>	<u>-</u>	<u>(275,716,492)</u>
Total capital assets being depreciated, net	<u>390,325,069</u>	<u>(3,529,216)</u>	<u>-</u>	<u>386,795,853</u>
Business-type activities capital assets, net	<u><u>\$ 442,263,781</u></u>	<u><u>\$ 48,125,076</u></u>	<u><u>\$ (12,876,672)</u></u>	<u><u>\$ 477,512,185</u></u>

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

Depreciation expense was charged to business-type activities functions/programs as follows:

Depreciation of business-type activities by function

Water supply system	\$ 5,732,944
Sewage disposal system	7,544,806
Parking system	1,621,514
Airport	57,579
Stormwater sewer system	994,989
Solid waste	<u>941,887</u>

Total depreciation expense - business-type activities	<u>\$ 16,893,719</u>
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7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities in the governmental and business-type activities are as follows:

	Governmental Activities	Business-type Activities
Accounts payable	\$ 15,218,683	\$ 16,512,950
Accrued liabilities	3,306,318	695,643
Due to other governments	1,607,651	57,811
Deposits payable	3,893,676	235,486
Accrued interest payable	582,994	708,147
Estimated claims payable	<u>2,286,007</u>	<u>4,723,903</u>
Total receivables	<u>\$ 26,895,329</u>	<u>\$ 22,933,940</u>

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

8. TRANSFERS

A summary of interfund transfers for the year ended June 30, 2023, is as follows:

Transfers out	Transfers In				
	General	Street Repair Millage	Major Grants	Nonmajor Governmental Funds	Water Supply System
General	\$ -	\$ 29,201	\$ 4,949	\$ 3,409,879	\$ 34,548
Street repair millage	-	-	-	1,085,995	6,055,662
Nonmajor governmental	415,101	2,173,393	-	5,582,660	1,269,154
Water supply system	660,720	298,489	-	176,200	-
Sewage disposal system	-	-	-	-	1,560,366
Airport	-	-	-	-	11,640
Stormwater sewer system	84,996	1,243,057	-	6,122	1,497,792
Solid waste	-	-	-	219,048	468,731
Internal service	-	-	-	665,778	96,888
	<u>\$ 1,160,817</u>	<u>\$ 3,744,140</u>	<u>\$ 4,949</u>	<u>\$ 11,145,682</u>	<u>\$ 10,994,781</u>

Transfers out	Transfers In				
	Sewage Disposal System	Stormwater System	Solid Waste	Internal Service Funds	Total
General	\$ -	\$ -	\$ -	\$ 34,000	\$ 3,512,577
Street repair millage	-	225,534	-	-	7,367,191
Nonmajor governmental	302,142	2,526	19,640	128,304	9,892,920
Water supply system	10,082	30,777	-	-	1,176,268
Sewage disposal system	-	-	-	-	1,560,366
Airport	-	-	-	-	11,640
Stormwater sewer system	1,101,487	-	-	-	3,933,454
Solid waste	-	-	-	-	687,779
Internal service	-	-	-	-	762,666
	<u>\$ 1,413,711</u>	<u>\$ 258,837</u>	<u>\$ 19,640</u>	<u>\$ 162,304</u>	<u>\$ 28,904,861</u>

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.

Total transfers were \$28,904,861 during fiscal year 2023. Of this amount, \$5,841,519 were normal operational transfers, \$17,109,719 were project based and council-directed transfers, and \$5,953,623 were debt service transfers made during the year.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

9. CONTINGENT LIABILITIES

Litigation. Various lawsuits are pending against the City, some of which are for substantial amounts. With the exception of the matter noted below for stormwater management, 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.

Stormwater management fees. The City is involved in a lawsuit that could have a material impact on the financial position of the City's proprietary funds. The City is a defendant in a class action lawsuit challenging the City's stormwater management utility system rates and fees. Based on the current filings and arguments asserted by the Plaintiff and presently known facts, the City's attorneys believe that it is more likely than not that the City will achieve an outcome in this case that will not encumber the City's general fund. As the result of the case is unknown, the City has not estimated or accrued any contingent liability at this time.

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 solid waste enterprise fund. A liability has been accrued in the solid waste enterprise fund for offsite remediation in the amount of \$4,723,903. 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 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 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.

Michigan Tax Tribunal Cases. One of the City's major taxpayer/petitioners is appealing the 2021 and 2022 valuation of their property before the Michigan Court of Appeals. The property in question carries significant taxable value and the taxpayer/petitioner is proposing a taxable value adjustment which could reduce their taxable values between \$0.36 million and \$1.23 million. The case is currently pending before the Court of Appeals and will likely be a protracted process before a conclusion is reached, however, if the case is decided adversely to the City the outcome could have a potentially significant effect on tax revenue for the City.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

10. BONDS, NOTES, AND OTHER LONG-TERM LIABILITIES

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

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

	Year of Maturity	Interest Rates	Original Amount	Amount Outstanding
Governmental activities				
2013 1st and Washington (series A)	2032	1.75 - 3.0%	\$ 4,480,000	\$ 2,435,000
2013 1st and Washington (series B)	2032	2.0 - 3.75%	4,045,000	2,170,000
2013 clean energy	2024	3.5 - 4.34%	536,000	54,000
2015 open space preservation refunding	2034	2.0 - 3.375%	16,235,000	8,820,000
2015 maintenance facility refunding	2029	2.0 - 3.0%	17,710,000	10,825,000
2017 court and police refunding	2035	3.0 - 3.25%	24,030,000	17,935,000
2018 capital improvement bonds	2033	2.75%	5,350,000	4,925,000
2019 capital improvement bonds	2033	2.25 - 4.0%	14,780,000	9,275,000
2019-A capital improvement bonds	2035	3.0 - 4.0%	37,175,000	31,905,000
2022 transportation fund	2032	3.0 - 5.0%	13,605,000	12,680,000
Total governmental activities			<u>\$ 137,946,000</u>	<u>\$ 101,024,000</u>
Business-type activities				
2016 parking - refunding	2027	2.0%	<u>\$ 2,790,000</u>	<u>\$ 1,180,000</u>

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

Year Ended June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 8,619,000	\$ 3,343,461	\$ 285,000	\$ 23,600
2025	8,830,000	3,094,825	290,000	17,900
2026	9,085,000	2,826,469	300,000	12,100
2027	9,390,000	2,542,444	305,000	6,100
2028	9,710,000	2,246,668	-	-
2029-2033	44,725,000	6,454,826	-	-
2034-2035	10,665,000	555,450	-	-
	<u>\$ 101,024,000</u>	<u>\$ 21,064,143</u>	<u>\$ 1,180,000</u>	<u>\$ 59,700</u>

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

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

	Year of Maturity	Interest Rates	Original Amount	Amount Outstanding
Business-type activities				
2012 water - refunding	2024	2.0 - 2.5%	\$ 10,450,000	\$ 680,000
2016 water - refunding	2027	2.0%	16,285,000	7,235,000
2023 water	2053	4.0 - 4.125%	40,000,000	40,000,000
2013 sewer - refunding	2025	2.0 - 3.25%	17,985,000	1,855,000
2016 sewer - refunding	2031	2.0 - 2.5%	19,280,000	11,470,000
			<u>104,000,000</u>	<u>61,240,000</u>
Total business-type activities			<u>\$ 104,000,000</u>	<u>\$ 61,240,000</u>

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

Year Ended June 30,	Principal	Interest
2024	\$ 2,460,000	\$ 1,533,171
2025	5,565,000	1,981,805
2026	3,805,000	1,870,111
2027	3,855,000	1,785,761
2028	2,495,000	1,699,461
2029-2033	10,065,000	7,457,553
2034-2038	5,995,000	6,206,050
2039-2043	7,290,000	4,907,450
2044-2048	8,885,000	3,326,850
2049-2053	10,825,000	1,375,682
	<u>\$ 61,240,000</u>	<u>\$ 32,143,894</u>

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

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

	Year of Maturity	Interest Rates	Original Amount	Amount Outstanding
Business-type activities				
DWRF 7319-01	2031	2.50%	\$ 4,575,000	\$ 2,100,000
DWRF 7146-01	2024	2.125%	557,950	32,950
DWRF 7325-01	2030	2.50%	624,750	248,271
DWRF 7333-01	2032	2.50%	5,614,250	2,480,602
DWRF 7362-01	2034	2.50%	8,864,396	5,287,720
DWRF 7375-01	2035	2.00%	3,025,000	1,826,522
DWRF 7472-01, Series 2020	2040	2.00%	3,008,191	2,910,961
DWRF 7569-01	2044	1.875%	3,220,000	2,898,858
2012 CWRF 5441-01	2036	2.50%	34,407,832	24,240,000
2013 CWRF 5441-02	2038	2.00%	73,305,000	57,635,000
2004 SWQIF 3002-01	2024	1.625%	874,672	49,672
2005 SWQIF 3002-02	2025	1.625%	879,382	99,382
2006 SWQIF 3002-03	2026	1.625%	889,903	149,903
2007 SWQIF 3002-04	2027	1.625%	964,976	219,976
2008 SWQIF 3002-05	2028	2.50%	900,000	265,000
2009 SWQIF 3010-01	2029	2.50%	1,310,000	460,000
2010 SWQIF 3010-02	2030	2.50%	1,320,000	535,000
2012 SWQIF 3010-03	2032	2.50%	1,365,000	694,760
2013 SWQIF 3010-04	2033	2.50%	891,703	486,703
Total business-type activities			<u>\$ 146,598,005</u>	<u>\$ 102,621,280</u>

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

Year Ended June 30,	Principal	Interest
2024	\$ 6,694,122	\$ 2,189,134
2025	6,900,882	2,102,253
2026	7,001,403	1,950,470
2027	7,106,476	1,796,179
2028	7,196,500	1,639,194
2029-2033	36,467,836	5,776,726
2034-2038	30,081,742	2,001,800
2039-2043	1,303,461	125,527
2044	190,000	3,563
	<u>102,942,422</u>	<u>17,584,846</u>
Remaining available to draw	<u>(321,142)</u>	<u>-</u>
	<u>\$ 102,621,280</u>	<u>\$ 17,584,846</u>

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

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

	Year of Maturity	Interest Rates	Original Amount	Amount Outstanding
Business-type activities				
2014 Allen Creek West Park Fairgrounds	2034	2.5 - 3.5%	\$ 2,430,000	\$ 1,545,000
2006 Mallets Creek Project	2028	1.625%	1,613,905	451,493
2009 Allen Creek Pioneer High School Project	2031	2.5%	2,522,126	1,151,126
2010 Stadium Blvd phase I	2029	2.5%	165,000	60,000
2010 Stadium Blvd phase II	2032	2.5%	916,204	461,280
2010 Allen Creek West Park Project	2031	2.5%	994,635	456,475
2010 Allen Creek Sylvan Ave Project	2030	2.5%	405,000	170,000
2011 Swift Run Cistern	2032	2.5%	26,362	15,862
2011 County Farm Streambank	2032	2.5%	349,699	182,199
2011 Mallets Creek E Stadium Bridge Project	2033	2.5%	162,209	102,209
2012 Allen Creek Willard Street Project	2032	2.5%	123,819	66,319
2011 Malletts Creek Burns Park Project	2032	2.5%	1,052,556	515,704
2011 Traver Creek Cistern	2032	2.5%	182,434	92,006
2011 Allen Creek Cistern I	2032	2.5%	140,746	85,746
2011 Allen Creek Cistern II	2032	2.5%	31,261	18,761
2012 SRF Tree Planting	2033	2.5%	167,467	104,967
2012 Leslie Park Project	2033	2.5%	648,479	365,881
2013 Allen Creek Miller Ave	2034	2.0%	805,723	481,373
2013 Allen Creek Madison Ave	2034	2.0%	590,130	520,466
2013 Allen Creek Fourth Ave	2033	2.0%	175,163	100,163
2013 Allen Creek Forest Ave	2034	2.0%	211,099	121,099
2013 Huron River Infrastructure I	2034	2.0%	215,795	128,295
2014 Malletts Creek Springwater	2035	2.5%	332,447	212,602
2014 Malletts Creek Stone School	2035	2.5%	2,025,000	1,314,423
2013 Huron River Infrastructure II	2035	2.0%	278,379	183,379
2015 HRGI Geddes	2037	2.5%	1,015,000	760,000
2015 HRGI - Tree Planting	2035	2.5%	188,503	133,503
2016 Allen Creek	2037	2.5%	867,872	652,872
2016 Malletts Creek Drain	2037	2.5%	689,553	514,553
2016 HRGI - Tree Planting	2037	2.5%	205,801	145,801
2017 HRGI	2037	2.5%	292,221	237,220
2018 HRGI	2039	2.0%	365,000	230,446
2019 HRGI	2040	2.0%	288,000	234,508
Benz Creek	2041	2.0%	1,104,000	1,015,000
Millers Creek - Pepper Pike	2040	2.0%	815,000	710,000
			<u>\$ 22,396,588</u>	<u>\$ 13,540,731</u>

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

Annual debt service requirements to maturity for the drain notes (business-type activities) are as follows:

Year Ended June 30,	Principal	Interest
2024	\$ 1,229,093	\$ 360,352
2025	1,136,577	292,057
2026	1,174,857	264,773
2027	1,201,423	236,794
2028	1,130,771	208,907
2029-2033	5,307,483	623,143
2034-2038	2,105,586	121,202
2039-2041	350,000	6,415
	<u>13,635,790</u>	<u>2,113,643</u>
Remaining available to draw	<u>(95,059)</u>	<u>-</u>
	<u>\$ 13,540,731</u>	<u>\$ 2,113,643</u>

Installment purchase agreement. The City has entered into an installment purchase agreement for financing the acquisition of certain equipment. The installment purchase agreement currently outstanding is as follows:

	Year of Maturity	Interest Rates	Original Amount	Amount Outstanding
Governmental activities				
Installment purchase agreement	2026	2.5%	<u>\$ 799,047</u>	<u>\$ 467,545</u>

Annual debt service requirements to maturity for the installment purchase agreement are as follows:

Year Ended June 30,	Principal	Interest
2024	\$ 159,712	\$ 8,085
2025	155,817	11,981
2026	<u>152,016</u>	<u>15,781</u>
	<u>\$ 467,545</u>	<u>\$ 35,847</u>

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

Changes in bonds, notes and other long-term liabilities. Bonds, notes and other long-term liabilities activity for fiscal 2023 was as follows:

	Beginning Balance*	Additions	Deductions	Ending Balance	Due Within One Year
Primary government					
Governmental activities					
General obligation bonds	\$ 109,442,000	\$ -	\$ (8,418,000)	\$ 101,024,000	\$ 8,619,000
Installment purchase agreements	799,047	-	(331,502)	467,545	159,712
Lease liabilities (Note 11)	852,217	-	(212,464)	639,753	109,584
Subscription liabilities (Note 12)	1,336,660	-	(391,194)	945,466	392,250
Deferred amounts:					
For issuance premiums	4,497,357	-	(319,239)	4,178,118	350,581
For issuance discounts	(97,300)	-	6,852	(90,448)	(7,019)
Compensated absences	14,903,742	74,536	(597,793)	14,380,485	5,832,333
Total governmental activities	\$ 131,733,723	\$ 74,536	\$ (10,263,340)	\$ 121,544,919	\$ 15,456,441
Business-type activities					
General obligation bonds	\$ 1,460,000	\$ -	\$ (280,000)	\$ 1,180,000	\$ 285,000
Revenue bonds	26,960,000	40,000,000	(5,720,000)	61,240,000	2,460,000
Revolving loans	106,977,603	2,898,858	(7,255,181)	102,621,280	6,694,122
Drain notes	14,626,144	2,525	(1,087,938)	13,540,731	1,229,093
Deferred amounts -					
For issuance premiums	498,883	362,927	(97,109)	764,701	99,107
Compensated absences	2,429,086	16,899	(621,744)	1,824,241	1,190,899
Total business-type activities	\$ 152,951,716	\$ 43,281,209	\$ (15,061,972)	\$ 181,170,953	\$ 11,958,221
Component unit					
Downtown Development Authority compensated absences	\$ 133,888	\$ 71,911	\$ (15,832)	\$ 189,967	\$ 24,995
Housing Commission compensated absences	146,539	117,197	(97,824)	165,912	76,861
Total component unit	\$ 280,427	\$ 189,108	\$ (113,656)	\$ 355,879	\$ 101,856

* The City implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, in the current year. In accordance with this Statement, subscription liabilities have been added to the beginning balances shown above and a corresponding subscription asset has been recorded for the same amount.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

11. LEASES

Lessee - The City is involved in one agreement as a lessee that qualifies as a long-term lease agreement. Below is a summary of the nature of this agreement. This agreement qualifies as intangible, right-to-use assets and not financed purchases, as the City will not own the assets at the end of the contract term and the noncancelable term of the agreement surpasses one year.

The right-to-use asset and the related activity are included in Note 6, Capital Assets. The lease liability and related activity are presented in Note 10, Bonds, Notes and Other Long-term Liabilities.

Asset Type	Remaining Term of Agreements
Buildings	6 years

The net present value of future minimum payments as of June 30, 2023, were as follows:

Year Ended June 30,	Principal	Interest
2024	\$ 109,584	\$ 20,651
2025	116,130	16,711
2026	122,960	12,538
2027	130,087	8,121
2028	137,522	3,449
2029	23,470	103
Total	\$ 639,753	\$ 61,573

Lessor - The City is involved in five agreements as a lessor that qualify as long-term lease agreements. Below is a summary of these agreements. These agreements qualify as long-term lease agreements as the City will not surrender control of the asset at the end of the term and the noncancelable term of the agreement surpasses one year. Total lease revenue for the year ended June 30, 2023 was \$131,261.

Asset Type	Remaining Term of Agreements
Land and buildings	1-9 years

12. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The City is involved in nine arrangements that qualify as long-term subscription-based information technology arrangements ("SBITA"). Below is a summary of the nature of these arrangements. These arrangements qualify as intangible, right-to-use subscription assets as the City has the control of the right to use another party's IT software and the noncancelable term of the arrangement surpasses one year. The present values are discounted using an interest rate of 3.5 percent based on the City's incremental borrowing rate.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

The right-to-use asset and the related activity are included in Note 6, Capital Assets. The subscription liability and related activity are presented in Note 10, Bonds, Notes and Other Long-term Liabilities.

Asset Type	Remaining Term of Arrangements
Subscription assets	1-3 years

The net present value of future minimum payments as of June 30, 2023, were as follows:

Year Ended June 30,	Principal	Interest
2024	\$ 392,250	\$ 29,595
2025	291,768	15,704
2026	<u>261,448</u>	<u>5,322</u>
Total	<u>\$ 945,466</u>	<u>\$ 50,621</u>

13. RISK MANAGEMENT

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

All funds of the City participate in the insurance program and make payments to the insurance fund based on estimates of the amounts needed to pay prior and current year claims and to establish a reserve for incurred but not reported (IBNR) losses. The IBNR reserve was \$1,830,058 at June 30, 2023 and is included in estimated claims payable. The total estimated claims payable of \$2,286,007, of which \$272,949 is estimated to be due within one year, is reflected in the insurance fund at June 30, 2023. A liability for claims must be reported if information prior to the issuance of the financial statements indicates it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claim liability amount for the last two years are summarized below:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2022	\$ 2,794,291	\$ 25,958,541	\$ (26,221,665)	\$ 2,531,167
2023	2,531,167	22,187,126	(22,432,286)	2,286,007

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

14. PROPERTY TAXES

Each July 1, the City property tax is levied and becomes a lien on the related property, the value of which is equalized by the State of Michigan and limited by Act 415 of 1994. The City's operating tax rate levied July 1, 2022 as controlled by the Headlee Amendment, Act 415 and City Charter, was 5.7967 mills raising \$38.8 million. Other tax rates and amounts raised were as follows: employee benefits (1.9321) raising \$12.9 million, refuse collection (2.3182) raising \$15.5 million, Ann Arbor Transportation Authority (1.9321) raising \$12.9 million, street & sidewalk repair (2.0153) raising \$13.5 million, parks maintenance and repair (1.0732) raising \$7.2 million, open space and parkland preservation Millage (0.4488) raising \$3 million, city sidewalk (0.1986) raising 1.3 million, and affordable housing (.9933) raising 6.6 million. Real and personal property located in the City as of December 31, 2021 was assessed and equalized at \$9,423,908,730 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 2021 taxable value on March 1, 2023, was \$6,649,141,223. 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 attached as an enforceable lien on properties located within the boundaries of the tax increment financing district. The City of Ann Arbor bills and collects the taxes on behalf of the component units. Delinquent taxes on ad valorem real property are purchased by the County of Washtenaw. Property tax revenue is recognized in the year it is levied in both the government-wide financial statements and in the fund financial statements.

15. EMPLOYEES' RETIREMENT SYSTEM

General Information about the Pension Plan

Plan administration. The City of Ann Arbor Employees' Retirement Plan is a single-employer defined benefit and defined contribution 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.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

Plan membership. At June 30, 2022, the date of the latest actuarial valuation, System membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	1,156
Terminated employees entitled to but not yet receiving benefits	102
Active members	<u>711</u>
Total membership	<u><u>1,969</u></u>

Benefits provided. The System provides retirement, disability, and death benefits. Retirement benefits for general plan members are calculated as 2.5 percent of the member's final three-year average salary or five-year average salary depending on hire date, times the member's years of service. Benefits for public safety plan members (police and fire) are calculated as 2.75 percent of the member's final three-year average salary or five-year average salary depending on hire date, times the member's years of service. Effective January 1, 2017, the Retirement System was amended and restated to add to the existing defined benefit plan (to be called the "Traditional Retirement Plan"), a defined contribution money purchase pension plan (the "Dual Retirement Plan") which will only apply to non-union, AFSCME, and Teamsters Civilian Supervisor employees first hired or rehired on or after January 1, 2017. Employees who are members of the Dual Retirement Plan will also participate in and accrue benefits under the Traditional Retirement Plan, but at a rate of accruals that is 50% of the rate of accruals for members of the Traditional Retirement Plan who were hired or rehired prior to January 1, 2017. Certain collective bargaining units may agree that newly hired or rehired members of that union will be covered by the Dual Retirement Plan on dates after January 1, 2017. The Traditional Retirement Plan and the Dual Retirement Plan are together called the City of Ann Arbor Employees Retirement System (CAAERS).

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

General plan members may retire with an unreduced benefit at age 50 after 25 years of service, or age 60 with five 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 five or 10 years of service depending on hire date. Deferred members may retire at age 60 with five or 10 years of service depending on date of hire. All plan members are eligible for non-duty disability benefits after five 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.

CITY OF ANN ARBOR, MICHIGAN

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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. For the FYE beginning July 1, 2022, the adjusted minimum benefit amount was \$16,844 (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 - Traditional Plan. All plan members hired before January 1, 2017, are required to participate in the Traditional Retirement Plan administered by the System. The members of the Traditional plan are required to contribute 6% of annual compensation. Effective in 2020, certain Fire union members, based on date of hire are required to contribute 6.5% of annual compensation. Effective in 2023, certain Police union members, based on date of hire are required to contribute 6.5% of annual compensation. The City is required to contribute at an actuarially determined rate; the rates for 2023 were 25.81% to 37.50%. Plan provisions and contribution requirements are established and can be amended by the City Council. System administrative costs are financed through investment earnings.

Contributions - Dual Retirement 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 (Dual Retirement Plan) administered by the System. The Dual Retirement Plan is comprised of two components: a defined benefit plan and a defined contribution plan. Under the defined benefit plan, the City contributes at an actuarially determined rate and employees contribute 3% of their wages. Employees vest 100% in the Defined Benefit Plan after 10 years of service.

Net pension liability. The total pension liability was determined by an actuarial valuation as of June 30, 2022 (and rolled forward to June 30, 2023), using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.5 percent, average, including inflation
Investment rate of return	6.7 percent, net of pension plan investment expense, including inflation

Healthy mortality rates (both pre and post retirement) were based on the Pub-2010 General Employee Mortality Tables, amount-weighted, and projected with mortality improvements using the fully generational MP-2021 projection scale from a base year of 2010. Disabled retirement mortality rates were based on the same mortality tables.

These actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2017 through June 30, 2022.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

Long-term expected rate of return. 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, 2023 (see the discussion of the System's investment allocation policy) are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Money-Weighted Rate of Return
Equities			
Domestic equities	36.00%	5.90%	2.12%
Developed foreign equities	14.00%	7.00%	0.98%
Emerging markets equities	7.00%	7.20%	0.50%
Private equities	7.00%	8.20%	0.57%
Fixed income			
Investment grade bonds	10.00%	2.00%	0.20%
Private debt	7.00%	6.20%	0.43%
Other investments			
Real estate	9.00%	5.10%	0.46%
Infrastructure (core private)	7.00%	5.10%	0.36%
Natural resources	3.00%	5.90%	0.18%
	100.0%		5.80%
Inflation			2.60%
Risk adjustments			-1.88%
			6.70%

Discount Rate. The discount rate used to measure the total pension liability was 6.7 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 plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

Changes in the Net Pension Liability. The components of the change in the net pension liability are summarized as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2022	\$ 636,277,321	\$ 571,174,716	\$ 65,102,605
Changes for the year:			
Service cost	10,180,055	-	10,180,055
Interest	42,110,130	-	42,110,130
Changes in benefits terms	(436,454)	-	(436,454)
Differences between expected and actual experience	10,268,668	-	10,268,668
Changes in assumptions	13,970,559	-	13,970,559
Employer contributions	-	14,638,512	(14,638,512)
Employee contributions	-	3,295,342	(3,295,342)
Net investment income	-	61,021,956	(61,021,956)
Benefit payments, including refunds of employee contributions	(44,201,468)	(44,201,468)	-
Administrative expense	-	(783,097)	783,097
Other	-	464,347	(464,347)
Net changes	<u>31,891,490</u>	<u>34,435,592</u>	<u>(2,544,102)</u>
Balances at June 30, 2023	<u><u>\$ 668,168,811</u></u>	<u><u>\$ 605,610,308</u></u>	<u><u>\$ 62,558,503</u></u>

The 2023 assumption changes primarily related to revised assumptions adopted by the Board pursuant to the five-year experience study covering the period July 1, 2017 to June 30, 2022 and a decrease in the discount rate from 6.8% to 6.7%.

Reconciliation of plan fiduciary net position. As mentioned in the contributions section above, the System modified the retirement plan in 2017 to a hybrid retirement plan that operates as both a defined contribution and benefit plan for participants. The addition of the new plan requires reconciliation of the plan fiduciary net position.

The reconciliation of the "Plan fiduciary net position per Changes in the Net Pension Liability" above and "Net position per Statement of Fiduciary Net Position" of the System at June 30, 2023, is as follows:

Plan fiduciary net position per Schedule of Changes in the City's Net Position and Related Ratios	\$ 605,610,308
Defined contribution plan assets	5,544,073
Current year GASB 67 expense	234,283
Current year GASB 74 expense	<u>225,717</u>
Net position per Statement of Fiduciary Net Position	<u><u>\$ 611,614,381</u></u>

CITY OF ANN ARBOR, MICHIGAN

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Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 6.7 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.7 percent) or 1-percentage-point higher (7.7 percent) than the current rate:

	1% Decrease (5.7%)	Current Discount (6.7%)	1% Increase (7.7%)
City's net pension liability	\$ 136,415,120	\$ 62,558,503	\$ 425,739

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/inflows of resources related to pensions. For the year ended June 30, 2023, the City recognized pension expense of \$12,232,476. At June 30, 2023, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ 7,523,255	\$ 3,563,779	\$ 3,959,476
Changes in assumptions	14,744,728	-	14,744,728
Net difference between projected and actual earnings on pension plan investments	-	12,310,396	(12,310,396)
Total	<u>\$ 22,267,983</u>	<u>\$ 15,874,175</u>	<u>\$ 6,393,808</u>

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

Year Ended June 30,	Net Amount
2024	\$ (585,869)
2025	(3,338,318)
2026	14,935,199
2027	<u>(4,617,204)</u>
	<u>\$ 6,393,808</u>

For governmental activities, the net pension liability is generally liquidated by the general fund.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

16. OTHER POSTEMPLOYMENT BENEFITS

General Information about the OPEB Plan

Plan administration. 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 through a board of trustees to provide health and life benefits to eligible retirees and their beneficiaries. 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 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.

Plan membership. At June 30, 2022, the date of the latest actuarial valuation, VEBA membership consisted of the following:

Retirees and surviving spouses currently covered	1,084
Vested active employees	<u>711</u>
Total membership	<u><u>1,795</u></u>

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.

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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. For the year ended June 30, 2023, the City's average contribution rate was 24.3% of 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, 2023, the City contributed approximately \$15.3 million to the plan, including \$14.3 million for current premiums and an additional \$1.0 million to prefund benefits.

Net OPEB liability. The total OPEB liability was determined by an actuarial valuation as of June 30, 2022 (and rolled forward to June 30, 2023), using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 percent
Healthcare cost trend rates	Pre-Medicare 7.5% initial, 3.5% ultimate; post-Medicare 6.25% initial, 3.5% ultimate.
Salary increases	4.01% to 11.11%, dependent on employee group and age
Investment rate of return	6.7% net of OPEB plan investment expense, including inflation

Healthy mortality rates (both pre and post retirement) were based on the Pub-2010 General Employee Mortality Tables, amount-weighted, and projected with mortality improvements using the fully generational MP-2021 projection scale from a base year of 2010. Disabled retirement mortality rates were based on the same mortality tables.

These actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2017 through June 30, 2022.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

Long-term expected rate of return. 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 estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation (see the discussion of the Plan's investment allocation policy) are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Money-Weighted Rate of Return
Equities			
Domestic equities	33.0%	5.9%	1.95%
Developed foreign equities	12.0%	7.0%	0.84%
Emerging markets equities	7.0%	7.2%	0.50%
Private equities	5.0%	8.2%	0.41%
Fixed Income			
Investment grade bonds	10.0%	2.0%	0.20%
Private debt	7.0%	6.2%	0.43%
High yield bonds	4.0%	4.6%	0.18%
TIPS	2.0%	1.9%	0.04%
Other investments			
Real estate	10.0%	5.1%	0.51%
Infrastructure	7.0%	5.9%	0.41%
Natural resources	3.0%	5.1%	0.15%
	100.0%		5.62%
Inflation			3.50%
Risk adjustments			-2.42%
			6.70%

Discount Rate. The discount rate used to measure the total OPEB liability at June 30, 2023, was 6.7 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 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.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

Changes in the Net OPEB Liability. The components of the change in the net OPEB liability are summarized as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2022	\$ 297,184,636	\$ 226,358,005	\$ 70,826,631
Changes for the year:			
Service cost	2,309,072	-	2,309,072
Interest	19,800,931	-	19,800,931
Differences between expected and actual experience	(26,065,585)	-	(26,065,585)
Changes in assumptions	12,844,344	-	12,844,344
Employer contributions	-	15,340,861	(15,340,861)
Net investment income	-	22,698,183	(22,698,183)
Benefit payments, including refunds of employee contributions	(14,298,012)	(14,298,012)	-
Administrative expense	-	(266,413)	266,413
Net changes	<u>(5,409,250)</u>	<u>23,474,619</u>	<u>(28,883,869)</u>
Balances at June 30, 2023	<u><u>\$ 291,775,386</u></u>	<u><u>\$ 249,832,624</u></u>	<u><u>\$ 41,942,762</u></u>

The 2023 assumption changes primarily related to revised assumptions adopted by the Board pursuant to the five-year experience study covering the period July 1, 2017 to June 30, 2022 and a decrease in the discount rate from 6.8% to 6.7%.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the City, calculated using the discount rate of 6.7 percent, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.7 percent) or 1-percentage-point higher (7.7 percent) than the current rate:

	1% Decrease (5.7%)	Current Discount (6.7%)	1% Increase (7.7%)
City's net OPEB liability	\$ 76,718,013	\$ 41,942,762	\$ 13,006,141

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Notes to Financial Statements

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the City at June 30, 2023, calculated using the healthcare cost trend rates of 7.5 percent decreasing to 3.5 percent, as well as what the City's net OPEB liability would be if it were calculated using the healthcare cost trend rates that are 1-percentage-point lower (6.5 percent decreasing to 2.5 percent) or 1-percentage-point higher (8.5 percent decreasing to 4.5 percent) than the current healthcare cost trend rates:

	1% Decrease (6.5% decreasing to 2.5%)	Current Discount (7.5% decreasing to 3.5%)	1% Increase (8.5% decreasing to 4.5%)
City's net OPEB liability	\$ 10,934,180	\$ 41,942,762	\$ 79,038,789

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

OPEB expense and deferred outflows/inflows of resources related to OPEB. For the year ended June 30, 2023, the City recognized OPEB expense of \$(3,003,477). At June 30, 2023, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ 468,324	\$ 33,866,690	\$ (33,398,366)
Changes in assumptions	13,580,359	-	13,580,359
Net difference between projected and actual earnings on OPEB plan investments	2,271,806	-	2,271,806
Total	<u>\$ 16,320,489</u>	<u>\$ 33,866,690</u>	<u>\$ (17,546,201)</u>

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

Year Ended June 30,	Net Amount
2024	\$ (6,606,534)
2025	(11,555,100)
2026	2,402,912
2027	(1,787,479)
	<u>\$ (17,546,201)</u>

For governmental activities, the net OPEB liability is generally liquidated by the general fund.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

17. PERMANENT FUND

In 1964, the City became the recipient of an endowment from Elizabeth Dean which is recorded as a permanent fund. The corpus of the trust is to remain invested and may not be liquidated in order to generate investment income. This investment income is to be used for the purchase and maintenance of trees in the City of Ann Arbor. Net appreciation on investments is not considered investment income until realized. The amount in the Elizabeth Dean fund is shown as restricted for endowment on the statement of net position. The corpus of the trust is and shall remain \$1,984,000. Fund balance at June 30, 2023 was \$2,095,993, 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.

18. SIGNIFICANT COMMITMENTS

As of June 30, 2023, the City had \$27,204,740 in construction commitments for various projects including water mains, resurfacing of streets, bridge reconstruction, and other road improvements. The commitments will be satisfied using millage proceeds, fund balance, and bond proceeds.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

19. DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS

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

	General	Street Repair Millage	Major Grants	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable					
Inventories	\$ 53,340	\$ -	\$ -	\$ -	\$ 53,340
Prepaid items	72,460	-	-	30,569	103,029
Trust corpus	-	-	-	1,984,000	1,984,000
Total nonspendable	125,800	-	-	2,014,569	2,140,369
Restricted					
Debt service	-	-	-	197,073	197,073
Culture and recreation	-	-	-	19,190,450	19,190,450
Road maintenance and repairs	-	-	-	36,693,018	36,693,018
Road construction	-	18,058,657	-	-	18,058,657
Law enforcement	-	-	-	319,725	319,725
Energy projects	-	-	-	60,000	60,000
Community television network	-	-	-	4,188,041	4,188,041
Construction code	-	-	-	9,102,068	9,102,068
Mental health	-	-	-	1,854,354	1,854,354
Sidewalk construction	-	-	-	498,370	498,370
Affordable housing	-	-	-	8,298,410	8,298,410
Opioid settlement	159,938	-	-	-	159,938
Grants	-	-	651,997	-	651,997
Total restricted	159,938	18,058,657	651,997	80,401,509	99,272,101
Committed					
Capital projects	1,059,897	-	-	-	1,059,897
Culture and recreation	-	-	-	109,997	109,997
Energy projects	-	-	-	167,880	167,880
Special assistance	-	-	-	100,814	100,814
Cemetery perpetual care	-	-	-	132,629	132,629
Alternative transportation	-	-	-	331,198	331,198
Total committed	1,059,897	-	-	842,518	1,902,415
Assigned					
Culture and recreation	212,909	-	-	-	212,909
Capital projects	-	-	-	3,259,269	3,259,269
Human services	161,131	-	-	-	161,131
Subsequent years expenditures, potential retirement payouts, and encumbrances	13,527,790	-	-	-	13,527,790
Total assigned	13,901,830	-	-	3,259,269	17,161,099
Unassigned	26,816,753	-	-	-	26,816,753
Total fund balances	\$ 42,064,218	\$ 18,058,657	\$ 651,997	\$ 86,517,865	\$ 147,292,737

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

20. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2023, was as follows:

	Governmental Activities	Business-type Activities
Capital assets		
Capital assets not being depreciated/amortized	\$ 616,073,826	\$ 90,716,332
Capital assets being depreciated/amortized, net	366,907,920	386,795,853
Total capital assets	<u>982,981,746</u>	<u>477,512,185</u>
Less related debt		
General obligation bonds	101,024,000	1,180,000
Installment purchase agreements	467,545	-
Revenue bonds	-	61,240,000
Revolving loans	-	102,621,280
Drain notes	-	13,540,731
Leases payable	639,753	-
Subscription liabilities	945,466	-
Construction related payables	994,089	5,761,220
Deferred amounts:		
For issuance premiums	4,178,118	764,701
For issuance discounts	(90,448)	-
Charge on refunding	(2,138,644)	(1,672,332)
	<u>106,019,879</u>	<u>183,435,600</u>
Net investment in capital assets	<u>\$ 876,961,867</u>	<u>\$ 294,076,585</u>

21. OPIOID SETTLEMENT

The City is part of a \$21 billion nationwide settlement reached in July 2021 to resolve all Opioids litigation brought by states and local political subdivisions against the three largest pharmaceutical distributors: McKesson, Cardinal Health, and AmerisourceBergen (Distributors), and a \$5 billion nationwide settlement with manufacturer Janssen Pharmaceuticals, Inc. and its parent company Johnson & Johnson (Janssen). The term of the settlement varies by entity; however, the City expects to receive eighteen (18) installments from the Distributors with the first two installments being paid early in 2023 in the amount of \$40,316 and the remaining 16 installments expected to be made annually beginning in 2024. Additionally, the City expects to receive eleven (11) installments from Janssen with the first five installments being paid early in 2023 in the amount of \$119,622 and the remaining installments expected to be made annually beginning in 2026. The City is currently allocated approximately 0.267% of the total State of Michigan local unit settlement and the total amount of the settlement is expected to be \$695,284 and \$159,810 from the Distributors and Janssen, respectively.

As a result of the payment terms issued to the Directing Administrator of the National Opioid Settlements, the receivable for the Distributor and Janssen settlement agreements was recorded at the net present value, using a discount rate for payments to be received subsequent to 2023 of 3%. The net present value of the combined settlement payments to be received as of June 30, 2023 is \$534,630.

CITY OF ANN ARBOR, MICHIGAN

Notes to Financial Statements

Additional settlements with pharmacies and manufacturers were entered into during 2022, including CVS, Walgreens, Walmart, Allergan and Teva. However, as of June 30 2023, the amounts to be allocated to and collected by the City were not able to be determined, and as such, no amounts have been reported related to these settlements in the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ANN ARBOR, MICHIGAN

Required Supplementary Information

Employees' Retirement System

Schedule of Changes in the City's Net Pension Liability (Asset) and Related Ratios

	Fiscal Year Ended June 30,			
	2023	2022	2021	2020
Total pension liability				
Service cost	\$ 10,180,055	\$ 9,923,074	\$ 10,172,596	\$ 9,922,176
Interest	42,110,130	42,015,152	41,832,292	40,637,790
Changes in benefit terms	(436,454)	-	-	-
Differences between expected and actual experience	10,268,668	(5,613,016)	(5,188,914)	5,221,388
Changes in assumptions	13,970,559	7,273,056	6,182,687	1,248,573
Benefit payments, including refunds of member contributions	(44,201,468)	(42,549,302)	(40,576,348)	(39,605,298)
Other changes	-	-	-	-
Net change in total pension liability	31,891,490	11,048,964	12,422,313	17,424,629
Total pension liability, beginning of year	636,277,321	625,228,357	612,806,044	595,381,415
Total pension liability, end of year	668,168,811	636,277,321	625,228,357	612,806,044
Plan fiduciary net position				
Employer contributions	14,638,512	16,255,245	15,284,295	14,124,165
Employee contributions	3,295,342	3,222,809	3,194,016	3,164,729
Net investment income (loss)	61,021,956	(31,380,434)	136,319,258	23,143,999
Benefit payments, including refunds of employee contributions	(44,201,468)	(42,549,302)	(40,576,348)	(39,605,298)
Administrative expense	(783,097)	(702,218)	(604,004)	(1,049,565)
Other	464,347	78,468	(43,329)	-
Net change in plan fiduciary net position	34,435,592	(55,075,432)	113,573,888	(221,970)
Plan fiduciary net position, beginning, before restatement	571,174,716	626,250,148	512,676,260	512,898,230
Restatement for pension liability	-	-	-	-
Restatement for net OPEB liability	-	-	-	-
Plan fiduciary net position, end of year	605,610,308	571,174,716	626,250,148	512,676,260
City's net pension liability (asset)	\$ 62,558,503	\$ 65,102,605	\$ (1,021,791)	\$ 100,129,784
Plan fiduciary net position as a percentage of total pension liability	90.64%	89.77%	100.16%	83.66%
Covered payroll	\$ 63,136,097	\$ 62,187,947	\$ 60,232,543	\$ 57,970,915
County's net pension liability (asset) as a percentage of covered payroll	99.09%	104.69%	-1.70%	172.72%

The 2020 assumption changes resulted from changes in the inflation rate and wage rate assumptions and updating the mortality tables used from RP-2000 to RP-2014.

The 2021 assumption changes resulted from a decrease in the discount rate used to measure the total pension liability from 7.0% to 6.9%.

The 2022 assumption changes resulted from a decrease in the discount rate used to measure the total pension liability from 6.9% to 6.8%.

The 2023 assumption changes were primarily related to revised assumptions adopted by the Board pursuant to the five-year experience study covering the period July 1, 2017 to June 30, 2022 and a decrease in the discount rate from 6.8% to 6.7%.

Fiscal Year Ended June 30,					
2019	2018	2017	2016	2015	2014
\$ 9,783,377	\$ 9,403,000	\$ 8,869,000	\$ 8,729,000	\$ 9,760,000	\$ 9,802,000
40,055,937	38,552,000	37,755,000	36,925,458	35,978,096	34,400,755
-	-	-	-	-	-
(2,982,853)	15,517,000	3,488,000	(3,826,000)	279,000	3,834,000
-	-	-	-	-	-
(37,622,046)	(36,715,000)	(35,436,000)	(33,960,032)	(32,667,512)	(32,011,444)
-	4,342	30,337	-	-	-
9,234,415	26,761,342	14,706,337	7,868,426	13,349,584	16,025,311
586,147,000	559,385,658	544,679,321	536,810,895	523,461,311	507,436,000
595,381,415	586,147,000	559,385,658	544,679,321	536,810,895	523,461,311
13,621,926	13,446,000	13,253,000	13,352,412	13,091,474	11,227,290
3,264,590	3,185,000	3,325,000	3,139,266	3,013,353	2,948,177
30,599,351	33,235,000	54,243,000	2,434,339	20,144,251	60,253,683
(37,622,046)	(36,715,000)	(35,436,000)	(33,960,032)	(32,667,512)	(32,011,444)
(671,194)	(694,000)	(762,000)	(719,561)	(683,980)	(644,051)
(29,397)	299,982	30,337	-	-	-
9,163,230	12,756,982	34,653,337	(15,753,576)	2,897,586	41,773,655
503,735,000	491,273,658	456,620,321	472,373,897	469,685,311	427,911,656
-	-	-	-	(209,000)	-
-	(295,640)	-	-	-	-
512,898,230	503,735,000	491,273,658	456,620,321	472,373,897	469,685,311
\$ 82,483,185	\$ 82,412,000	\$ 68,112,000	\$ 88,059,000	\$ 64,436,998	\$ 53,776,000
86.15%	85.94%	87.82%	83.83%	88.00%	89.73%
\$ 57,077,636	\$ 55,459,000	\$ 51,059,000	\$ 46,887,000	\$ 49,638,000	\$ 47,956,745
144.51%	148.60%	133.40%	187.81%	129.81%	112.13%

CITY OF ANN ARBOR, MICHIGAN

Required Supplementary Information

Employees' Retirement System
Schedule of Contributions

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as Percentage of Covered-Employee Payroll
2014	\$ 11,217,000	\$ 11,227,290	\$ (10,290)	\$ 47,956,745	23.4%
2015	12,327,000	13,091,474	(764,474)	49,638,000	26.4%
2016	12,233,000	13,352,412	(1,119,412)	46,887,000	28.5%
2017	11,348,853	13,253,000	(1,904,147)	51,059,000	26.0%
2018	11,757,000	13,446,000	(1,689,000)	55,459,000	24.2%
2019	13,464,778	13,621,926	(157,148)	57,077,636	23.9%
2020	14,092,966	14,124,165	(31,199)	57,970,915	24.4%
2021	15,251,454	15,284,295	(32,841)	60,232,543	25.4%
2022	16,125,556	16,255,245	(129,689)	62,187,947	26.1%
2023	14,301,037	14,638,512	(337,475)	63,136,097	23.2%

Notes to Schedule of 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.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	20 years closed until 15 years at which a 15-year open period is used
Asset valuation method	5-year smoothed fair value
Inflation	2.5%
Salary increases	General: 4.0% - 7.5%
	Police: 5.3% - 11.0%
	Fire: 5.4% - 10.8%
Investment rate of return	6.8% net of pension plan investment expense, including inflation
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality rates	RP-2014 Health Employees and Annuity, adjusted back to 2006, Generational Under Projection Scale MP-2017

CITY OF ANN ARBOR, MICHIGAN

Required Supplementary Information

Employees' Retirement System
Schedule of Investment Returns

Fiscal Year Ending June 30,	Annual Return ⁽¹⁾
2014	14.01%
2015	4.35%
2016	0.50%
2017	11.93%
2018	7.02%
2019	6.07%
2020	4.45%
2021	26.74%
2022	-5.19%
2023	10.80%

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

CITY OF ANN ARBOR, MICHIGAN

Required Supplementary Information

Retiree Healthcare Benefits Plan

Schedule of Changes in City's Net OPEB Liability and Related Ratios

	Fiscal Year Ended June 30,			
	2023	2022	2021	2020
Total OPEB liability				
Service cost	\$ 2,309,072	\$ 2,721,983	\$ 3,070,762	\$ 2,169,920
Interest on total OPEB liability	19,800,931	21,291,056	19,890,079	20,212,994
Changes in benefit terms	-	-	29,557	-
Difference between expected and actual experience	(26,065,585)	(28,294,707)	1,826,175	8,453,222
Changes in assumptions	12,844,344	779,616	13,556,526	(22,907,010)
Benefit payments	(14,298,012)	(13,036,696)	(14,516,628)	(11,468,614)
Other changes	-	-	-	(353)
Net change in total OPEB liability	<u>(5,409,250)</u>	<u>(16,538,748)</u>	<u>23,856,471</u>	<u>(3,539,841)</u>
Total OPEB liability, beginning of year	<u>297,184,636</u>	<u>313,723,384</u>	<u>289,866,913</u>	<u>293,406,754</u>
Total OPEB liability, end of year	<u>291,775,386</u>	<u>297,184,636</u>	<u>313,723,384</u>	<u>289,866,913</u>
Plan fiduciary net position				
Employer contributions	15,340,861	13,797,260	15,625,495	12,241,536
Net investment income (loss)	22,698,183	(18,590,756)	49,728,641	6,722,726
Benefit payments, including refunds of employee contributions	(14,298,012)	(13,036,696)	(14,516,628)	(11,468,614)
Administrative expense	(266,413)	(156,737)	(142,053)	(177,731)
Other	-	-	-	-
Net change in plan fiduciary net position	<u>23,474,619</u>	<u>(17,986,929)</u>	<u>50,695,455</u>	<u>7,317,917</u>
Plan fiduciary net position, beginning of year	<u>226,358,005</u>	<u>244,344,934</u>	<u>193,649,479</u>	<u>186,331,562</u>
Plan fiduciary net position, end of year	<u>249,832,624</u>	<u>226,358,005</u>	<u>244,344,934</u>	<u>193,649,479</u>
City's net OPEB liability	<u>\$ 41,942,762</u>	<u>\$ 70,826,631</u>	<u>\$ 69,378,450</u>	<u>\$ 96,217,434</u>
Plan fiduciary net position as a percentage of total OPEB liability	85.62%	76.17%	77.89%	66.81%
Covered payroll	\$ 63,136,097	\$ 62,187,947	\$ 60,232,543	\$ 57,970,915
Net OPEB liability as a percentage of covered payroll	66.43%	113.89%	115.18%	165.98%

Note: GASB 74 was implemented in fiscal year 2017. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

The 2019 assumption changes resulted from changes in the healthcare cost trend rates.

The 2020 assumption changes resulted from changes in the healthcare cost trend rates.

The 2021 assumption changes resulted from a decrease in the discount rate from 7.0% to 6.9% and updating the mortality tables used from RP-2000 to RP-2014.

The 2022 assumption changes resulted from changes in the healthcare cost trend rate and a decrease in the discount rate from 6.9% to 6.8%.

The 2023 assumption changes were primarily related to revised assumptions adopted by the Board pursuant to the five-year experience study covering the period July 1, 2017 to June 30, 2022 and a decrease in the discount rate from 6.8% to 6.7%.

Fiscal Year Ended June 30,		
2019	2018	2017
\$ 2,623,066	\$ 3,331,000	\$ 3,071,000
17,926,505	17,099,000	17,058,000
-	-	-
23,161,053	-	-
1,500,000	-	-
(13,171,224)	(14,273,000)	(13,207,000)
-	1,181,354	-
<u>32,039,400</u>	<u>7,338,354</u>	<u>6,922,000</u>
<u>261,367,354</u>	<u>254,029,000</u>	<u>247,107,000</u>
<u>293,406,754</u>	<u>261,367,354</u>	<u>254,029,000</u>
15,987,768	17,724,000	16,667,000
11,824,566	11,114,000	17,225,000
(13,171,224)	(14,273,000)	(13,207,000)
(116,902)	(97,000)	(130,000)
-	354	-
<u>14,524,208</u>	<u>14,468,354</u>	<u>20,555,000</u>
<u>171,807,354</u>	<u>157,339,000</u>	<u>136,784,000</u>
<u>186,331,562</u>	<u>171,807,354</u>	<u>157,339,000</u>
<u>\$ 107,075,192</u>	<u>\$ 89,560,000</u>	<u>\$ 96,690,000</u>
95.24%	65.73%	61.94%
\$ 57,077,636	\$ 55,458,000	\$ 53,583,000
48.58%	161.49%	180.45%

CITY OF ANN ARBOR, MICHIGAN

Required Supplementary Information

Retiree Healthcare Benefits Plan
Schedule of Investment Returns

Fiscal Year Ending June 30,	Annual Return ⁽¹⁾
2017	11.78%
2018	7.21%
2019	6.83%
2020	3.52%
2021	25.68%
2022	-7.69%
2023	9.94%

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

Note: GASB 74 was implemented in fiscal year 2017. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

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**COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES**

CITY OF ANN ARBOR, MICHIGAN

Nonmajor Governmental Funds

Special Revenue Funds

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

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 - 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.

continued...

CITY OF ANN ARBOR, MICHIGAN

Nonmajor Governmental Funds

Special Revenue Funds (Concluded)

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.

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.

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

Sidewalk Construction Millage - to account for the proceeds of a special revenue millage to repair streets and sidewalks.

Affordable Housing Millage - to account for proceeds of a special revenue millage to provide for the construction, acquisition, and maintenance of affordable housing units within the City.

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.

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.

Permanent Fund

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

CITY OF ANN ARBOR, MICHIGAN

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2023

	Special Revenue				
	Energy Projects	Community Television Network	Homeland Security	Major Streets	Local Streets
Assets					
Cash and cash equivalents	\$ 16,071	\$ -	\$ -	\$ -	\$ -
Equity in pooled cash and investments	212,504	3,817,057	304	23,744,525	2,215,526
Investments	-	-	-	5,962,784	3,041,459
Receivables:					
Taxes	-	-	-	-	-
Accounts	-	399,207	-	22,962	1,252
Leases	-	-	-	-	-
Special assessments	31,659	-	-	-	-
Accrued interest and dividends	-	-	-	-	-
Due from other governments	-	-	-	2,115,645	590,807
Prepaid items	-	14,669	-	11,000	-
Total assets	<u>\$ 260,234</u>	<u>\$ 4,230,933</u>	<u>\$ 304</u>	<u>\$ 31,856,916</u>	<u>\$ 5,849,044</u>
Liabilities					
Accounts payable	\$ -	\$ 854	\$ -	\$ 3,720,578	\$ 71,945
Accrued liabilities	695	27,369	-	114,724	21,390
Deposits payable	-	-	-	539,540	-
Total liabilities	<u>695</u>	<u>28,223</u>	<u>-</u>	<u>4,374,842</u>	<u>93,335</u>
Deferred inflows of resources					
Unavailable revenue	31,659	-	-	-	-
Deferred lease amounts	-	-	-	-	-
Total deferred inflows of resources	<u>31,659</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances					
Nonspendable	-	14,669	-	11,000	-
Restricted for:					
Debt service	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Road maintenance and repairs	-	-	-	27,471,074	5,755,709
Law enforcement	-	-	304	-	-
Other purposes	60,000	4,188,041	-	-	-
Committed for:					
Culture and recreation	-	-	-	-	-
Other purposes	167,880	-	-	-	-
Assigned for capital projects	-	-	-	-	-
Total fund balances	<u>227,880</u>	<u>4,202,710</u>	<u>304</u>	<u>27,482,074</u>	<u>5,755,709</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 260,234</u>	<u>\$ 4,230,933</u>	<u>\$ 304</u>	<u>\$ 31,856,916</u>	<u>\$ 5,849,044</u>

Special Revenue						
Court Facilities	Open Space & Parkland Preservation	Bandemer	Construction Code	Drug Enforcement	Federal Equitable Sharing Forfeiture	Parks Memorial & Contribution
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11,239	8,867,957	109,509	9,264,800	25,949	267,662	2,050,958
-	-	-	-	-	-	-
-	133	-	-	-	-	-
-	-	488	100	-	-	-
-	-	44,505	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	2,741	-	-	-
<u>\$ 11,239</u>	<u>\$ 8,868,090</u>	<u>\$ 154,502</u>	<u>\$ 9,267,641</u>	<u>\$ 25,949</u>	<u>\$ 267,662</u>	<u>\$ 2,050,958</u>
\$ -	\$ 1,547	\$ -	\$ 49,271	\$ -	\$ -	\$ 5,326
-	8,060	-	113,561	-	-	-
-	-	-	-	-	-	-
-	9,607	-	162,832	-	-	5,326
-	-	-	-	-	-	-
-	-	44,505	-	-	-	-
-	-	44,505	-	-	-	-
-	-	-	2,741	-	-	-
-	-	-	-	-	-	-
-	8,858,483	-	-	-	-	2,045,632
-	-	-	-	-	-	-
11,239	-	-	-	25,949	267,662	-
-	-	-	9,102,068	-	-	-
-	-	109,997	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>11,239</u>	<u>8,858,483</u>	<u>109,997</u>	<u>9,104,809</u>	<u>25,949</u>	<u>267,662</u>	<u>2,045,632</u>
<u>\$ 11,239</u>	<u>\$ 8,868,090</u>	<u>\$ 154,502</u>	<u>\$ 9,267,641</u>	<u>\$ 25,949</u>	<u>\$ 267,662</u>	<u>\$ 2,050,958</u>

continued...

CITY OF ANN ARBOR, MICHIGAN

Combining Balance Sheet

Nonmajor Governmental Funds
June 30, 2023

	Special Revenue				
	Metro Expansion	Special Assistance	Open Space Endowment	Cemetery Perpetual Care	Alternative Transportation
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Equity in pooled cash and investments	3,485,342	118,220	1,051,557	132,629	443,000
Investments	-	-	-	-	-
Receivables:					
Taxes	-	-	-	-	-
Accounts	-	189	-	-	-
Leases	-	-	-	-	-
Special assessments	-	-	-	-	-
Accrued interest and dividends	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid items	-	-	-	-	-
Total assets	<u>\$ 3,485,342</u>	<u>\$ 118,409</u>	<u>\$ 1,051,557</u>	<u>\$ 132,629</u>	<u>\$ 443,000</u>
Liabilities					
Accounts payable	\$ 16,260	\$ 17,595	\$ 12,000	\$ -	\$ 105,188
Accrued liabilities	2,847	-	-	-	6,614
Deposits payable	-	-	-	-	-
Total liabilities	<u>19,107</u>	<u>17,595</u>	<u>12,000</u>	<u>-</u>	<u>111,802</u>
Deferred inflows of resources					
Unavailable revenue	-	-	-	-	-
Deferred lease amounts	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances					
Nonspendable	-	-	-	-	-
Restricted for:					
Debt service	-	-	-	-	-
Culture and recreation	-	-	1,039,557	-	-
Road maintenance and repairs	3,466,235	-	-	-	-
Law enforcement	-	-	-	-	-
Other purposes	-	-	-	-	-
Committed for:					
Culture and recreation	-	-	-	-	-
Other purposes	-	100,814	-	132,629	331,198
Assigned for capital projects	-	-	-	-	-
Total fund balances	<u>3,466,235</u>	<u>100,814</u>	<u>1,039,557</u>	<u>132,629</u>	<u>331,198</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,485,342</u>	<u>\$ 118,409</u>	<u>\$ 1,051,557</u>	<u>\$ 132,629</u>	<u>\$ 443,000</u>

Special Revenue					Debt Service	Capital Projects
Michigan Justice Training	Parks Maint & Capital Imp Millage	County Mental Health Millage	Sidewalk Construcion Millage	Affordable Housing Millage	General Debt Service	Maintenance Facility
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
14,571	7,315,108	2,132,116	641,676	8,710,276	190,173	-
-	-	-	-	-	-	-
-	309	-	34	169	-	-
-	200,000	-	-	-	5,400	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	1,500	-
-	-	2,159	-	-	-	-
<u>\$ 14,571</u>	<u>\$ 7,515,417</u>	<u>\$ 2,134,275</u>	<u>\$ 641,710</u>	<u>\$ 8,710,445</u>	<u>\$ 197,073</u>	<u>\$ -</u>
\$ -	\$ 279,096	\$ 263,362	\$ 143,165	\$ 393,189	\$ -	\$ -
-	101,536	14,400	175	18,846	-	-
-	-	-	-	-	-	-
-	380,632	277,762	143,340	412,035	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	2,159	-	-	-	-
-	-	-	-	-	197,073	-
-	7,134,785	-	-	-	-	-
-	-	-	-	-	-	-
14,571	-	-	-	-	-	-
-	-	1,854,354	498,370	8,298,410	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>14,571</u>	<u>7,134,785</u>	<u>1,856,513</u>	<u>498,370</u>	<u>8,298,410</u>	<u>197,073</u>	<u>-</u>
<u>\$ 14,571</u>	<u>\$ 7,515,417</u>	<u>\$ 2,134,275</u>	<u>\$ 641,710</u>	<u>\$ 8,710,445</u>	<u>\$ 197,073</u>	<u>\$ -</u>

continued...

CITY OF ANN ARBOR, MICHIGAN

Combining Balance Sheet

Nonmajor Governmental Funds
June 30, 2023

	Capital Projects	Permanent	
	General Capital Improvements	Elizabeth R. Dean Trust	Total
Assets			
Cash and cash equivalents	\$ -	\$ -	\$ 16,071
Equity in pooled cash and investments	3,542,951	176,206	78,541,815
Investments	-	1,908,454	10,912,697
Receivables:			
Taxes	-	-	645
Accounts	150,000	-	779,598
Leases	-	-	44,505
Special assessments	-	-	31,659
Accrued interest and dividends	-	11,494	11,494
Due from other governments	-	-	2,707,952
Prepaid items	-	-	30,569
Total assets	<u>\$ 3,692,951</u>	<u>\$ 2,096,154</u>	<u>\$ 93,077,005</u>
Liabilities			
Accounts payable	\$ 433,682	\$ 161	\$ 5,513,219
Accrued liabilities	-	-	430,217
Deposits payable	-	-	539,540
Total liabilities	<u>433,682</u>	<u>161</u>	<u>6,482,976</u>
Deferred inflows of resources			
Unavailable revenue	-	-	31,659
Deferred lease amounts	-	-	44,505
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>76,164</u>
Fund balances			
Nonspendable	-	1,984,000	2,014,569
Restricted for:			
Debt service	-	-	197,073
Culture and recreation	-	111,993	19,190,450
Road maintenance and repairs	-	-	36,693,018
Law enforcement	-	-	319,725
Other purposes	-	-	24,001,243
Committed for:			
Culture and recreation	-	-	109,997
Other purposes	-	-	732,521
Assigned for capital projects	3,259,269	-	3,259,269
Total fund balances	<u>3,259,269</u>	<u>2,095,993</u>	<u>86,517,865</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,692,951</u>	<u>\$ 2,096,154</u>	<u>\$ 93,077,005</u>

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CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	Special Revenue				
	Energy Projects	Community Television Network	Homeland Security	Major Streets	Local Streets
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and registrations	-	1,608,491	-	59,350	-
Intergovernmental	-	-	49,544	14,233,235	3,481,495
Charges for services	56,740	243	-	1,006,569	225,613
Fines and forfeits	-	-	-	-	-
Investment income	7,461	51,710	3	492,414	174,451
Contributions and donations	-	-	-	-	-
Other	-	2,883	-	48,231	50,898
Total revenues	<u>64,201</u>	<u>1,663,327</u>	<u>49,547</u>	<u>15,839,799</u>	<u>3,932,457</u>
Expenditures					
Current:					
General government	32,199	1,300,961	-	-	-
Public safety	-	-	49,544	-	-
Public works	-	-	-	8,365,606	1,878,841
Community and economic development	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Capital outlay	-	24,824	-	4,609,342	-
Debt service:					
Principal retirement	-	187,391	-	-	-
Interest and fiscal charges	-	24,367	-	-	-
Total expenditures	<u>32,199</u>	<u>1,537,543</u>	<u>49,544</u>	<u>12,974,948</u>	<u>1,878,841</u>
Revenues over (under) expenditures	<u>32,002</u>	<u>125,784</u>	<u>3</u>	<u>2,864,851</u>	<u>2,053,616</u>
Other financing sources (uses)					
Transfers in	-	-	-	2,082,004	6,756
Transfers out	(56,494)	(368,677)	-	(2,647,390)	(3,704,519)
Total other financing sources (uses)	<u>(56,494)</u>	<u>(368,677)</u>	<u>-</u>	<u>(565,386)</u>	<u>(3,697,763)</u>
Net change in fund balances	<u>(24,492)</u>	<u>(242,893)</u>	<u>3</u>	<u>2,299,465</u>	<u>(1,644,147)</u>
Fund balances, beginning of year	<u>252,372</u>	<u>4,445,603</u>	<u>301</u>	<u>25,182,609</u>	<u>7,399,856</u>
Fund balances, end of year	<u>\$ 227,880</u>	<u>\$ 4,202,710</u>	<u>\$ 304</u>	<u>\$ 27,482,074</u>	<u>\$ 5,755,709</u>

Special Revenue						
Court Facilities	Open Space & Parkland Preservation	Bandemer	Construction Code	Drug Enforcement	Federal Equitable Sharing Forfeiture	Parks Memorial & Contributions
\$ -	\$ 3,005,007	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	6,504,374	-	-	-
-	2,204,300	-	-	-	-	-
-	6	1,080	5,907	-	-	32,472
22,834	-	-	-	4,744	227,068	-
189	122,102	1,365	103,162	324	2,584	22,881
-	-	-	-	-	-	407,275
-	1,014	7,650	29,410	-	-	-
<u>23,023</u>	<u>5,332,429</u>	<u>10,095</u>	<u>6,642,853</u>	<u>5,068</u>	<u>229,652</u>	<u>462,628</u>
-	-	-	-	-	-	-
-	-	-	4,897,361	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	5,510,887	1,404	-	-	-	8,456
-	-	-	55,654	-	11,992	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>5,510,887</u>	<u>1,404</u>	<u>4,953,015</u>	<u>-</u>	<u>11,992</u>	<u>8,456</u>
<u>23,023</u>	<u>(178,458)</u>	<u>8,691</u>	<u>1,689,838</u>	<u>5,068</u>	<u>217,660</u>	<u>454,172</u>
203,500	-	-	-	-	-	-
(225,000)	(1,260,468)	-	-	-	-	(15,000)
<u>(21,500)</u>	<u>(1,260,468)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,000)</u>
1,523	(1,438,926)	8,691	1,689,838	5,068	217,660	439,172
9,716	10,297,409	101,306	7,414,971	20,881	50,002	1,606,460
<u>\$ 11,239</u>	<u>\$ 8,858,483</u>	<u>\$ 109,997</u>	<u>\$ 9,104,809</u>	<u>\$ 25,949</u>	<u>\$ 267,662</u>	<u>\$ 2,045,632</u>

continued...

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	Special Revenue				
	Metro Expansion	Special Assistance	Open Space Endowment	Cemetery Perpetual Care	Alternative Transportation
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and registrations	-	-	-	-	-
Intergovernmental	530,055	-	-	-	-
Charges for services	12	-	-	2,750	-
Fines and forfeits	-	-	-	-	-
Investment income	39,894	1,379	13,643	1,704	7,441
Contributions and donations	-	12,652	-	-	-
Other	500	-	-	-	-
Total revenues	570,461	14,031	13,643	4,454	7,441
Expenditures					
Current:					
General government	-	-	-	-	10,926
Public safety	-	-	-	-	-
Public works	325,081	-	-	-	538,888
Community and economic development	-	20,000	-	-	-
Culture and recreation	-	-	59,700	-	-
Capital outlay	-	-	-	-	316,738
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	325,081	20,000	59,700	-	866,552
Revenues over (under) expenditures	245,380	(5,969)	(46,057)	4,454	(859,111)
Other financing sources (uses)					
Transfers in	-	100,000	95,468	-	799,212
Transfers out	(1,728)	-	-	-	-
Total other financing sources (uses)	(1,728)	100,000	95,468	-	799,212
Net change in fund balances	243,652	94,031	49,411	4,454	(59,899)
Fund balances, beginning of year	3,222,583	6,783	990,146	128,175	391,097
Fund balances, end of year	\$ 3,466,235	\$ 100,814	\$ 1,039,557	\$ 132,629	\$ 331,198

Special Revenue					Debt Service	Capital Projects
Michigan Justice Training	Parks Maint & Capital Imp Millage	County Mental Health Millage	Sidewalk Construcion Millage	Affordable Housing Millage	General Debt Service	Maintenance Facility
\$ -	\$ 7,186,102	\$ 2,602,905	\$ 1,329,513	\$ 6,654,293	\$ 822	\$ -
-	-	-	-	-	-	-
23,761	-	-	-	-	-	-
-	2,345	-	-	-	5,658,238	-
-	-	-	-	-	-	-
20	127,683	20,605	9,038	108,861	(10,971)	7,857
-	204,443	-	575,515	-	-	-
-	6,284	-	76,142	112,530	89	-
<u>23,781</u>	<u>7,526,857</u>	<u>2,623,510</u>	<u>1,990,208</u>	<u>6,875,684</u>	<u>5,648,178</u>	<u>7,857</u>
-	-	778,113	-	-	-	1,233
15,000	-	-	-	-	-	-
-	-	146,352	813,166	-	-	-
-	-	1,394,597	-	3,710,157	-	-
-	5,978,714	-	-	-	-	-
-	1,079,501	15,270	378,161	-	-	2,912
-	-	-	-	-	8,418,000	-
-	-	-	-	-	3,383,402	-
<u>15,000</u>	<u>7,058,215</u>	<u>2,334,332</u>	<u>1,191,327</u>	<u>3,710,157</u>	<u>11,801,402</u>	<u>4,145</u>
<u>8,781</u>	<u>468,642</u>	<u>289,178</u>	<u>798,881</u>	<u>3,165,527</u>	<u>(6,153,224)</u>	<u>3,712</u>
-	-	-	18,123	-	5,900,623	-
-	(117,129)	(231,732)	(529,620)	-	-	(735,163)
-	(117,129)	(231,732)	(511,497)	-	5,900,623	(735,163)
8,781	351,513	57,446	287,384	3,165,527	(252,601)	(731,451)
5,790	6,783,272	1,799,067	210,986	5,132,883	449,674	731,451
<u>\$ 14,571</u>	<u>\$ 7,134,785</u>	<u>\$ 1,856,513</u>	<u>\$ 498,370</u>	<u>\$ 8,298,410</u>	<u>\$ 197,073</u>	<u>\$ -</u>

continued...

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	Capital Projects	Permanent	Total
	General Capital Improvements	Elizabeth R. Dean Trust	
Revenues			
Taxes	\$ -	\$ -	\$ 20,778,642
Licenses, permits, and registrations	-	-	8,172,215
Intergovernmental	-	-	20,522,390
Charges for services	1,790,250	-	8,782,225
Fines and forfeits	-	-	254,646
Investment income	58,643	13,558	1,378,001
Contributions and donations	150,000	-	1,349,885
Other	-	-	335,631
Total revenues	1,998,893	13,558	61,573,635
Expenditures			
Current:			
General government	2,047,729	-	4,171,161
Public safety	1,383,491	-	6,345,396
Public works	153,685	-	12,221,619
Community and economic development	-	-	5,124,754
Culture and recreation	-	31,838	11,590,999
Capital outlay	415,141	-	6,909,535
Debt service:			
Principal retirement	-	-	8,605,391
Interest and fiscal charges	-	-	3,407,769
Total expenditures	4,000,046	31,838	58,376,624
Revenues over (under) expenditures	(2,001,153)	(18,280)	3,197,011
Other financing sources (uses)			
Transfers in	1,939,996	-	11,145,682
Transfers out	-	-	(9,892,920)
Total other financing sources (uses)	1,939,996	-	1,252,762
Net change in fund balances	(61,157)	(18,280)	4,449,773
Fund balances, beginning of year	3,320,426	2,114,273	82,068,092
Fund balances, end of year	\$ 3,259,269	\$ 2,095,993	\$ 86,517,865

concluded.

CITY OF ANN ARBOR, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Nonmajor Special Revenue Funds
For the Year Ended June 30, 2023

	Energy Projects			Community Television Network		
	Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and registrations	-	-	-	1,966,500	1,608,491	(358,009)
Intergovernmental	-	-	-	-	-	-
Charges for services	47,307	56,740	9,433	-	243	243
Fines and forfeits	-	-	-	-	-	-
Investment income	2,163	7,461	5,298	31,781	51,710	19,929
Contributions and donations	-	-	-	-	-	-
Other	-	-	-	-	2,883	2,883
Total revenues	49,470	64,201	14,731	1,998,281	1,663,327	(334,954)
Expenditures						
Current:						
General government	38,428	32,199	(6,229)	1,549,707	1,300,961	(248,746)
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Capital outlay	-	-	-	30,030	24,824	(5,206)
Debt service:						
Principal retirement	-	-	-	-	187,391	187,391
Interest and fiscal charges	-	-	-	-	24,367	24,367
Total expenditures	38,428	32,199	(6,229)	1,579,737	1,537,543	(42,194)
Revenues over (under) expenditures	11,042	32,002	20,960	418,544	125,784	(292,760)
Other financing sources (uses)						
Issuance of long-term debt	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	(56,994)	(56,494)	(500)	(368,665)	(368,677)	12
Total other financing sources (uses)	(56,994)	(56,494)	500	(368,665)	(368,677)	(12)
Net change in fund balances	(45,952)	(24,492)	21,460	49,879	(242,893)	(292,772)
Fund balances, beginning of year	252,372	252,372	-	4,445,603	4,445,603	-
Fund balances, end of year	\$ 206,420	\$ 227,880	\$ 21,460	\$ 4,495,482	\$ 4,202,710	\$ (292,772)

continued...

CITY OF ANN ARBOR, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2023

	Homeland Security			Major Streets		
	Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and registrations	-	-	-	50,000	59,350	9,350
Intergovernmental	49,544	49,544	-	12,477,807	14,233,235	1,755,428
Charges for services	-	-	-	986,988	1,006,569	19,581
Fines and forfeits	-	-	-	-	-	-
Investment income	-	3	3	120,127	492,414	372,287
Contributions and donations	-	-	-	129,223	-	(129,223)
Other	-	-	-	15,000	48,231	33,231
Total revenues	49,544	49,547	3	13,779,145	15,839,799	2,060,654
Expenditures						
Current:						
General government	-	-	-	-	-	-
Public safety	49,544	49,544	-	-	-	-
Public works	-	-	-	10,944,302	8,365,606	(2,578,696)
Community and economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Capital outlay	-	-	-	2,972,980	4,609,342	1,636,362
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	49,544	49,544	-	13,917,282	12,974,948	(942,334)
Revenues over (under) expenditures	-	3	3	(138,137)	2,864,851	3,002,988
Other financing sources (uses)						
Issuance of long-term debt	-	-	-	6,000,000	-	(6,000,000)
Transfers in	-	-	-	904,452	2,082,004	1,177,552
Transfers out	-	-	-	(2,721,893)	(2,647,390)	(74,503)
Total other financing sources (uses)	-	-	-	4,182,559	(565,386)	(4,747,945)
Net change in fund balances	-	3	3	4,044,422	2,299,465	(1,744,957)
Fund balances, beginning of year	301	301	-	25,182,609	25,182,609	-
Fund balances, end of year	\$ 301	\$ 304	\$ 3	\$ 29,227,031	\$ 27,482,074	\$ (1,744,957)

continued...

CITY OF ANN ARBOR, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2023

	Local Streets			Court Facilities		
	Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and registrations	-	-	-	-	-	-
Intergovernmental	3,000,000	3,481,495	481,495	-	-	-
Charges for services	210,327	225,613	15,286	-	-	-
Fines and forfeits	-	-	-	90,000	22,834	(67,166)
Investment income	32,976	174,451	141,475	-	189	189
Contributions and donations	-	-	-	-	-	-
Other	-	50,898	50,898	-	-	-
Total revenues	3,243,303	3,932,457	689,154	90,000	23,023	(66,977)
Expenditures						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	2,283,704	1,878,841	(404,863)	-	-	-
Community and economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	2,283,704	1,878,841	(404,863)	-	-	-
Revenues over (under) expenditures	959,599	2,053,616	1,094,017	90,000	23,023	(66,977)
Other financing sources (uses)						
Issuance of long-term debt	3,000,000	-	(3,000,000)	-	-	-
Transfers in	6,752	6,756	4	203,500	203,500	-
Transfers out	(3,743,611)	(3,704,519)	(39,092)	(225,000)	(225,000)	-
Total other financing sources (uses)	(736,859)	(3,697,763)	(2,960,904)	(21,500)	(21,500)	-
Net change in fund balances	222,740	(1,644,147)	(1,866,887)	68,500	1,523	(66,977)
Fund balances, beginning of year	7,399,856	7,399,856	-	9,716	9,716	-
Fund balances, end of year	\$ 7,622,596	\$ 5,755,709	\$ (1,866,887)	\$ 78,216	\$ 11,239	\$ (66,977)

continued...

CITY OF ANN ARBOR, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2023

	Open Space & Parkland Preservation			Bandemer		
	Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues						
Taxes	\$ 2,954,977	\$ 3,005,007	\$ 50,030	\$ -	\$ -	\$ -
Licenses, permits, and registrations	-	-	-	-	-	-
Intergovernmental	-	2,204,300	2,204,300	-	-	-
Charges for services	-	6	6	-	1,080	1,080
Fines and forfeits	-	-	-	-	-	-
Investment income	96,039	122,102	26,063	694	1,365	671
Contributions and donations	-	-	-	-	-	-
Other	-	1,014	1,014	7,650	7,650	-
Total revenues	3,051,016	5,332,429	2,281,413	8,344	10,095	1,751
Expenditures						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	-
Culture and recreation	5,537,270	5,510,887	(26,383)	1,407	1,404	(3)
Capital outlay	-	-	-	5,593	-	(5,593)
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	5,537,270	5,510,887	(26,383)	7,000	1,404	(5,596)
Revenues over (under) expenditures	(2,486,254)	(178,458)	2,307,796	1,344	8,691	7,347
Other financing sources (uses)						
Issuance of long-term debt	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	(1,236,601)	(1,260,468)	23,867	-	-	-
Total other financing sources (uses)	(1,236,601)	(1,260,468)	(23,867)	-	-	-
Net change in fund balances	(3,722,855)	(1,438,926)	2,283,929	1,344	8,691	7,347
Fund balances, beginning of year	10,297,409	10,297,409	-	101,306	101,306	-
Fund balances, end of year	\$ 6,574,554	\$ 8,858,483	\$ 2,283,929	\$ 102,650	\$ 109,997	\$ 7,347

continued...

CITY OF ANN ARBOR, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2023

	Construction Code			Drug Enforcement		
	Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and registrations	4,181,250	6,504,374	2,323,124	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	5,907	5,907	-	-	-
Fines and forfeits	-	-	-	4,743	4,744	1
Investment income	50,014	103,162	53,148	372	324	(48)
Contributions and donations	-	-	-	-	-	-
Other	1,200	29,410	28,210	-	-	-
Total revenues	4,232,464	6,642,853	2,410,389	5,115	5,068	(47)
Expenditures						
Current:						
General government	-	-	-	-	-	-
Public safety	5,412,659	4,897,361	(515,298)	4,743	-	(4,743)
Public works	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Capital outlay	-	55,654	55,654	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	5,412,659	4,953,015	(459,644)	4,743	-	(4,743)
Revenues over (under) expenditures	(1,180,195)	1,689,838	2,870,033	372	5,068	4,696
Other financing sources (uses)						
Issuance of long-term debt	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	(1,180,195)	1,689,838	2,870,033	372	5,068	4,696
Fund balances, beginning of year	7,414,971	7,414,971	-	20,881	20,881	-
Fund balances, end of year	\$ 6,234,776	\$ 9,104,809	\$ 2,870,033	\$ 21,253	\$ 25,949	\$ 4,696

continued...

CITY OF ANN ARBOR, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2023

	Federal Equitable Sharing Forfeiture			Parks & Memorial Contributions		
	Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and registrations	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	75,000	32,472	(42,528)
Fines and forfeits	227,067	227,068	1	-	-	-
Investment income	1,154	2,584	1,430	10,385	22,881	12,496
Contributions and donations	-	-	-	913,750	407,275	(506,475)
Other	-	-	-	-	-	-
Total revenues	228,221	229,652	1,431	999,135	462,628	(536,507)
Expenditures						
Current:						
General government	-	-	-	-	-	-
Public safety	146,765	-	(146,765)	-	-	-
Public works	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	62,963	8,456	(54,507)
Capital outlay	80,302	11,992	(68,310)	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	227,067	11,992	(215,075)	62,963	8,456	(54,507)
Revenues over (under) expenditures	1,154	217,660	216,506	936,172	454,172	(482,000)
Other financing sources (uses)						
Issuance of long-term debt	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(690,000)	(15,000)	(675,000)
Total other financing sources (uses)	-	-	-	(690,000)	(15,000)	675,000
Net change in fund balances	1,154	217,660	216,506	246,172	439,172	193,000
Fund balances, beginning of year	50,002	50,002	-	1,606,460	1,606,460	-
Fund balances, end of year	\$ 51,156	\$ 267,662	\$ 216,506	\$ 1,852,632	\$ 2,045,632	\$ 193,000

continued...

CITY OF ANN ARBOR, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2023

	Metro Expansion			Special Assistance		
	Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and registrations	-	-	-	-	-	-
Intergovernmental	460,000	530,055	70,055	-	-	-
Charges for services	-	12	12	-	-	-
Fines and forfeits	-	-	-	-	-	-
Investment income	21,713	39,894	18,181	147	1,379	1,232
Contributions and donations	-	-	-	15,000	12,652	(2,348)
Other	-	500	500	-	-	-
Total revenues	481,713	570,461	88,748	15,147	14,031	(1,116)
Expenditures						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	479,983	325,081	(154,902)	-	-	-
Community and economic development	-	-	-	20,000	20,000	-
Culture and recreation	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	479,983	325,081	(154,902)	20,000	20,000	-
Revenues over (under) expenditures	1,730	245,380	243,650	(4,853)	(5,969)	(1,116)
Other financing sources (uses)						
Issuance of long-term debt	-	-	-	-	-	-
Transfers in	-	-	-	-	100,000	100,000
Transfers out	(1,730)	(1,728)	(2)	-	-	-
Total other financing sources (uses)	(1,730)	(1,728)	2	-	100,000	100,000
Net change in fund balances	-	243,652	243,652	(4,853)	94,031	98,884
Fund balances, beginning of year	3,222,583	3,222,583	-	6,783	6,783	-
Fund balances, end of year	\$ 3,222,583	\$ 3,466,235	\$ 243,652	\$ 1,930	\$ 100,814	\$ 98,884

continued...

CITY OF ANN ARBOR, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2023

	Open Space Endowment			Cemetery Perpetual Care		
	Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and registrations	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	3,000	2,750	(250)
Fines and forfeits	-	-	-	-	-	-
Investment income	6,967	13,643	6,676	899	1,704	805
Contributions and donations	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	6,967	13,643	6,676	3,899	4,454	555
Expenditures						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	-
Culture and recreation	60,000	59,700	(300)	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	60,000	59,700	(300)	-	-	-
Revenues over (under) expenditures	(53,033)	(46,057)	6,976	3,899	4,454	555
Other financing sources (uses)						
Issuance of long-term debt	-	-	-	-	-	-
Transfers in	-	95,468	95,468	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	95,468	95,468	-	-	-
Net change in fund balances	(53,033)	49,411	102,444	3,899	4,454	555
Fund balances, beginning of year	990,146	990,146	-	128,175	128,175	-
Fund balances, end of year	\$ 937,113	\$ 1,039,557	\$ 102,444	\$ 132,074	\$ 132,629	\$ 555

continued...

CITY OF ANN ARBOR, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2023

	Alternative Transportation			Michigan Justice Training		
	Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and registrations	-	-	-	-	-	-
Intergovernmental	-	-	-	15,000	23,761	8,761
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Investment income	3,629	7,441	3,812	136	20	(116)
Contributions and donations	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	3,629	7,441	3,812	15,136	23,781	8,645
Expenditures						
Current:						
General government	22,337	10,926	(11,411)	-	-	-
Public safety	-	-	-	15,000	15,000	-
Public works	724,126	538,888	(185,238)	-	-	-
Community and economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Capital outlay	205,000	316,738	111,738	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	951,463	866,552	(84,911)	15,000	15,000	-
Revenues over (under) expenditures	(947,834)	(859,111)	88,723	136	8,781	8,645
Other financing sources (uses)						
Issuance of long-term debt	-	-	-	-	-	-
Transfers in	799,210	799,212	2	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	799,210	799,212	2	-	-	-
Net change in fund balances	(148,624)	(59,899)	88,725	136	8,781	8,645
Fund balances, beginning of year	391,097	391,097	-	5,790	5,790	-
Fund balances, end of year	\$ 242,473	\$ 331,198	\$ 88,725	\$ 5,926	\$ 14,571	\$ 8,645

continued...

CITY OF ANN ARBOR, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2023

	Parks Maint & Capital Imp Millage			County Mental Health Millage		
	Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues						
Taxes	\$ 7,065,396	\$ 7,186,102	\$ 120,706	\$ 2,700,000	\$ 2,602,905	\$ (97,095)
Licenses, permits, and registrations	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	2,345	2,345	-	-	-
Fines and forfeits	-	-	-	-	-	-
Investment income	62,134	127,683	65,549	9,375	20,605	11,230
Contributions and donations	-	204,443	204,443	-	-	-
Other	1,100	6,284	5,184	-	-	-
Total revenues	<u>7,128,630</u>	<u>7,526,857</u>	<u>398,227</u>	<u>2,709,375</u>	<u>2,623,510</u>	<u>(85,865)</u>
Expenditures						
Current:						
General government	-	-	-	909,742	778,113	(131,629)
Public safety	-	-	-	-	-	-
Public works	-	-	-	400,369	146,352	(254,017)
Community and economic development	-	-	-	1,572,218	1,394,597	(177,621)
Culture and recreation	6,049,295	5,978,714	(70,581)	-	-	-
Capital outlay	1,031,307	1,079,501	48,194	154,374	15,270	(139,104)
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>7,080,602</u>	<u>7,058,215</u>	<u>(22,387)</u>	<u>3,036,703</u>	<u>2,334,332</u>	<u>(702,371)</u>
Revenues over (under) expenditures	<u>48,028</u>	<u>468,642</u>	<u>420,614</u>	<u>(327,328)</u>	<u>289,178</u>	<u>616,506</u>
Other financing sources (uses)						
Issuance of long-term debt	-	-	-	-	-	-
Transfers in	675,000	-	(675,000)	-	-	-
Transfers out	(113,199)	(117,129)	3,930	(231,732)	(231,732)	-
Total other financing sources (uses)	<u>561,801</u>	<u>(117,129)</u>	<u>(678,930)</u>	<u>(231,732)</u>	<u>(231,732)</u>	<u>-</u>
Net change in fund balances	<u>609,829</u>	<u>351,513</u>	<u>(258,316)</u>	<u>(559,060)</u>	<u>57,446</u>	<u>616,506</u>
Fund balances, beginning of year	6,783,272	6,783,272	-	1,799,067	1,799,067	-
Fund balances, end of year	<u>\$ 7,393,101</u>	<u>\$ 7,134,785</u>	<u>\$ (258,316)</u>	<u>\$ 1,240,007</u>	<u>\$ 1,856,513</u>	<u>\$ 616,506</u>

continued...

CITY OF ANN ARBOR, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2023

	Sidewalk Construction Millage			Affordable Housing Millage		
	Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues						
Taxes	\$ 1,307,801	\$ 1,329,513	\$ 21,712	\$ 6,539,006	\$ 6,654,293	\$ 115,287
Licenses, permits, and registrations	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Investment income	-	9,038	9,038	-	108,861	108,861
Contributions and donations	1,356,327	575,515	(780,812)	-	-	-
Other	-	76,142	76,142	-	112,530	112,530
Total revenues	2,664,128	1,990,208	(673,920)	6,539,006	6,875,684	336,678
Expenditures						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	1,015,506	813,166	(202,340)	-	-	-
Community and economic development	-	-	-	11,663,392	3,710,157	(7,953,235)
Culture and recreation	-	-	-	-	-	-
Capital outlay	174,833	378,161	203,328	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	1,190,339	1,191,327	988	11,663,392	3,710,157	(7,953,235)
Revenues over (under) expenditures	1,473,789	798,881	(674,908)	(5,124,386)	3,165,527	8,289,913
Other financing sources (uses)						
Issuance of long-term debt	-	-	-	-	-	-
Transfers in	-	18,123	18,123	-	-	-
Transfers out	(619,346)	(529,620)	(89,726)	-	-	-
Total other financing sources (uses)	(619,346)	(511,497)	107,849	-	-	-
Net change in fund balances	854,443	287,384	(567,059)	(5,124,386)	3,165,527	8,289,913
Fund balances, beginning of year	210,986	210,986	-	5,132,883	5,132,883	-
Fund balances, end of year	\$ 1,065,429	\$ 498,370	\$ (567,059)	\$ 8,497	\$ 8,298,410	\$ 8,289,913

concluded.

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Net Position

Internal Service Funds

June 30, 2023

	Central Stores	Fleet Services	Information Technology	Project Management
Assets				
Current assets:				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 200
Equity in pooled cash and investments	2,020,961	21,590,365	3,907,377	2,112,357
Accounts receivable, net	-	1,212	34,769	26,986
Due from other governments	-	-	15,566	-
Prepaid items	-	-	502,016	-
Inventories	705,858	517,242	-	-
Total current assets	2,726,819	22,108,819	4,459,728	2,139,543
Noncurrent assets:				
Capital assets not depreciated/amortized	-	90,005	-	-
Capital assets being depreciated/amortized, net	187	10,250,602	2,024,621	83,322
Total noncurrent assets	187	10,340,607	2,024,621	83,322
Total assets	2,727,006	32,449,426	6,484,349	2,222,865
Liabilities				
Current liabilities:				
Accounts payable	27,805	155,085	503,809	251,510
Accrued liabilities	-	-	3,592	-
Deposits payable	-	-	5,469	955,856
Other long-term liabilities, current	-	-	551,962	-
Estimated claims payable, current	-	-	-	-
Total current liabilities	27,805	155,085	1,064,832	1,207,366
Noncurrent liabilities:				
Other long-term liabilities, net	-	-	861,049	-
Estimated claims payable, net	-	-	-	-
Total noncurrent liabilities	-	-	861,049	-
Total liabilities	27,805	155,085	1,925,881	1,207,366
Net position				
Net invested in capital assets	187	10,340,607	611,610	83,322
Unrestricted	2,699,014	21,953,734	3,946,858	932,177
Total net position	\$ 2,699,201	\$ 32,294,341	\$ 4,558,468	\$ 1,015,499



Insurance	Wheeler Center	Total
\$ 98	\$ -	\$ 298
16,083,666	787,913	46,502,639
-	786	63,753
-	-	15,566
1,136,651	-	1,638,667
-	-	1,223,100
<u>17,220,415</u>	<u>788,699</u>	<u>49,444,023</u>
-	-	90,005
-	-	12,358,732
-	-	12,448,737
<u>17,220,415</u>	<u>788,699</u>	<u>61,892,760</u>
3,338,297	33,325	4,309,831
-	-	3,592
-	-	961,325
-	-	551,962
272,949	-	272,949
<u>3,611,246</u>	<u>33,325</u>	<u>6,099,659</u>
-	-	861,049
2,013,058	-	2,013,058
<u>2,013,058</u>	<u>-</u>	<u>2,874,107</u>
<u>5,624,304</u>	<u>33,325</u>	<u>8,973,766</u>
-	-	11,035,726
11,596,111	755,374	41,883,268
<u>\$ 11,596,111</u>	<u>\$ 755,374</u>	<u>\$ 52,918,994</u>

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Revenues, Expenses and Changes in Fund Net Position

Internal Service Funds

For the Year Ended June 30, 2023

	Central Stores	Fleet Services	Information Technology	Project Management
Operating revenues				
Charges for services	\$ 1,056,431	\$ 9,050,285	\$ 10,494,310	\$ 4,133,741
Operating expenses				
Personal services	210,884	1,450,619	4,458,577	2,764,316
Municipal service charge	34,404	189,876	734,616	169,212
Information technology charges	10,284	126,292	584,621	450,913
Other operating costs	778,889	2,692,661	4,556,144	1,221,511
Depreciation and amortization	2,254	2,244,158	770,514	24,677
Total operating expenses	<u>1,036,715</u>	<u>6,703,606</u>	<u>11,104,472</u>	<u>4,630,629</u>
Operating income (loss)	<u>19,716</u>	<u>2,346,679</u>	<u>(610,162)</u>	<u>(496,888)</u>
Nonoperating revenues (expenses)				
Investment income	25,193	268,980	53,800	14,117
Gain on sale of capital assets	-	286,203	-	-
Interest and fiscal charges	-	-	(25,487)	-
Total nonoperating revenues (expenses)	<u>25,193</u>	<u>555,183</u>	<u>28,313</u>	<u>14,117</u>
Income (loss) before contributions and transfers	44,909	2,901,862	(581,849)	(482,771)
Capital contributions	-	136,932	-	-
Transfers in	-	128,304	-	-
Transfers out	<u>(45,900)</u>	<u>(647,838)</u>	<u>-</u>	<u>(68,928)</u>
Changes in net position	(991)	2,519,260	(581,849)	(551,699)
Net position, beginning of year	<u>2,700,192</u>	<u>29,775,081</u>	<u>5,140,317</u>	<u>1,567,198</u>
Net position, end of year	<u>\$ 2,699,201</u>	<u>\$ 32,294,341</u>	<u>\$ 4,558,468</u>	<u>\$ 1,015,499</u>



Insurance	Wheeler Center	Total
<u>\$ 35,289,234</u>	<u>\$ 689,688</u>	<u>\$ 60,713,689</u>
973,350	51,534	9,909,280
625,404	26,508	1,780,020
63,000	26,544	1,261,654
31,142,017	520,723	40,911,945
-	-	3,041,603
<u>32,803,771</u>	<u>625,309</u>	<u>56,904,502</u>
<u>2,485,463</u>	<u>64,379</u>	<u>3,809,187</u>
177,829	10,430	550,349
-	-	286,203
-	-	(25,487)
<u>177,829</u>	<u>10,430</u>	<u>811,065</u>
2,663,292	74,809	4,620,252
-	-	136,932
34,000	-	162,304
-	-	(762,666)
<u>2,697,292</u>	<u>74,809</u>	<u>4,156,822</u>
<u>8,898,819</u>	<u>680,565</u>	<u>48,762,172</u>
<u>\$ 11,596,111</u>	<u>\$ 755,374</u>	<u>\$ 52,918,994</u>

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2023

	Central Stores	Fleet Services	Information Technology	Project Management
Cash flow from operating activities				
Payments to suppliers	\$ (897,991)	\$ (3,080,780)	\$ (5,533,968)	\$ (1,691,080)
Payments on behalf of employees	(210,884)	(1,450,619)	(4,457,795)	(2,764,316)
Payments received for interfund services	1,056,431	9,050,285	10,494,310	4,133,741
Net cash provided by (used in) operating activities	<u>(52,444)</u>	<u>4,518,886</u>	<u>502,547</u>	<u>(321,655)</u>
Cash flows from noncapital financing activities				
Transfers in	-	128,304	-	-
Transfers out	(45,900)	(647,838)	-	(68,928)
Net cash provided by (used in) noncapital financing activities	<u>(45,900)</u>	<u>(519,534)</u>	<u>-</u>	<u>(68,928)</u>
Cash flows from capital and related financing activities				
Capital contributions	-	136,932	-	-
Purchase of capital assets	-	(2,251,027)	(79,323)	(25,457)
Proceeds from sale of equipment	-	286,203	-	-
Principal paid on long-term debt	-	-	(722,696)	-
Interest paid on long-term debt	-	-	(25,487)	-
Net cash used in capital and related financing activities	<u>-</u>	<u>(1,827,892)</u>	<u>(827,506)</u>	<u>(25,457)</u>
Cash flows from investing activities				
Interest and dividends on investments	25,193	268,980	53,800	14,117
Net change in cash and cash equivalents	<u>(73,151)</u>	<u>2,440,440</u>	<u>(271,159)</u>	<u>(401,923)</u>
Cash and cash equivalents, beginning of the year	2,094,112	19,149,925	4,178,536	2,514,480
Cash and cash equivalents, end of the year	<u>\$ 2,020,961</u>	<u>\$ 21,590,365</u>	<u>\$ 3,907,377</u>	<u>\$ 2,112,557</u>
Reconciliation to statement of net position				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 200
Equity in pooled cash and investments	2,020,961	21,590,365	3,907,377	2,112,357
Cash and cash equivalents, end of year	<u>\$ 2,020,961</u>	<u>\$ 21,590,365</u>	<u>\$ 3,907,377</u>	<u>\$ 2,112,557</u>



Insurance	Wheeler Center	Total
\$ (27,509,527)	\$ (576,662)	\$ (39,290,008)
(1,218,510)	(51,534)	(10,153,658)
<u>35,289,234</u>	<u>689,688</u>	<u>60,713,689</u>
<u>6,561,197</u>	<u>61,492</u>	<u>11,270,023</u>
34,000	-	162,304
-	-	(762,666)
<u>34,000</u>	<u>-</u>	<u>(600,362)</u>
-	-	136,932
-	-	(2,355,807)
-	-	286,203
-	-	(722,696)
-	-	(25,487)
<u>-</u>	<u>-</u>	<u>(2,680,855)</u>
<u>177,829</u>	<u>10,430</u>	<u>550,349</u>
6,773,026	71,922	8,539,155
<u>9,310,738</u>	<u>715,991</u>	<u>37,963,782</u>
<u>\$ 16,083,764</u>	<u>\$ 787,913</u>	<u>\$ 46,502,937</u>
\$ 98	\$ -	\$ 298
<u>16,083,666</u>	<u>787,913</u>	<u>46,502,639</u>
<u>\$ 16,083,764</u>	<u>\$ 787,913</u>	<u>\$ 46,502,937</u>

continued...

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2023

	Central Stores	Fleet Services	Information Technology	Project Management
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ 19,716	\$ 2,346,679	\$ (610,162)	\$ (496,888)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	2,254	2,244,158	770,514	24,677
Changes in assets and liabilities:				
Accounts receivable	-	(1,212)	50,247	16,277
Due from other governments	-	-	(15,566)	-
Prepaid items	-	-	53,756	-
Inventories	(45,010)	(22,384)	-	-
Accounts payable	(29,404)	(48,355)	252,976	137,590
Accrued liabilities	-	-	782	-
Deposits payable	-	-	-	(3,311)
Estimated claims payable	-	-	-	-
Net cash provided by (used in) operating activities	<u>\$ (52,444)</u>	<u>\$ 4,518,886</u>	<u>\$ 502,547</u>	<u>\$ (321,655)</u>



Insurance	Wheeler Center	Total
\$ 2,485,463	\$ 64,379	\$ 3,809,187
-	-	3,041,603
138,000	39	203,351
-	-	(15,566)
1,508,596	-	1,562,352
-	-	(67,394)
2,674,298	(2,926)	2,984,179
-	-	782
-	-	(3,311)
(245,160)	-	(245,160)
<u>\$ 6,561,197</u>	<u>\$ 61,492</u>	<u>\$ 11,270,023</u>

concluded

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Fiduciary Net Position

Pension and Other Employee Benefits Trust Funds

June 30, 2023

	Employees' Retirement System	Retiree Health Care Trust	Total
Assets			
Equity in pooled cash and investments	\$ 1,743,014	\$ 518,937	\$ 2,261,951
Investments, at fair value:			
Equities	392,269,065	144,886,369	537,155,434
Fixed income	84,793,003	47,250,413	132,043,416
Other	135,532,393	57,198,775	192,731,168
Accrued interest and dividends	586,249	328,235	914,484
Due from the City of Ann Arbor	314,215	-	314,215
Capital assets being depreciated, net	300,254	-	300,254
Total assets	<u>615,538,193</u>	<u>250,182,729</u>	<u>865,720,922</u>
Liabilities			
Accounts payable	<u>3,923,812</u>	<u>350,105</u>	<u>4,273,917</u>
Net position			
Investment in capital assets	300,254	-	300,254
Restricted for:			
Pension benefits	611,314,127	-	611,314,127
Other postemployment benefits	<u>-</u>	<u>249,832,624</u>	<u>249,832,624</u>
Total net position	<u>\$ 611,614,381</u>	<u>\$ 249,832,624</u>	<u>\$ 861,447,005</u>

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Changes in Fiduciary Net Position

Pension and Other Employee Benefits Trust Funds

For the Year Ended June 30, 2023

	Employees' Retirement System	Retiree Health Care Trust	Total
Additions			
Investment income:			
<i>From investing activities:</i>			
Net appreciation in fair value of investments	\$ 53,036,348	\$ 18,268,773	\$ 71,305,121
Interest and dividends	9,098,808	4,562,883	13,661,691
Total investment income:	62,135,156	22,831,656	84,966,812
Investment management fees	(601,738)	(151,834)	(753,572)
Net investment income from investing activities	61,533,418	22,679,822	84,213,240
<i>From securities lending activities:</i>			
Gross earnings	51,660	22,398	74,058
Borrower rebates paid	(50,146)	(15,357)	(65,503)
Securities lending fees	30,534	11,320	41,854
Net investment income from securities lending activities	32,048	18,361	50,409
Total net investment income	61,565,466	22,698,183	84,263,649
Contributions:			
Employer	15,573,621	15,340,861	30,914,482
Plan members	3,849,807	-	3,849,807
Total contributions	19,423,428	15,340,861	34,764,289
Total additions	80,988,894	38,039,044	119,027,938
Deductions			
Benefits	43,842,867	14,298,012	58,140,879
Refunds	444,680	-	444,680
Administrative expenses	367,961	266,413	634,374
Total deductions	44,655,508	14,564,425	59,219,933
Change in net position	36,333,386	23,474,619	59,808,005
Net position, beginning of year	575,280,995	226,358,005	801,639,000
Net position, end of year	\$ 611,614,381	\$ 249,832,624	\$ 861,447,005

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Fiduciary Net Position

Custodial Funds

June 30, 2023

	15th District Court Depository	Treasurer's Delinquent Tax	Treasurer's Current Tax	Total
Assets				
Cash and cash equivalents	\$ 40,263	\$ -	\$ 2,502	\$ 42,765
Equity in pooled cash and investments	-	126,115	6,330	132,445
Accounts receivable	-	151,327	-	151,327
Total assets	40,263	277,442	8,832	326,537
Liabilities				
Due to other governments	40,263	277,442	8,832	326,537
Net position				
Restricted for individuals, organizations and other governments	\$ -	\$ -	\$ -	\$ -

CITY OF ANN ARBOR, MICHIGAN

Combining Statement of Changes in Fiduciary Net Position

Custodial Funds

For the Year Ended June 30, 2023

	15th District Court Depository	Treasurer's Delinquent Tax	Treasurer's Current Tax	Total
Additions				
Taxes collected for other governments	\$ -	\$ -	\$ 298,486,894	\$ 298,486,894
Court fines, fees and costs	1,629,798	-	-	1,629,798
Interest	851	-	-	851
Total additions	<u>1,630,649</u>	<u>-</u>	<u>298,486,894</u>	<u>300,117,543</u>
Deductions				
Payments of taxes to other governments	-	-	298,486,894	298,486,894
Court disbursements	1,630,649	-	-	1,630,649
Total deductions	<u>1,630,649</u>	<u>-</u>	<u>298,486,894</u>	<u>300,117,543</u>
Total change in net position	-	-	-	-
Net position, beginning of year	-	-	-	-
Net position, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF ANN ARBOR, MICHIGAN

Component Unit Balance Sheet

SmartZone Local Development Finance Authority

June 30, 2023

SmartZone Local Development Finance Authority

Assets

Equity in pooled cash and investments	\$ 1,098,444
Loans receivable	<u>223,844</u>

Total assets

\$ 1,322,288

Liabilities

Accounts payable	\$ 629,971
Unearned revenue	<u>223,844</u>

Total liabilities

853,815

Fund balance

Committed for community and economic development	<u>468,473</u>
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Total liabilities and fund balance

\$ 1,322,288

CITY OF ANN ARBOR, MICHIGAN

Component Unit Statement of Revenues, Expenditures and Changes in Fund Balance

SmartZone Local Development Finance Authority

For the Year Ended June 30, 2023

**SmartZone
Local
Development
Finance
Authority**

Revenues

Taxes	\$ 4,986,698
Investment income	29,445
Other	3
	<hr/>

Total revenues 5,016,146

Expenditures

Current -	
Community and economic development	<hr/> 6,379,405

Net change in fund balance (1,363,259)

Fund balance, beginning of year

1,831,732

Fund balance, end of year

\$ 468,473

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STATISTICAL SECTION

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CITY OF ANN ARBOR, MICHIGAN

Statistical Section Table of Contents

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

		<u>Page</u>
Financial Trends	These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	170
Revenue Capacity	These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	181
Debt Capacity	These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	186
Demographic and Economic Information	These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	192
Operating Information	These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	196

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

CITY OF ANN ARBOR, MICHIGAN

Net Position by Component

(Accrual Basis of Accounting)

Last Ten Fiscal Years

	2023	2022	2021	2020
Governmental activities				
Net investment in capital assets	\$ 876,961,867	\$ 859,218,155	\$ 862,022,341	\$ 653,605,138
Restricted	102,136,516	97,821,345	74,937,129	71,507,486
Unrestricted (deficit)	(31,827,017)	(59,121,357)	(62,743,620)	(81,833,606)
Total governmental activities net position	<u>\$ 947,271,366</u>	<u>\$ 897,918,143</u>	<u>\$ 874,215,850</u>	<u>\$ 643,279,018</u>
Business-type activities				
Net investment in capital assets	\$ 294,076,585	\$ 289,662,026	\$ 273,699,074	\$ 251,130,814
Restricted	36,785,774	34,572,747	34,200,616	33,752,565
Unrestricted	146,147,387	109,261,293	83,268,136	76,353,673
Total business-type activities net position	<u>\$ 477,009,746</u>	<u>\$ 433,496,066</u>	<u>\$ 391,167,826</u>	<u>\$ 361,237,052</u>
Primary government				
Net investment in capital assets	\$ 1,171,038,452	\$ 1,148,880,181	\$ 1,135,721,415	\$ 904,735,952
Restricted	138,922,290	132,394,092	109,137,745	105,260,051
Unrestricted (deficit)	114,320,370	50,139,936	20,524,516	(5,479,933)
Total primary government net position	<u>\$ 1,424,281,112</u>	<u>\$ 1,331,414,209</u>	<u>\$ 1,265,383,676</u>	<u>\$ 1,004,516,070</u>

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

Note: GASB Statement No. 74 was implemented in 2017 and previous years were not restated.

Note: Net position was restated for fiscal year 2021 in 2022 and previous years were not restated

2019	2018	2017	2016	2015	2014
\$ 664,619,342	\$ 701,307,637	\$ 700,165,724	\$ 696,101,749	\$ 859,218,155	\$ 701,552,873
66,516,345	57,546,687	55,228,918	57,396,259	97,821,345	56,297,832
(64,115,536)	(92,031,983)	(430,810)	526,827	(59,121,357)	41,317,182
<u>\$ 667,020,151</u>	<u>\$ 666,822,341</u>	<u>\$ 754,963,832</u>	<u>\$ 754,024,835</u>	<u>\$ 897,918,143</u>	<u>\$ 799,167,887</u>
\$ 234,555,667	\$ 216,805,278	\$ 210,361,709	\$ 198,917,535	\$ 289,662,026	\$ 190,021,586
33,863,408	33,448,566	32,956,794	33,715,282	34,572,747	30,332,704
66,288,021	66,043,566	70,350,912	66,341,759	109,261,293	61,806,858
<u>\$ 334,707,096</u>	<u>\$ 316,297,410</u>	<u>\$ 313,669,415</u>	<u>\$ 298,974,576</u>	<u>\$ 433,496,066</u>	<u>\$ 282,161,148</u>
\$ 899,175,009	\$ 918,112,915	\$ 910,527,433	\$ 895,019,284	\$ 1,148,880,181	\$ 891,574,459
100,379,753	90,995,253	88,185,712	91,111,541	132,394,092	86,630,536
2,172,485	(25,988,417)	69,920,102	66,868,586	50,139,936	103,124,040
<u>\$ 1,001,727,247</u>	<u>\$ 983,119,751</u>	<u>\$ 1,068,633,247</u>	<u>\$ 1,052,999,411</u>	<u>\$ 1,331,414,209</u>	<u>\$ 1,081,329,035</u>

CITY OF ANN ARBOR, MICHIGAN

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

	2023	2022	2021	2020
Expenses				
Governmental activities:				
General government	\$ 16,786,947	\$ 22,756,099	\$ 15,690,533	\$ 20,385,283
Public safety	48,124,880	55,560,167	40,110,094	58,996,948
Public works	31,716,206	27,876,386	64,673,932	62,633,254
Community and economic development	10,599,184	4,728,505	3,919,158	3,937,980
Culture and recreation	21,130,037	16,217,984	11,390,116	15,150,651
Public transportation	12,911,467	12,225,468	12,063,787	11,408,712
Interest on long-term debt	3,245,518	3,031,127	3,120,035	3,583,704
Total governmental activities expenses	144,514,239	142,395,736	150,967,655	176,096,532
Business-type activities:				
Water	20,902,115	19,390,604	19,677,049	19,798,550
Sewer	21,588,195	18,934,433	24,059,586	23,155,043
Parking	1,661,660	1,727,152	1,736,718	1,754,222
Market	-	-	-	-
Airport	818,222	929,227	832,231	827,366
Stormwater	9,288,550	6,199,548	7,291,027	6,770,918
Solid waste	17,059,032	11,429,026	12,821,555	17,001,298
Total business-type activities expenses	71,317,774	58,609,990	66,418,166	69,307,397
Total primary government expenses	215,832,013	201,005,726	217,385,821	245,403,929
Program revenues				
Governmental activities:				
Charges for services:				
General government	9,268,174	10,452,231	6,107,653	13,783,296
Public safety	12,188,775	10,438,351	5,317,199	8,993,203
Public works	3,788,887	2,694,880	4,862,025	2,452,173
Community and economic development	148,991	27,204	-	-
Culture and recreation	5,214,729	4,631,558	3,196,872	3,461,681
Interest on long-term debt	5,658,238	5,433,673	5,418,941	5,402,027
Operating grants and contributions	29,319,053	23,883,134	26,835,761	16,424,627
Capital grants and contributions	7,642,938	780,957	1,536	1,070,562
Total governmental activities program revenues	73,229,785	58,341,988	51,739,987	51,587,569
Business-type activities:				
Charges for services:				
Water	36,193,513	30,553,152	29,580,802	25,277,253
Sewer	34,808,098	36,316,978	32,394,186	31,984,321
Parking	309,700	561,600	550,100	1,271,600
Market	-	-	-	-
Airport	952,188	975,774	926,112	933,066
Stormwater	15,106,097	14,175,091	13,150,716	12,485,490
Solid waste	4,263,230	4,588,982	3,637,240	3,714,281
Operating grants and contributions	-	23,000	-	-
Capital grants and contributions	-	228,164	95,519	-
Total business-type activities program revenues	91,632,826	87,422,741	80,334,675	75,666,011
Total primary government program revenues	164,862,611	145,764,729	132,074,662	127,253,580

2019	2018	2017	2016	2015	2014
\$ 18,166,147	\$ 19,219,630	\$ 17,463,340	\$ 15,951,143	\$ 16,550,948	\$ 15,580,703
47,984,733	46,868,877	46,375,914	45,158,518	43,882,972	40,307,361
53,143,075	49,591,083	40,196,459	38,305,144	33,619,237	37,787,092
2,696,878	2,063,185	2,098,986	2,925,711	2,749,048	2,031,872
14,009,824	13,779,455	14,074,974	12,865,261	13,374,937	12,008,899
10,864,768	10,524,383	10,269,099	10,038,406	9,735,605	9,494,422
3,272,391	3,527,743	3,340,791	4,837,529	4,691,976	5,037,624
<u>150,137,816</u>	<u>145,574,356</u>	<u>133,819,563</u>	<u>130,081,712</u>	<u>124,604,723</u>	<u>122,247,973</u>
24,075,346	19,737,572	19,288,471	19,188,325	18,494,776	17,332,597
21,258,970	19,382,437	18,621,741	17,880,966	16,842,294	15,201,859
1,789,366	1,831,512	1,871,468	2,048,444	2,144,727	2,434,729
-	-	-	-	-	229,134
909,745	727,902	791,342	670,167	746,680	676,227
9,615,145	5,747,664	5,802,413	5,616,057	5,986,171	4,269,354
17,748,336	14,890,852	15,624,601	18,301,294	12,986,803	12,848,176
<u>75,396,908</u>	<u>62,317,939</u>	<u>62,000,036</u>	<u>63,705,253</u>	<u>57,201,451</u>	<u>52,992,076</u>
<u>225,534,724</u>	<u>207,892,295</u>	<u>195,819,599</u>	<u>193,786,965</u>	<u>181,806,174</u>	<u>175,240,049</u>
9,052,049	9,796,913	8,200,188	8,691,577	9,296,146	8,612,587
11,031,951	10,613,768	9,807,563	9,026,629	8,847,862	7,783,075
3,752,184	2,630,025	3,611,282	4,262,035	2,662,357	2,236,913
-	-	-	-	657	293,533
4,666,251	4,738,164	4,548,675	5,121,351	4,097,635	3,891,323
4,181,335	4,306,049	4,291,510	4,283,146	4,287,804	4,241,683
16,661,456	14,948,746	13,756,071	12,273,077	11,030,886	12,380,494
2,480,753	4,086,170	1,025,460	638,182	865,776	974,291
<u>51,825,979</u>	<u>51,119,835</u>	<u>45,240,749</u>	<u>44,295,997</u>	<u>41,089,123</u>	<u>40,413,899</u>
27,143,417	27,002,482	26,602,226	24,053,722	22,697,619	22,725,289
32,549,393	28,329,519	27,363,541	23,926,479	22,137,470	22,639,231
1,994,288	2,036,188	2,657,169	2,732,541	2,820,269	2,860,469
-	-	-	-	-	198,989
1,137,674	935,786	923,228	924,141	888,809	869,591
11,505,361	9,444,063	7,404,199	6,915,369	6,343,928	6,446,776
3,920,945	4,035,824	4,164,508	2,965,288	2,875,575	3,329,167
-	-	-	-	-	-
118,425	54,384	359,981	600,945	4,645,758	1,963,610
<u>78,369,503</u>	<u>71,838,246</u>	<u>69,474,852</u>	<u>62,118,485</u>	<u>62,409,428</u>	<u>61,033,122</u>
<u>130,195,482</u>	<u>122,958,081</u>	<u>114,715,601</u>	<u>106,414,482</u>	<u>103,498,551</u>	<u>101,447,021</u>

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CITY OF ANN ARBOR, MICHIGAN

Changes in Net Position

(Accrual Basis of Accounting)

Last Ten Fiscal Years

	2023	2022	2021	2020
Net (expense) revenue				
Governmental activities	\$ (71,284,454)	\$ (84,053,748)	\$ (99,227,668)	\$ (124,508,963)
Business-type activities	20,315,052	28,812,751	13,916,509	6,358,614
Total primary government net expense	<u>(50,969,402)</u>	<u>(55,240,997)</u>	<u>(85,311,159)</u>	<u>(118,150,349)</u>
General revenues and other changes in net position				
Governmental activities:				
Taxes:				
Property taxes, levied for general purposes	69,268,471	79,943,311	64,431,379	60,987,539
Property taxes, levied for designated purpose	34,306,354	18,145,588	24,312,199	23,034,375
Property taxes, levied for debt services	822	2,340	2,063	2,134
State shared revenues and grants (unrestricted)	17,894,383	15,340,846	11,960,256	11,845,757
Investment income (loss)	3,950,479	(4,111,794)	151,705	6,303,600
Gain on sale of capital assets	-	-	903,655	-
Other	534,630	-	1,497,936	-
Transfers	(5,317,462)	(1,564,250)	(1,115,702)	(1,405,575)
Total governmental activities	<u>120,637,677</u>	<u>107,756,041</u>	<u>102,143,491</u>	<u>100,767,830</u>
Business-type activities:				
Property taxes, levied for general purposes	15,522,511	14,699,709	14,264,703	13,728,287
Investment income (loss)	2,336,896	(2,959,410)	181,798	5,037,480
Other	21,759	210,940	452,062	-
Transfers	5,317,462	1,564,250	115,702	1,405,575
Total business-type activities	<u>23,198,628</u>	<u>13,515,489</u>	<u>15,014,265</u>	<u>20,171,342</u>
Total primary government	<u>143,836,305</u>	<u>121,271,530</u>	<u>117,157,756</u>	<u>120,939,172</u>
Change in net position				
Governmental activities	49,353,223	23,702,293	2,915,823	(23,741,133)
Business-type activities	43,513,680	42,328,240	28,930,774	26,529,956
Total primary government	<u>\$ 92,866,903</u>	<u>\$ 66,030,533</u>	<u>\$ 31,846,597</u>	<u>\$ 2,788,823</u>

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

2019	2018	2017	2016	2015	2014
\$ (98,311,837)	\$ (94,454,521)	\$ (88,578,814)	\$ (85,785,715)	\$ (83,515,600)	\$ (81,834,074)
2,972,595	9,520,307	7,474,816	(1,586,768)	5,207,977	8,041,046
<u>(95,339,242)</u>	<u>(84,934,214)</u>	<u>(81,103,998)</u>	<u>(87,372,483)</u>	<u>(78,307,623)</u>	<u>(73,793,028)</u>
58,071,684	56,134,197	54,617,165	53,396,465	51,977,008	50,671,754
22,078,216	19,233,238	18,501,675	18,145,558	17,626,382	17,236,996
2,117	2,091	2,129	2,340	2,129	2,129
11,493,427	11,034,159	10,712,412	10,215,633	10,317,088	10,050,793
5,269,825	655,430	10,347	1,558,594	1,262,302	1,621,595
-	-	-	-	-	-
351,982	162,745	500,138	320,426	150,905	5,231,878
2,002,648	2,093,810	5,173,955	460,882	4,831,153	3,574,088
<u>99,269,899</u>	<u>89,315,670</u>	<u>89,517,821</u>	<u>84,099,898</u>	<u>86,166,967</u>	<u>88,389,233</u>
13,064,727	12,638,680	12,306,559	12,072,979	11,728,679	11,470,474
4,361,262	472,977	(11,349)	1,774,739	1,293,959	1,241,702
13,750	35,500	98,767	59,648	67,250	(673,069)
<u>(2,002,648)</u>	<u>(2,093,810)</u>	<u>(5,173,955)</u>	<u>(460,884)</u>	<u>(4,831,153)</u>	<u>(3,574,088)</u>
<u>15,437,091</u>	<u>11,053,347</u>	<u>7,220,022</u>	<u>13,446,482</u>	<u>8,258,735</u>	<u>8,465,019</u>
<u>114,706,990</u>	<u>100,369,017</u>	<u>96,737,843</u>	<u>97,546,380</u>	<u>94,425,702</u>	<u>96,854,252</u>
958,062	(5,138,851)	939,007	(1,685,817)	2,651,367	6,555,159
18,409,686	20,573,654	14,694,838	11,859,714	13,466,712	16,506,065
<u>\$ 19,367,748</u>	<u>\$ 15,434,803</u>	<u>\$ 15,633,845</u>	<u>\$ 10,173,897</u>	<u>\$ 16,118,079</u>	<u>\$ 23,061,224</u>

concluded.

CITY OF ANN ARBOR, MICHIGAN

Fund Balances

(Modified Accrual Basis of Accounting)

Governmental Funds

Last Ten Fiscal Years

	2023	2022	2021	2020
General fund				
Nonspendable	\$ 125,800	\$ 65,511	\$ 46,196	\$ 286,295
Restricted	159,938	-	-	-
Committed	1,059,897	697,537	533,506	498,352
Assigned	13,901,830	7,576,646	9,888,296	7,292,712
Unassigned	26,816,753	25,534,780	21,604,204	19,554,234
Total general fund	<u>\$ 42,064,218</u>	<u>\$ 33,874,474</u>	<u>\$ 32,072,202</u>	<u>\$ 27,631,593</u>
All other governmental funds				
Nonspendable	\$ 2,014,569	\$ 2,011,482	\$ 2,027,000	\$ 1,984,000
Restricted	99,112,163	95,810,194	70,662,974	64,888,488
Committed	842,518	819,733	1,918,790	2,953,568
Assigned	3,259,269	4,051,877	6,835,506	10,258,267
Unassigned (deficit)	-	(673,851)	(1,962,868)	(1,681,092)
Total all other governmental funds	<u>\$ 105,228,519</u>	<u>\$ 102,019,435</u>	<u>\$ 79,481,402</u>	<u>\$ 78,403,231</u>

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

2019	2018	2017	2016	2015	2014
\$ 386,772	\$ 462,384	\$ 540,869	\$ 619,311	\$ 765,634	\$ 853,157
-	-	-	-	-	-
-	-	-	-	-	-
5,537,411	7,714,673	6,414,602	9,185,273	4,482,510	7,446,598
19,713,016	11,143,139	16,243,676	15,330,765	17,235,156	14,279,454
<u>\$ 25,637,199</u>	<u>\$ 19,320,196</u>	<u>\$ 23,199,147</u>	<u>\$ 25,135,349</u>	<u>\$ 22,483,300</u>	<u>\$ 22,579,209</u>
\$ 1,984,000	\$ 1,984,000	\$ 1,984,000	\$ 1,984,000	\$ 1,984,000	\$ 1,984,000
64,482,671	55,440,810	53,939,042	56,176,316	55,120,246	55,346,230
2,674,688	929,257	5,494,990	4,584,590	3,984,155	3,203,628
16,674,824	3,709,223	6,327,002	5,832,928	2,642,775	2,699,330
-	-	-	-	-	-
<u>\$ 85,816,183</u>	<u>\$ 62,063,290</u>	<u>\$ 67,745,034</u>	<u>\$ 68,577,834</u>	<u>\$ 63,731,176</u>	<u>\$ 63,233,188</u>

CITY OF ANN ARBOR, MICHIGAN

Changes in Fund Balances

(Modified Accrual Basis of Accounting)

Governmental Funds

Last Ten Fiscal Years

	2023	2022	2021	2020
Revenues				
Taxes	\$ 103,575,647	\$ 98,091,239	\$ 87,745,640	\$ 84,024,048
Special assessments/improvement charges	-	-	90,423	74,263
Licenses, permits, and registrations	10,014,234	9,315,238	7,898,206	7,617,172
Intergovernmental	51,208,502	37,755,173	18,415,936	28,548,327
Charges for services	20,220,376	19,429,696	12,661,629	15,418,166
Fines and forfeits	3,340,972	3,222,346	3,125,206	3,770,147
Interest and penalties	-	-	-	-
Investment earnings (loss)	3,400,130	(3,262,910)	75,071	4,829,585
Rental	714,131	875,550	847,243	778,765
Contributions and donations	3,770,389	4,181,190	6,184,114	1,537,299
Intra-governmental sales	-	-	239,533	267,765
Other	2,037,036	936,721	1,087,777	990,079
Total revenues	198,281,417	170,544,243	138,370,778	147,855,616
Expenditures				
Current:				
General government	21,825,361	20,513,902	18,101,639	17,063,537
Public safety	56,742,198	56,233,799	51,387,902	52,532,154
Public works	22,958,401	22,192,811	22,491,092	23,051,857
Community/economic development	11,392,917	4,646,493	3,164,360	3,615,970
Culture and recreation	21,983,685	15,809,272	12,612,966	14,387,053
Public transportation	12,911,467	12,225,468	12,063,787	11,697,544
Capital outlay	22,271,761	18,915,364	20,038,436	24,171,714
Debt service:				
Principal	8,671,930	6,868,000	6,694,000	6,213,000
Interest and fiscal charges	3,407,769	65,010	3,205,397	3,747,600
Bond issuance costs	-	3,062,290	-	-
Total expenditures	182,165,489	160,532,409	149,759,579	156,480,429
Revenues over (under) expenditures	16,115,928	10,011,834	(11,388,801)	(8,624,813)
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	123,801	-
Issuance of long-term debt	-	13,605,000	-	-
Payment to refunded bond escrow agent	-	-	-	-
Premium/discount on issuance of long-term debt	-	1,421,037	-	-
Transfers in	16,055,588	12,163,339	15,619,555	18,916,182
Transfers out	(20,772,688)	(12,860,905)	(15,835,775)	(15,709,927)
Total other financing sources (uses)	(4,717,100)	14,328,471	(92,419)	3,206,255
Net change in fund balances	\$ 11,398,828	\$ 24,340,305	\$ (11,481,220)	\$ (5,418,558)
Debt service as a percentage of noncapital expenditures	7.9%	7.5%	8.2%	8.1%

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

	2019	2018	2017	2016	2015	2014
\$	80,152,017	\$ 75,369,504	\$ 73,118,985	\$ 71,544,363	\$ 69,605,308	\$ 67,910,079
	136,227	63,746	93,373	-	52,373	44,636
	8,678,516	8,927,341	7,710,797	7,371,840	7,619,826	6,683,485
	27,664,334	26,152,120	23,800,709	22,749,178	21,826,308	22,381,647
	17,632,847	16,437,936	14,770,842	15,515,836	14,034,309	13,732,847
	4,611,776	4,283,940	4,704,380	4,596,544	4,601,589	4,483,484
	-	-	2,604	-	211	800
	4,145,380	535,299	3,926	1,190,815	928,186	1,162,205
	761,445	735,822	661,086	634,819	637,366	587,361
	2,439,867	3,775,006	3,343,936	334,247	981,965	521,305
	412,620	306,526	297,201	2,627,905	213,511	266,970
	512,211	402,002	432,973	594,470	678,652	1,182,138
	<u>147,147,240</u>	<u>136,989,242</u>	<u>128,940,812</u>	<u>127,160,017</u>	<u>121,179,604</u>	<u>118,956,957</u>
	16,845,714	17,140,624	15,153,388	14,257,197	14,501,593	14,372,873
	51,918,701	48,947,304	48,503,006	47,189,457	45,217,288	43,123,100
	18,974,405	24,532,861	19,366,244	18,863,228	17,869,057	17,789,296
	2,879,621	2,146,752	2,169,450	3,007,207	2,808,976	2,118,053
	13,091,727	13,172,050	13,197,781	12,072,443	12,567,890	11,360,700
	10,864,768	10,524,383	10,269,099	10,038,406	9,735,605	9,494,422
	16,964,124	24,016,528	21,162,097	18,043,661	14,237,971	14,971,769
	5,393,000	5,189,000	4,793,000	4,148,000	4,150,000	7,550,000
	2,430,211	3,558,867	3,448,031	4,080,504	4,920,544	5,072,356
	646,298	-	555,599	-	-	-
	<u>140,008,569</u>	<u>149,228,369</u>	<u>138,617,695</u>	<u>131,700,103</u>	<u>126,008,924</u>	<u>125,852,569</u>
	<u>7,138,671</u>	<u>(12,239,127)</u>	<u>(9,676,883)</u>	<u>(4,540,086)</u>	<u>(4,829,320)</u>	<u>(6,895,612)</u>
	36,500	26,750	32,850	16,350	3,598	4,979,951
	57,305,000	-	24,030,000	17,710,000	16,235,000	-
	(39,206,297)	-	(24,509,365)	(18,439,571)	(16,486,836)	-
	2,789,032	-	479,365	416,162	(135,652)	-
	10,617,994	11,198,070	15,062,028	21,803,130	13,294,382	15,619,817
	(7,850,752)	(8,546,388)	(8,186,997)	(9,467,278)	(7,679,086)	(11,131,060)
	<u>23,691,477</u>	<u>2,678,432</u>	<u>6,907,881</u>	<u>12,038,793</u>	<u>5,231,406</u>	<u>9,468,708</u>
\$	<u>30,830,148</u>	<u>\$ (9,560,695)</u>	<u>\$ (2,769,002)</u>	<u>\$ 7,498,707</u>	<u>\$ 402,086</u>	<u>\$ 2,573,096</u>
	7.3%	7.8%	8.2%	8.0%	8.5%	12.0%

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Taxable Value of Property
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Real Property	Personal Property	Less: Tax-exempt Property (4)	Total Taxable Value (2)	Total Assessed Value (2)	True Cash Value (2)	Total Direct Tax Rate
2014	\$ 4,614,295,892	\$ 225,575,000	\$ -	\$ 4,839,870,892	\$ 5,447,340,500	\$ 10,894,681,000	16.4501
2015	4,739,348,866	230,309,300	-	4,969,658,166	6,118,573,700	12,237,147,400	16.4501
2016	4,870,231,067	240,179,600	-	5,110,410,667	6,643,622,400	13,287,244,800	16.4436
2017	5,035,021,720	258,429,800	-	5,293,451,520	7,134,355,100	14,268,710,200	16.3003
2018	5,242,521,458	253,065,300	-	5,495,586,758	7,527,133,730	15,054,267,460	16.1390
2019	5,539,356,212	251,477,400	-	5,790,833,612	8,217,852,850	16,435,705,700	15.8885
2020	5,887,823,600	264,810,400	-	6,152,634,000	8,177,422,349	16,354,844,698	15.7131
2021	6,192,607,215	309,486,300	-	6,502,093,515	8,686,447,970	17,372,895,940	15.6215
2022	6,360,653,252	283,981,300	-	6,644,634,552	9,115,126,235	18,230,252,470	16.8215
2023	6,775,385,344	277,540,900	-	7,052,926,244	9,456,136,680	18,912,273,360	16.7083

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, MICHIGAN

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

	City of Ann Arbor Direct Rate						
	Fiscal Year	General Operating	Refuse Collection	Transportation*	Employee Benefits	Debt Service	Parks
Principal Residence Exemption (PRE)	2014	6.1682	2.4670	2.0560	2.0560	0.0000	1.5779
Non-PRE	2014	6.1682	2.4670	2.0560	2.0560	0.0000	1.5779
Principal Residence Exemption (PRE)	2015	6.1682	2.4670	2.0560	2.0560	0.0000	1.5779
Non-PRE	2015	6.1682	2.4670	2.0560	2.0560	0.0000	1.5779
Principal Residence Exemption (PRE)	2016	6.1657	2.4660	2.0552	2.0552	0.0000	1.5773
Non-PRE	2016	6.1657	2.4660	2.0552	2.0552	0.0000	1.5773
Principal Residence Exemption (PRE)	2017	6.1120	2.4445	2.0373	2.0373	0.0000	1.5635
Non-PRE	2017	6.1120	2.4445	2.0373	2.0373	0.0000	1.5635
Principal Residence Exemption (PRE)	2018	6.0343	2.4134	2.0114	2.0114	0.0000	1.5435
Non-PRE	2018	6.0343	2.4134	2.0114	2.0114	0.0000	1.5435
Principal Residence Exemption (PRE)	2019	5.9407	2.3759	1.9802	1.9802	0.0000	1.5195
Non-PRE	2019	5.9407	2.3759	1.9802	1.9802	0.0000	1.5195
Principal Residence Exemption (PRE)	2020	5.8884	2.3549	1.9627	1.9627	0.0000	1.5463
Non-PRE	2020	5.8884	2.3549	1.9627	1.9627	0.0000	1.5463
Principal Residence Exemption (PRE)	2021	5.8359	2.3339	1.9452	1.9452	0.0000	1.5324
Non-PRE	2021	5.8359	2.3339	1.9452	1.9452	0.0000	1.5324
Principal Residence Exemption (PRE)	2022	5.8359	2.3339	1.9452	1.9452	0.0000	1.5324
Non-PRE	2022	5.8359	2.3339	1.9452	1.9452	0.0000	1.5324
Principal Residence Exemption (PRE)	2023	5.7967	2.3182	1.9321	1.9321	0.0000	1.5220
Non-PRE	2023	5.7967	2.3182	1.9321	1.9321	0.0000	1.5220

* Represents millage collected for Ann Arbor Area Transportation Authority.
 ** Includes Washtenaw Intermediate School Ann Arbor District millage and State Education Tax on both Principal Residence and Non-Principal Residence properties. On Non-Principal Residence properties, an additional 18 mills is included for School Operating Tax. On Principal Residence properties, Hold Harmless mills levied in lieu of School Operating Tax.

Source: City of Ann Arbor Financial Services, Assessing Unit

City of Ann Arbor Direct Rate			Total Direct Tax Rate	Overlapping Rates					Total
Major Street Repair	Major New Sidewalk	Major Affordable Housing		Ann Arbor Area Transportation Authority	Ann Arbor Public Schools**	Ann Arbor District Library	Washtenaw County	Washtenaw Community College	
2.1250	0.0000	0.0000	16.4501	0.0000	17.7937	1.5500	5.7801	3.4576	45.0315
2.1250	0.0000	0.0000	16.4501	0.0000	31.4245	1.5500	5.7801	3.4576	58.6623
2.1250	0.0000	0.0000	16.4501	0.7000	17.9172	1.5500	6.2838	3.4576	46.3587
2.1250	0.0000	0.0000	16.4501	0.7000	31.4245	1.5500	6.2838	3.4576	59.8660
2.1242	0.0000	0.0000	16.4436	0.7000	17.7692	1.6500	6.3058	3.4576	46.3262
2.1242	0.0000	0.0000	16.4436	0.7000	31.3913	1.6500	6.3058	3.4576	59.9483
2.1057	0.0000	0.0000	16.3003	0.6943	17.4740	1.9000	6.2432	3.4360	46.0478
2.1057	0.0000	0.0000	16.3003	0.6943	30.9674	1.9000	6.2432	3.4360	59.5412
2.1250	0.0000	0.0000	16.1390	0.6860	20.7173	1.8913	6.2122	3.4267	49.0725
2.1250	0.0000	0.0000	16.1390	0.6860	33.9566	1.8913	6.2122	3.4267	62.3118
2.0920	0.0000	0.0000	15.8885	0.6773	20.4255	1.8663	7.1532	3.3978	49.4086
2.0920	0.0000	0.0000	15.8885	0.6773	34.2813	1.8663	7.1532	3.3978	63.2644
1.9981	0.0000	0.0000	15.7131	0.6936	20.1954	1.8519	7.1093	3.3763	48.9396
1.9981	0.0000	0.0000	15.7131	0.6936	34.2267	1.8519	7.1093	3.3763	62.9709
2.0289	0.0000	0.0000	15.6215	0.6880	21.8689	1.8365	7.0962	3.3538	50.4649
2.0289	0.0000	0.0000	15.6215	0.6880	36.1903	1.8365	7.0962	3.3538	64.7863
2.0289	0.2000	1.0000	16.8215	0.6862	20.9923	1.8333	7.0856	3.3759	50.7948
2.0289	0.2000	1.0000	16.8215	0.6862	36.1656	1.8333	7.0856	3.3759	65.9681
2.0153	0.1986	0.9933	16.7083	0.6805	20.7515	1.8228	7.0413	3.3548	50.3592
2.0153	0.1986	0.9933	16.7083	0.6805	36.1092	1.8228	7.0413	3.3548	65.7169

Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2023			2014		
	Taxable Value	Rank	Percentage of Total City Assessed Value	Taxable Value	Rank	Percentage of Total City Assessed Value
CEDR Landmark LLC 1300 S University	\$ 47,520,103	1	0.67%			
DTE Electric Company	44,506,800	2	0.63%	\$ 23,674,700	6	0.49%
BVK HSRE Ann Arbor, LLC	43,364,926	3	0.61%			
Briarwood Shopping Complex	42,698,700	4	0.61%	37,735,014	1	0.78%
Brixmor (formerly AMCAP) Arborland LLC	42,603,628	5	0.60%	29,365,692	3	0.61%
CPI Foundry, LLC	40,207,200	6	0.57%			
Northstar Fund IV, LLC	30,199,341	7	0.43%			
CCSHP Ann Arbor I, LLC (The Yard)	28,504,352	8	0.40%			
MI-UM Holdings LLC	26,952,502	9	0.38%			
Morningside Broadway LLC	26,131,400	10	0.37%			
Campus Investors 601 Forest				30,502,800	2	0.63%
Ann Arbor Camus Housing, LLC				27,682,406	4	0.57%
HUB Eisenhower Property				27,165,184	5	0.56%
THC Ann Arbor				19,443,700	7	0.40%
DTE Gas Company				15,761,200	8	0.33%
Sterling - 4 Eleven, LPP				15,383,449	9	0.32%
Glacier Hills				13,643,366	10	0.28%
Total	<u>\$ 372,688,952</u>		<u>5.28%</u>	<u>\$ 240,357,511</u>		<u>4.97%</u>

Source: City of Ann Arbor Financial Services, Assessing Unit

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year*	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years (Real)	Collections in Subsequent Years (Personal)	Total Collections to Date	
		Amount	Percentage of Levy			Amounts	Percentage of Levy
2014	\$ 79,385,502	\$ 78,341,354	98.68%	\$ 925,652	\$ 61,101	\$ 79,328,107	99.93%
2015	81,742,181	80,666,319	98.68%	819,344	206,946	81,692,609	99.94%
2016	83,995,895	83,115,705	98.95%	733,314	72,910	83,921,929	99.91%
2017	86,216,588	85,305,863	98.94%	753,004	43,685	86,102,553	99.87%
2018	88,485,078	87,698,238	99.11%	670,466	23,305	88,392,008	99.89%
2019	91,688,677	90,786,330	99.02%	772,637	18,151	91,577,118	99.88%
2020	96,323,717	95,370,692	99.01%	774,399	410	96,145,502	99.81%
2021	100,950,080	99,844,706	98.91%	957,920	35,152	100,837,778	99.89%
2022	110,422,305	109,532,160	99.19%	724,978	36,947	110,294,085	99.88%
2023	111,900,758	110,935,579	99.14%	438,084	73,037	111,446,700	99.59%

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

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

Source: City of Ann Arbor Financial Services, Treasury Unit

CITY OF ANN ARBOR, MICHIGAN

Ratios of Outstanding Debt by Type

(Dollars in thousands except for per capita)

Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-type Activities			
	General Obligation Bonds	Special Assessment Bonds	Installment Purchase Agreements	Leases and Subscription Liabilities	General Obligation Bonds	Lease Contract Payable	[1] Revenue Bonds	Other Long-term Debt
2014	\$ 119,725	\$ 60	\$ -	\$ -	\$ 14,550	\$ 192	\$ 128,643	\$ 9,932
2015	115,624	35	-	-	12,140	106	159,195	13,827
2016	111,919	15	-	-	9,855	63	177,852	14,721
2017	108,284	-	-	-	7,623	21	181,546	16,187
2018	103,060	-	-	-	5,689	-	180,204	15,778
2019	119,183	-	-	-	3,761	-	168,805	15,232
2020	112,790	-	-	-	2,533	-	160,418	14,474
2021	107,188	-	-	-	728	-	148,630	13,770
2022	113,842	-	799	109	1,460	-	134,436	14,626
2023	105,112	-	468	1,585	1,206	-	164,600	13,541

Note: For fiscal year 2023 and 2022 percent of personal income, the divisor used was for 2021 since more recent data was 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.

Total Primary Government	Percentage of Personal Income	Per Capita
\$ 273,102	1.58%	\$ 2,397
300,927	1.63%	2,641
314,425	1.63%	2,760
313,661	1.51%	2,753
304,731	1.38%	2,675
306,981	1.37%	2,694
290,215	1.24%	2,547
270,316	1.07%	2,183
265,272	1.05%	2,142
286,511	1.13%	2,313

Ratios of Net General Bonded Debt Outstanding

(Dollars in thousands except for per capita)
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less: Amounts Restricted to Repaying Principal	Less: Self-supported Portion	Net General Bonded Debt	Percentage of Actual Taxable Value of Property	Per Capita
2014	\$ 134,275	\$ 1,142	\$ 60	\$ 133,073	2.75%	\$ 1,167.98
2015	127,764	1,123	35	126,606	2.55%	1,111.22
2016	121,774	1,087	15	120,672	2.36%	1,059.14
2017	115,907	1,071	-	114,836	2.17%	1,007.92
2018	108,749	477	-	108,272	1.97%	950.30
2019	122,944	629	-	122,315	2.11%	1,073.56
2020	115,323	554	-	114,769	1.87%	1,007.33
2021	107,916	516	-	107,400	1.65%	867.17
2022	115,302	-	-	115,302	1.74%	930.97
2023	106,318	-	-	106,318	1.51%	858.43

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

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

Direct and Overlapping Governmental Activities Debt

(dollars in thousands)

As of June 30, 2023

Government Unit	Net Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Direct debt			
General obligation bonds	\$ 105,112	100.00%	\$ 105,112
Installment purchase agreements	468	100.00%	468
Lease and subscription liabilities	1,585	100.00%	1,585
Total direct debt	<u>\$ 107,164</u>		<u>107,164</u>
Overlapping debt			
Ann Arbor School District	\$ 256,415	64.56%	165,542
Washtenaw Intermediate School District	38,315	35.52%	13,609
Washtenaw Community College	4,658	35.99%	1,676
Washtenaw County, at large	20,876	35.19%	7,346
Total overlapping debt	<u>\$ 320,264</u>		<u>188,174</u>
Total direct & overlapping debt			<u>\$ 295,338</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.

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

Legal Debt Margin Information
Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2023

Assessed value of real and personal property	<u>\$ 9,422,375,430</u>
Debt limit (10% of assessed value)	\$ 942,237,543
Debt applicable to limit - Net direct debt	<u>105,579,000</u>
Legal debt margin	<u><u>\$ 836,658,543</u></u>

	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to Limit as a Percentage of Debt Limit
2014	\$ 548,205,147	\$ 119,588,000	\$ 428,617,147	21.81%
2015	544,734,050	115,624,000	429,110,050	21.23%
2016	587,315,552	111,919,000	475,396,552	19.06%
2017	664,362,240	108,284,000	556,078,240	16.30%
2018	686,875,930	103,060,000	583,815,930	15.00%
2019	726,197,693	119,183,000	607,014,693	16.41%
2020	791,747,775	112,790,000	678,957,775	14.25%
2021	838,444,077	105,893,000	732,551,077	12.63%
2022	912,221,924	113,842,057	798,379,867	12.48%
2023	942,237,543	105,579,000	836,658,543	11.21%

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

Pledged-revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Operating Revenue (1)	Operating Expenses (2)	Net Revenue Available For Debt Service	Debt Service		Total	Coverage
				Principal	Interest		
Water Supply System:							
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	13,859,781	9,088,248	2,410,000	1,262,901	3,672,901	2.5
2016	24,338,898	14,300,508	10,038,390	3,400,000	1,257,924	4,657,924	2.2
2017	26,610,731	14,239,387	12,371,344	3,905,001	764,316	4,669,317	2.6
2018	27,138,806	14,978,482	12,160,324	3,155,000	770,420	3,925,420	3.1
2019	28,343,557	16,463,996	11,879,561	3,250,000	754,316	4,004,316	3.0
2020	26,547,938	14,610,523	11,937,415	3,310,000	728,050	4,038,050	3.0
2021	29,349,646	15,654,139	13,695,507	3,546,584	610,667	4,157,251	3.3
2022	29,842,404	19,880,086	9,962,318	3,646,500	587,183	4,233,683	2.4
2023	36,650,233	15,963,039	20,687,194	3,724,450	1,761,204	5,485,654	3.8
Sewage Disposal System:							
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	11,407,792	11,470,506	2,225,000	2,658,665	4,883,665	2.3
2016	25,025,055	11,924,749	13,100,306	2,995,000	3,145,865	6,140,865	2.1
2017	27,336,885	11,851,017	15,485,868	4,427,831	2,779,118	7,206,949	2.1
2018	28,515,463	12,302,096	16,213,367	6,358,045	3,105,990	9,464,035	1.7
2019	34,230,942	9,813,919	24,417,023	8,075,000	3,014,702	11,089,702	2.2
2020	33,971,553	12,394,319	21,577,234	7,965,000	2,850,467	10,815,467	2.0
2021	32,589,166	15,536,787	17,052,379	8,355,000	2,471,751	10,826,751	1.6
2022	32,589,166	15,536,787	17,052,379	8,355,000	2,471,751	10,826,751	1.6
2023	35,897,726	11,228,594	24,669,132	8,729,672	2,117,277	10,846,949	2.3

(1) Includes investment earnings (loss); revenue pledged is covered by charges for services.
 (2) Excludes depreciation expense and change in accrued net pension liability.

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

Demographic and Economic Statistics
Last Ten Calendar Years

Year	Population (1)	Personal income (2)	Per Capita Personal Income (2)	Unemployment Rate % (3)
2014	113,934	\$ 17,260,080	\$ 48,365	5.5
2015	113,934	18,446,608	51,400	4.4
2016	113,934	19,261,779	52,814	4.2
2017	113,934	20,715,000	56,312	3.8
2018	113,934	22,021,358	58,823	3.5
2019	113,934	22,365,853	60,843	3.4
2020	113,934	23,327,716	63,655	10.5
2021	123,851	25,372,530	68,688	5.3
2022	123,851	N/A	N/A	4.1
2023	123,851	N/A	N/A	3.9

Sources:

- (1) U. S. Census Bureau
<https://www.census.gov/quickfacts/annarborcitymichigan>
- (2) Bureau of Economic Analysis, Ann Arbor Metropolitan Statistical Area, Personal Income and Employment by County and Metro Area
<http://www.bea.gov/>
*Note: 2022 and 2023 data has not been released at this time.
- (3) Michigan Employment Security Commission statistics for Washtenaw County as of June 2021
http://stats.bls.gov/eag/eag.mi_annarbor_msa.htm

Principal Employers
Current Year and Nine Years Ago

Taxpayer	2023			2014		
	Employees	Rank	Percentage	Employees	Rank	Percentage
University of Michigan	34,800	1	64.68%	28,777	1	67.86%
Trinity Health System (formerly St. Joseph's Health System)	5,900	2	10.97%	5,468	2	12.89%
Veterans Administration Ann Arbor Healthcare System	3,500	3	6.51%			
Ann Arbor Public Schools	2,500	4	4.65%	2,300	3	5.42%
Integrated Health Associates, Inc.	1,600	5	2.97%	1,016	6	2.40%
Toyota	1,400	6	2.60%			
Washtenaw County Government	1,200	7	2.23%	1,332	4	3.14%
Domino's Pizza	1,100	8	2.04%	550	9	1.30%
Thompson-Reuters	1,100	9	2.04%	1,100	5	2.59%
City of Ann Arbor	700	10	1.30%	686	7	1.62%
Edward Brothers				630	8	1.49%
Washtenaw Community College				549	10	1.29%
Total	53,800		100.00%	42,408		100.00%

Source: Ann Arbor Spark, January 2023: Top Regional Employers
<https://annarborusa.org/news/top-regional-employers/>

CITY OF ANN ARBOR, MICHIGAN

Full-time Equivalent City Government Employees by Function/Program

Last Ten Fiscal Years

Function/Program	2023	2022	2021	2020
General government				
Financial Services	64	64	64	62
Community Services	91	89	73	71
Parks & Recreation	40	37	38	38
City Administrator Services	74	74	70	65
Mayor & Council	1	1	2	2
Safety Services				
Police	151	149	156	154
Fire	88	86	87	87
Public Services				
Engineering	35	34	32	30
Water	30	28	27	27
Wastewater Treatment	36	36	36	36
Public Works	96	93	90	90
Other	35	36	40	40
15th District Court	35	35	35	35
Retirement System	4	4	4	4
Downtown Development Authority	8	6	6	6
City Attorney	15	14	14	13
Per Budget Book	802	785	773	759

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

2019	2018	2017	2016	2015	2014
62	61	60	61	61	61
67	66	63	59	57	33.73
37	23	24	24	24	24
63	37	34	34	34	34
1	1	1	1	1	1
150	149	149	149	149	146
87	87	87	87	87	86
30	17	16	16	12	12
27	27	26	26	26	26
36	35	35	35	35	35
90	117	117	117	120	120
36	63	62	59	61	61
35	35	34	34	34	34
4	4	4	4	4	4
6	6	4	4	4	4
13	13	13	12	12	12
744	741	729	722	721	694

CITY OF ANN ARBOR, MICHIGAN

Operating Indicators by Function/Program

Last Ten Fiscal Years

Function/Program	2023	2022	2021	2020
Police				
Physical arrests	1,053	941	998	1,178
Parking violations	72,669	69,279	51,289	69,605
Traffic violations	4,691	3,134	3,354	7,889
Fire				
Emergency responses	8,642	10,156	7,870	8,293
Fire extinguished	572	367	303	258
Inspections (1st inspections)	1,374	867	981	767
Refuse Collection				
Refuse collected (tons/day)	133.09	137.64	133.12	135.03
Recyclables collected (tons/day)	30.53	33.35	32.99	34.36
Other Public works				
Street resurfacing and reconstruction (miles)	11.70	15.40	5.92	7.20
Capital Preventative Maintenance (miles) (a)	6.76	36.37	52.61	21.85
Potholes repaired (tons)	426.00	844.00	428.00	596.00
Parks and Recreation				
Athletic field permits issued	439	720	141	456
Community center admissions	25,016	26,400	24,700	23,950
Water				
Connections	28,949	28,891	28,765	28,674
Water main breaks	93	75	80	59
Average daily consumption (millions of gallons)	13.2049	12.4929	12.5260	12.8360
Peak daily consumption (millions of gallons)	19.4944	23.1536	20.2160	18.6680
Wastewater				
Average daily sewage treatment (millions of gallons)	13.12	18.84	15.69	18.19

Source: Various services areas within City of Ann Arbor

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

2019	2018	2017	2016	2015	2014
1,678	1,467	1,289	1,542	1,461	1,462
99,079	102,981	117,221	118,041	108,759	92,184
8,748	9,515	11,022	12,548	12,205	14,053
8,504	7,214	7,234	6,947	6,572	6,646
260	206	205	259	220	283
1,140	1,257	1,182	1,339	1,218	1,164
140.69	151.22	73.21	72.52	72.87	72.84
35.89	36.32	40.27	40.31	40.17	39.54
7.35	3.71	3.91	5.91	6.13	5.29
1.69	42.44	55.39	7.70	2.12	-
733.88	648.43	397.60	482.32	570.92	636.50
629	987	692	733	866	929
21,524	19,750	19,750	12,500	12,000	12,000
28,592	28,565	28,496	28,452	28,418	28,387
106	66	73	65	91	120
13.5800	14.0803	13.9020	13.8240	13.5760	14.0910
22.8200	21.7170	21.2620	20.1310	19.1740	23.1200
18.30	17.90	16.81	17.00	17.76	16.70

CITY OF ANN ARBOR, MICHIGAN

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years

Function/Program	2023	2022	2021	2020
Police				
Station	1	1	1	1
Zone offices	1	1	1	1
Patrol units	35	35	35	35
Fire Stations	5	5	5	5
Refuse collection				
Collection trucks	19	19	19	28
Other public works				
Streets (miles)	298	298	298	298
Streetlights	8,005	7,940	7,811	7,721
Traffic signals	124	128	159	159
Parks and recreation				
Acreage	2,210	2,210	2,195	2,195
Playgrounds	80	80	80	80
Baseball/softball diamonds	34	34	34	34
Soccer/football fields	24	24	24	24
Community centers	2	2	2	2
Water				
Water mains (miles)	463	463	462	461
Fire hydrants	3,492	3,447	3,398	3,370
Storage capacity (millions of gallons)	19.0	19.0	19.0	19.0
Wastewater				
Sanitary sewers (miles)	366	366	365	375
Storm sewers (miles)	309	289	290	290
Treatment capacity (millions of gallons)	48	48	48	48

Source: Various services areas within City of Ann Arbor

2019	2018	2017	2016	2015	2014
1	1	1	1	1	1
1	1	1	2	2	2
35	35	36	35	35	37
5	5	5	5	5	5
28	27	26	26	27	27
298	298	297	297	297	297
7,592	7,572	7,567	7,562	7,497	7,194
159	159	159	159	159	158
2,187	2,110	2,110	2,110	2,074	2,074
80	80	79	79	77	77
34	34	34	34	34	34
24	24	24	24	24	24
2	2	2	2	2	2
461	459	456	455	488	490
3,947	3,887	3,239	3,178	3,741	3,733
19.0	19.0	19.0	19.0	19.0	19.0
367	364	362	362	362	362
298	294	294	294	266	264
48	48	48	48	48	48

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